LOGISTEC

To New Beginnings

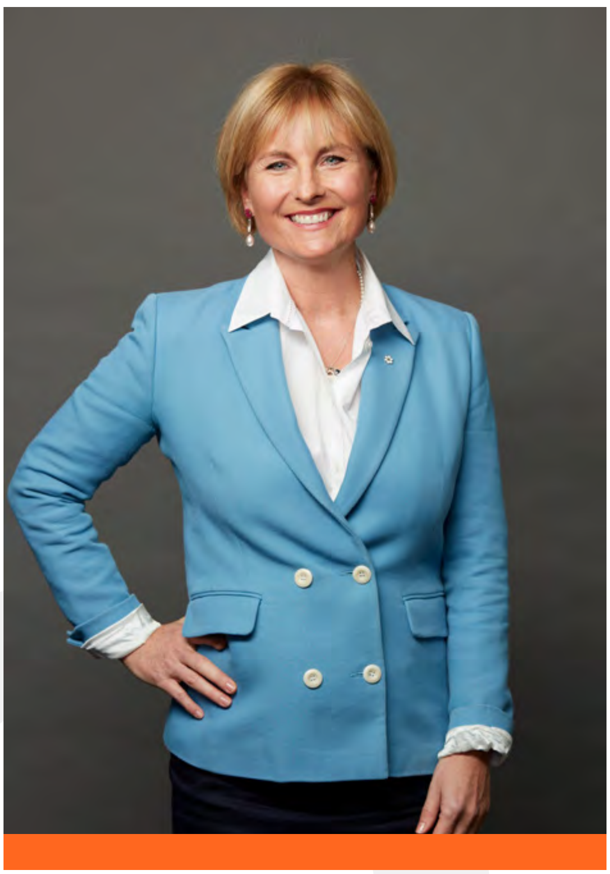
ANNUAL REPORT 2017


SANEXEN
SANEXEN

Our Vision

To be the provider of choice for safe, sustainable and creative solutions in the marine and environmental sectors. By 2022, LOGISTEC will be recognized for its remarkable contributions to its customers, its partners and its communities.

Building the Future Together



WORDS FROM OUR PRESIDENT AND CEO

Thank you for your continued support and investment in LOGISTEC. We are proud of our progress this year, and we are eager to explore how we can continue to expand this meaningful work together.

The LOGISTEC family's success is built on its core values of reliability, sustainability, imagination and always striving to excel. It is these values that have powered our emergence as a business success story in Canada. Throughout our history, we have sought to grow and strengthen our business through organic growth and acquisitions. That remains the case. We are investing in our future. Against this backdrop, our strategy is to build on five key strategic enablers that will help our customers succeed while allowing us to capture leading positions in the most attractive markets:

- Most passionate talent
- Innovation
- Operational excellence
- Asset utilization
- A strong balance sheet

2017 WAS A COMEBACK YEAR FOR THE LOGISTEC FAMILY

Total revenue reached a record $475.7 million in comparison to last year's $343.3 million. EBITDA has reached a new record of $74.7 million, up 78% from $42.0 million last year. Profit attributable to owners of the Company closed at $27.4 million, 45% over the previous $18.9 million. These results were affected by a $15.8 million charge to amortize our intangible assets in FER-PAL, related to contracts that are of an annual nature and thus subject to amortization over the first year. Without this charge, profit attributable to owners of the Company would have amounted to $39 million. These improved results stem from a combination of many positive factors, including the FER-PAL transaction, new terminal activities in cargo handling, additional bulk volumes in our existing terminals, increased container traffic at the Port of Montréal and record volumes transported to the Canadian Arctic, as well as increased activity in our environmental services business in Canada, particularly for Aqua-Pipe.

Marine Services

TERMINAL NETWORK

LOGISTEC's terminal network today spreads across 58 terminals in 35 ports in North America. Here, we handle a diverse group of cargoes that include bulk, general cargo and containers.

Bulk volumes, which include iron ore, nickel, salt, biomass and other, improved considerably throughout 2017. This trend is continuing in 2018. Further, we were pleased to add two new projects and three terminals to our portfolio in 2017: Cleveland (OH) and Port Manatee and Tampa (FL).

Our container handling business also had a great year, with a 9% volume growth over 2016. As in all our terminals, we continued to make smart investments in our terminal equipment, allowing for improved productivity.

The opportunity landscape in the port and terminal sector remains good. We are eager to continue to extend the footprint of our terminal network in 2018 and position ourselves in key strategic hubs. To this end, we are very excited about our recent acquisition, in which we added ten new terminals in five ports in the U.S. Gulf region, the largest growth market for general cargo in North America. This acquisition assures us a solid position in this region and will add some CA$85 million of new revenue to our cargo-handling business.

COASTAL SHIPPING

Our coastal shipping business, which operates as a joint venture with our partners, The North West Company and Makivik Corporation, had an outstanding year. The joint venture carried record volumes of cargo to the Arctic. To this end, it purchased a new vessel and chartered another to complete all deliveries to the Arctic. We also had voyages throughout the St. Lawrence River, which contributed to the year's success.

MARINE AGENCY

Our port agency business was also buoyant in 2017, taking care of a record number of international vessels in Eastern Canada.

Environmental Services

REMEDIATION AND OTHER SOLUTIONS

Our environmental team worked very closely with our customers to address important environmental challenges across the country. Amongst many projects, the team worked on the removal and disposal of electrical equipment at a former aluminium smelter in Kitimat (BC). They also worked on the site remediation of a former Pratt and Whitney plant in Longueuil (QC), as well as of a former air force landfill site in Goose Bay (NL). Our wholly owned subsidiary, which operates under the name Sanexen, was also proud to complete an environmental dredging project in Baie-Comeau (QC), as well as the continued decontamination of a petrochemical complex in Varennes (QC). These endeavours all contributed to record revenue for Sanexen in 2017.

However, the last year was not without its challenges. After substantial losses in our activities in France, we made the decision to close our operations there, as we did not see sustainable profits going forward. This decision had a negative impact on our financials for 2017.

WATER TECHNOLOGY

In 2017, we continued to partner with major cities in Canada that are addressing their aging water infrastructure. These cities are demonstrating solid leadership in a critical sector. Our Aqua-Pipe product was installed across 50 kilometres of drinking water distribution systems in the province of Québec alone, an amount similar to last year. In July, we were pleased to announce a highly strategic transaction, namely with FER-PAL, the largest licensee of our Aqua-Pipe technology in Canada and in the American Midwest. Also, given that it is the largest watermain structural liner company in Canada, FER-PAL's addition to the LOGISTEC family secures an important market share. This transaction has added $92 million of additional revenue to our environmental services segment in 2017.

We invested to grow our Aqua-Pipe business in the USA, but did not get the positive and rapid commercial results we had hoped for. We will persist in this marketplace, as we strongly believe we have the best solution to rehabilitate damaged drinking water pipes in a market which loses up to 30% of its drinking water in today's aging pipes. On a more positive note, we have started deploying the Aqua-Pipe product in Australia through our strategic partner Ventia and are confident that we will capture new opportunities in this very large market.

We look forward to deploying our innovative technology on a larger scale in Canada and the USA to demonstrate the cost-effectiveness and environmental benefits of our solution.

SAFETY IS A CHOICE

For the LOGISTEC family, safety is a choice. Our ambition is clear: all our people and partners must return home safely at the end of each day. In 2017, our team continued to build and enhance our Health, Safety and Environment ("HSE") initiative. We will be launching an updated HSE system in early 2018 and will continue to learn and share best practices for the benefit of our people, our partners and our customers.

NEW BEGINNINGS

LOGISTEC's continued success can be traced back to Roger Paquin, our visionary founder. His innate drive, ambition, commitment to going above and beyond for his customers, and uncanny knack for predicting changes in customer needs and innovation in the industry have enabled LOGISTEC to thrive for over 65 years in the constantly evolving marine and environmental industry. To celebrate this progress and recognize the expansion of our fields of expertise over the years, we are excited to introduce a new branding that clearly reflects our business segments: marine services and environmental services, both linked by water. What a wonderful way to honour and recognize our heritage and launch a new beginning!

When I reflect on the past year, I am proud of how we have tackled the challenges brought by our customers, and of the solutions we have developed and implemented. There is something special about the LOGISTEC family. There is a sense of pride that comes from providing the solutions our customers and communities need and making the most of ourselves as a team and as individuals. We are on a new journey of growth, building on our most formidable assets: our people, and the strong commitment of our customers and partners.

OUTLOOK

The future is bright for the LOGISTEC family! We hold leadership positions in each of our business segments niche markets, and each of their development plans yield positive outlooks.

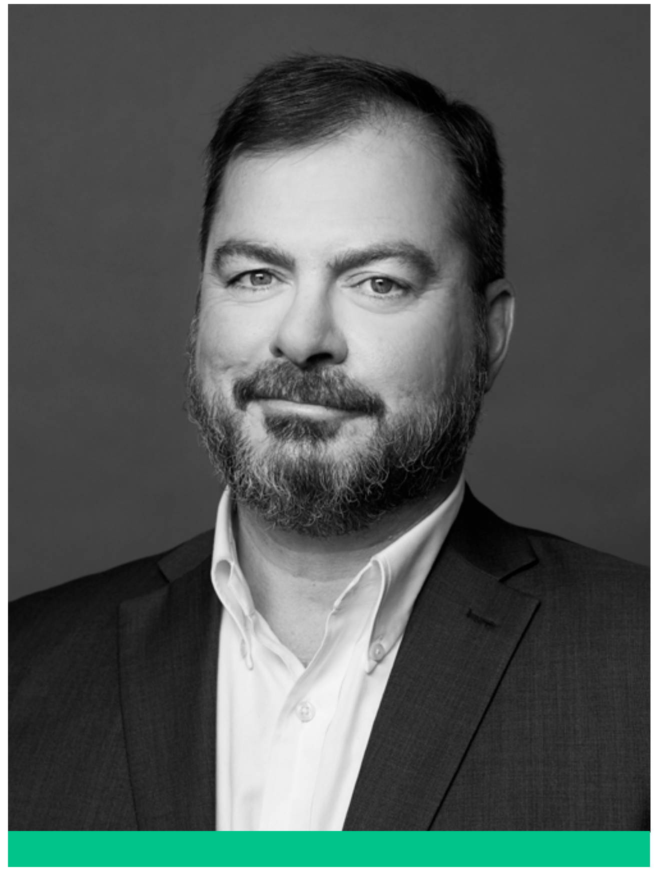
In cargo handling, we were pleased to announce the acquisition of Gulf Stream Marine in March 2018. We are very excited about joining our teams together. This acquisition will add a growing customer base to our strong network of ports, and we are confident that the resulting synergies will benefit all stakeholders. Our other marine businesses also have positive outlooks.

In our environmental business, we have ambitions for growth in both the traditional environmental business as well as Aqua-Pipe. This growth will be generated through geographic expansion and an increase in the scope of specialized services attached to our service package. Here again, the collaboration of our talented teams drives us to believe in the future growth of Aqua-Pipe in North America as well as selected regions of the world.

We take this opportunity to express our gratitude to our directors, employees, customers, shareholders, partners and other stakeholders. Your support and energy contribute to our success every day and are the foundation upon which we will continue to grow our business.

Thank you,

(signed) Madeleine Paquin
Madeleine Paquin, C.M.
President and CEO
LOGISTEC Corporation



"Our people are accountable for our performance and committed to our growth. By empowering them and setting clear goals, we delivered superior results and more value for our shareholders."

— JEAN-CLAUDE DUGAS, CPA, CA
VICE-PRESIDENT, FINANCE

2017 Highlights

Today, LOGISTEC is well positioned as one of the leading terminal operators in an attractive industry with good long-term growth prospects. LOGISTEC is also recognized as a leader in the environmental sector in Canada.

$475.7 MILLION IN REVENUE

39% INCREASE FROM 2016 $343.3 MILLION

EBITDA

$74.7

MILLION

78%

INCREASE OVER LAST YEAR'S $42.0 MILLION

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY REACHED

$27.4

MILLION

45%

INCREASE OVER LAST YEAR'S $18.9 MILLION

+2400 people

SERVING OVER 2500 vessels in 35 ports

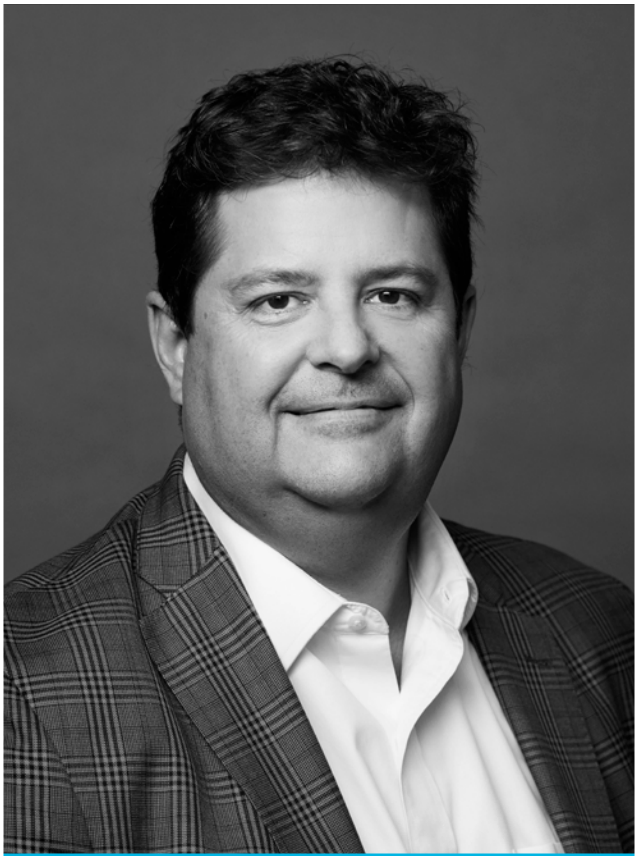
1,570 km of watermains REHABILITATED UP TO DATE

The Most Passionate Talent

"Our people are our most precious asset."

Central to our success is our devoted family of over 2,400 people who are ready to go above and beyond and challenge the status quo. They strive to continuously push boundaries. They seek new ways to improve our leadership position in the marine and environmental industries.

We invest strategically in our greatest asset, our people, as enabling them to grow and succeed is crucial to building our future.



"No investment in our future has more impact than our investment in developing our future leadership, our next generation."

— STÉPHANE BLANCHETTE, CHRP
VICE-PRESIDENT, HUMAN RESOURCES

TALENT MANAGEMENT

We strongly believe in developing our talent and creating personal development opportunities for everyone. We constantly evaluate and review the programs we offer to ensure our people have the training they need to reach their full potential. As we continue to grow as an organization, we will keep investing strategically in our next generation.

ROBUST SUCCESSION PLANNING

It is not enough to have the right people in the right jobs for the time being: as an industry leader, we understand that we need to plan for the future. The first step is to understand our business strategy and the roles that are most important in making it a reality. This has allowed us to create a succession framework for the advancement of our future leaders, the next generation, and our critical positions. Our success attracts a steady supply of port managers, project managers, environmental experts, scientists and other key roles.

COACHING FOR PERFORMANCE

Leaders learn best from the experience of other leaders. We strongly believe that coaching is a prime driver for creating an environment where our people develop a sense of engagement, and gain the clarity and energy needed to deliver great results. The purpose of the Coaching for Performance program is to help our managers and the people they lead be the best they can be. It has been designed to develop and optimize our managers' coaching skills by providing them with a clear notion of the principles of good coaching in theory and in practice.

LEADERSHIP ENGAGEMENT

Our leadership team is highly engaged at all levels of the organization. Our CEO passionately leads the charge. She has created a clear vision for our future. Our people have a deep sense of pride and belonging with regard to our organization and their roles. Throughout the LOGISTEC family, we are all aligned with our CEO, her leadership team and the values of our organization.

PROMISING TALENT

LOGISTEC has made a major long-term investment through Building our Future Together, the program for high-potential personnel focused on building leadership capability and providing a wealth of experience over an intensive, multi-year period. In order to raise the next generation of leaders, the program focuses on the potential of the individual and the speed at which they are likely to be able to transition to a more demanding role. We are excited to extend this promising program to the rest of the LOGISTEC family in 2018.

Innovation

Our people are imaginative thinkers who generate new and unique solutions and have the courage to take action to put these innovative solutions in place. They foster the creative ideas of others, using good instincts and agility to bring the right solutions to our customers.

As we expand our terminal footprint and environmental expertise, we continue to identify sustainable growth opportunities and drive innovation across all our fields of expertise.

CONTINUOUS IMPROVEMENT

Over the years, solid processes and continuous learning have allowed us to establish reliable supply chains for our customers. Whatever the circumstances, our people have an uncanny ability to find solid, innovative solutions. In 2017, a range of new innovations were implemented across our terminals to increase our operating efficiencies and meet our customers' unique needs.

ENVIRONMENTAL INNOVATION

Tackling today's complex environmental challenges demands a solution-oriented approach that combines both expertise and resourcefulness. Our scientists and environment specialists not only remain up to date on the latest research and development and remediation methods, but also constantly look for ways to strengthen our technical capabilities through innovation.

WATER TECHNOLOGY

Over the years, we have acquired extensive expertise in materials science, which has allowed us to perfect our Aqua-Pipe composite and give it its unique properties like resiliency to seismic ground movement.

We want to maintain our advanced position in materials science for drinking water applications. We continue to invest in our water technology and innovate with new materials to further improve the properties of Aqua-Pipe. In 2018, we will focus on implemention in markets with significant potential, especially in the USA, given the challenges of aging water infrastructure.

"There is something special about the LOGISTEC family. There is a sense of pride that comes from providing the solutions our customers and communities need, and making the most of ourselves as a team and as individuals."

— MADELEINE PAQUIN, C.M.
PRESIDENT AND CEO

(in thousands of dollars, except where indicated)	**2017**	2016	2015	2014	2013	**Variation 16-17 %**	**Variation 13-17 %**
Financial Results							
Revenue	**475,743**	343,326	358,008	322,220	298,300	**38.6**	**59.5**
EBITDA [(1)]	**74,741**	42,034	56,321	55,557	57,297	**77.8**	**30.4**
Profit for the year [(2)]	**27,426**	18,858	29,142	31,037	27,522	**45.4**	**(0.3)**
Financial Position							
Total assets	**512,542**	355,860	328,415	286,987	239,306	**44.0**	**114.2**
Working capital	**70,196**	75,745	71,717	58,992	55,374	**(7.4)**	**26.7**
Long-term debt (including the current portion)	**83,404**	60,325	32,079	29,268	5,632	**38.1**	**1,380.9**
Equity [(2)]	**228,574**	201,383	189,413	163,501	151,891	**13.5**	**50.5**
Per Share Information [(3)] [(4)]							
Profit for the year [(2)] ($)	**2.11**	1.48	2.34	2.46	2.13	**31.4**	**(1.1)**
Equity [(2)] ($)	**17.56**	15.77	15.20	12.96	11.78	**10.3**	**49.1**
Outstanding shares, diluted (weighted average in thousands)	**13,016**	12,768	12,458	12,617	12,894		
Share price as at December 31							
Class A Common Shares ($)	**44.04**	38.00	44.01	49.00	30.00		
Class B Subordinate Voting Shares ($)	**44.75**	35.10	38.00	41.00	27.50		
Dividends declared per share							
Class A Common Shares [(5)] ($)	**0.3150**	0.3000	0.2750	0.9800	0.1950		
Class B Subordinate Voting Shares [(5)] ($)	**0.3465**	0.3300	0.3025	1.0780	0.2145		
Financial Ratios							
Return on average equity [(2)]	**12.76%**	9.65%	16.52%	19.68%	19.81%		
Profit for the year / revenue	**5.76%**	5.49%	8.14%	9.63%	9.23%		
Long-term debt / capitalization [(6)]	**27%**	23%	14%	15%	4%		
Price / earnings ratio (Class B Subordinate Voting Shares)	**21.24**	23.76	16.24	16.66	12.88		

(1) EBITDA is a non-IFRS measure and is calculated as the sum of profit attributable to owners of the Company plus interest expense, income taxes, depreciation and amortization expense, customer repayment of investment in a service contract, and including impairment charge
(2) Attributable to owners of the Company
(3) For earnings per share per class of share, please refer to the "Selected Quarterly Information" table on page 36
(4) All per share information has been adjusted to reflect the two-for-one stock split of June 2014
(5) On May 7, 2014, the Company declared a special dividend of $0.75 per Class A Common Share and $0.83 per Class B Subordinate Voting Share, for a total consideration of $9.9 million
(6) Capitalization equals long-term debt (including the current portion) plus equity attributable to owners of the Company

Introduction

This management's discussion and analysis ("MD&A") of operating results deals with LOGISTEC Corporation's operations, results and financial position for the fiscal years ended December 31, 2017 and 2016. All financial information contained in this MD&A and the attached audited consolidated 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 audited consolidated financial statements and the notes thereon.

Our Business

Founded in 1952, LOGISTEC Corporation is incorporated in the province of Québec and its shares are listed on the Toronto Stock Exchange ("TSX") (ticker symbols LGT.A and LGT.B). The Company's consolidated revenue amounted to $475.7 million in 2017 ($343.3 million in 2016). The Company has earned a profit each year since going public in 1969 and posted a profit attributable to owners of the Company of $27.4 million in 2017, which works out to $2.11 per diluted share ($18.9 million and $1.48 per share in 2016). The Company's largest shareholder is Sumanic Investments Inc.

The operations of LOGISTEC Corporation, its subsidiaries and its joint ventures (collectively "LOGISTEC", the "Company", "we", "us", or "our") are divided into two segments: marine services and environmental services.

Marine Services

LOGISTEC provides specialized cargo handling and other services to a wide variety of marine and industrial customers. The Company is one of Eastern Canada's largest cargo handling companies and a growing player in the USA with revenue from its marine services segment amounting to $205.3 million. Marine services accounted for 43.1% of the Company's consolidated revenue in 2017. Our services also include marine transportation and marine agency services.

CARGO HANDLING

With a presence in 35 ports and 58 terminals in eastern North America, our Company specializes in handling all types of dry cargo, including bulk, break-bulk and containers. Cargoes handled typically consist of forest products, metals, dry bulk, fruit, grain and bagged cargoes, containers, general and project cargoes. We also offer container stuffing and destuffing, warehousing and distribution, and other value-added services to industrial customers. We provide short-line rail transportation in Cape Breton (NS), a value-added service to an existing contract with an important customer.

Our strategy is focused on diversifying our operations to cover a wide geographical area with a broad cargo mix and a blend of import-export activities. This helps minimize the impact of a negative situation affecting any one particular region or cargo type.

Our extended network of port terminals allows us to specialize our facilities and thereby tailor our services to our customers' specific cargo handling needs. This improves the quality of services, enhances operating efficiencies, lowers the risk of cargo damage, and ensures greater control over costs. In general, this strategy enables us to provide our customers with top-quality cost-competitive services.

We aim to be a choice operator, facilitating the movement of cargo for industrial customers as well as shipowners and operators.

OTHER MARINE SERVICES

Our other marine services include coastal transportation of cargoes to communities in the Canadian Arctic through our 50%-owned joint venture Transport Nanuk Inc. ("Nanuk"). Nanuk owns a 50% interest in NEAS Inc. ("NEAS"), in partnership with Inuit shareholders. NEAS owns five ice-class vessels and operated six vessels in 2017. We served close to 50 communities in Nunavut and Nunavik. Nanuk's results are included in the Company's results using the equity method of accounting.

We also offer marine agency services to foreign shipowners and operators active in Canadian waters. A shipping agent is the local representative of a foreign shipping company and will usually take care of all routine tasks on its behalf. The agent ensures that essential supplies, crew transfer, customs documentation and waste declarations are all arranged with port authorities. The agency will ensure a berth for the incoming ship, obtain services for the pilot and organize the necessary contacts with the stevedores.

Environmental Services

The Company, through its subsidiaries Sanexen Environmental Services Inc. ("Sanexen") and FER-PAL Construction Ltd. ("FER-PAL"), operates in the environmental sector. It provides services to industrial and municipal organizations relative to underground watermains, regulated materials management, site remediation, risk assessment, and manufacturing of woven hoses.

Operational since 1985, Sanexen became a subsidiary of LOGISTEC Corporation in 1992. LOGISTEC Corporation entered into an agreement to acquire the non-controlling interest in 2016 and now owns 100% of the voting shares of this company, as described later in this MD&A. LOGISTEC acquired a 51% interest in FER-PAL in 2017. Please refer to the Business Acquisition section of this MD&A for more details. Revenue from the environmental services segment amounted to $270.5 million in 2017, and accounted for 56.9% of the Company's consolidated revenue.

AQUA-PIPE

Sanexen has developed the Aqua-Pipe technology, a process involving structural lining with minimal excavation, for the rehabilitation of drinking water supply lines between 150 millimetres and 400 millimetres in diameter. Aqua-Pipe is a technology which creates a new structural pipe made of composite materials within aging pipes that have reached the end of their useful life.

Sanexen owns Niedner Inc. ("Niedner"), a manufacturer of woven hoses. Through Niedner, Sanexen manufactures the structural lining used in the Aqua-Pipe process as well as woven hoses destined for the fire-fighting market and the energy industry. Niedner also produces the resin that is part of the Aqua-Pipe installation process.

Sanexen either performs the installation of Aqua-Pipe itself or licenses the technology to specialized contractors. Developing, manufacturing and installing the product gives Sanexen a competitive advantage as it allows us to better understand all aspects of the product and its installation, and enables us to continue to improve the product and better assist our licensees. FER-PAL is the largest holder of Aqua-Pipe licenses and the largest installer of the Aqua-Pipe line of products. Our U.S. operations are handled through Sanexen Water, Inc., with two offices, one near Philadelphia (PA) and the other in the vicinity of Los Angeles (CA), and through FER-PAL Construction USA, LLC, with offices near Chicago (IL) and Detroit (MI).

Using this technology, approximately 1,570 kilometres of watermains have been rehabilitated to date, directly or via licensees.

OTHER ENVIRONMENTAL SERVICES

The Company provides services for the characterization and remediation of sites as well as for risk assessment and for regulated materials management, and has carried out hundreds of projects involving a wide spectrum of decontamination issues. It offers turnkey solutions for the assessment of properties (phases I and II) and the clean-up of soils, groundwater, buildings, lagoons and underground tanks. Sanexen also analyzes and evaluates the human and environmental risks associated with contamination issues.

Mission and Development Strategy

"LOGISTEC provides high-quality, specialized cargo handling and other services to its marine, industrial, and municipal customers through the expertise of its personnel, the use of the latest technologies and a network of strategically located facilities.

LOGISTEC will maximize shareholder value through its focus on customer service, operational excellence and a commitment to growth.

In cargo handling, LOGISTEC is an innovative, solutions-based service provider in North America. We provide cargo handling, port logistics and other value-added services to industrial companies and carriers. Our growth strategy is based on organic growth and business acquisitions. We aim to maximize cargo handled through our existing network of terminals while also diversifying our cargo base, where appropriate, to avoid overexposure to any specific commodity or product. Management is always seeking new business opportunities, and potential investment projects are regularly analyzed. Such opportunities may include the acquisition of other operators, the addition of port facilities, outsourcing and providing turnkey solutions or value-added solutions for existing or new customers. We apply very strict evaluation criteria from both a financial and a strategic fit perspective to all our projects. Indeed, prior to proceeding with an acquisition, we make sure that the investment is accretive, that it provides the proper return from future sustainable cash flows and, if financing is needed, that our financial position continues to present an acceptable debt level and debt/capitalization ratio. We are striving to expand our geographical presence while maintaining a balanced portfolio of commodities or products handled. A potential business acquisition is pursued only if it will contribute to maximizing shareholder value.

Sanexen's long-term development strategy, while maintaining a strong focus on its traditional business (regulated materials management, site remediation and risk assessment), relies extensively on the development of Aqua-Pipe and the large potential of the North American market as well as, to a lesser extent, the international market. Through Niedner, Sanexen controls the research, development and production of the lining and resin, two of the key components in the Aqua-Pipe process. The development of large-diameter woven hoses for Aqua-Pipe is an important part of Sanexen's growth plan.

Finally, the acquisition of a majority position in FER-PAL consolidates our position as a North-American leader in the installation of structural lining for the rehabilitation of drinking water supply lines. Furthermore, the recent acquisition of Gulf Stream Marine, Inc. ("GSM"), which we discuss in the Business Acquisition section of this MD&A, allows LOGISTEC to establish a stronghold in the U.S. Gulf region and represents a major expansion of our network of terminals in the USA.

Performance Factors

Three performance factors are particularly important for the Company: a qualified and dedicated workforce, a reliable fleet of equipment and access to port facilities.

Our Personnel

Our employees are key to our successful business strategy, since they ensure optimal management of our facilities and efficient use of our fleet of equipment. Our success is a reflection of their skills.

We consider ourselves fortunate to count on a team of dynamic and qualified people to manage our operations despite a competitive job market. We have developed in-house programs to motivate, train and retain our employees, and we benefit from a low personnel turnover rate. Before the acquisition of GSM, we employed the equivalent of 1,740 people. With this acquisition, we now employ more than 2,400 people across North America, from the Arctic to Brownsville (TX). This number is the full-time equivalent based on a forty-hour work week of all salaried and hourly employees, including longshoremen whose services are retained directly or under multi-employer jurisdictions as a complement to our direct employees. It also includes Sanexen's and FER-PAL's highly qualified employees, many of whom are university graduates, including some with masters and doctoral degrees. The Company's involvement in the environmental industry means that we require highly qualified personnel, as our solid reputation is based on our ability to attract and retain technical and professional staff.

Being mostly a service provider (as opposed to a manufacturing business), employee benefits expense is the most significant expense for the Company and represented $235.2 million or 49.4% of revenue in 2017 ($158.8 million or 46.2% of revenue in 2016). Please refer to Notes 8, 25 and 34 of the notes to 2017 consolidated financial statements (the "2017 Notes") and to page 26 of this MD&A for further details on employee compensation and benefits.

Fleet of Equipment

Specializing our port facilities enables us to deploy our equipment according to the particular cargo we handle. Each type of cargo requires unique methods and equipment to ensure safe and efficient handling.

LOGISTEC has an impressive mix of equipment to handle bulk and break-bulk cargoes, as well as containers. We usually spend between $15 million and $20 million annually on equipment replacement. Such capital spending is in line with our annual depreciation charge. This practice allows us to maintain our production capacity and operational efficiency. In 2017, our consolidated capital expenditures were higher at $22.0 million.

We own numerous weaving machines and, with a research and development team unique in its industry, have the ability to develop and adapt our woven-hose products to a wide variety of customers. Within Niedner, we own the plant housing these machines, which are used to manufacture Aqua-Pipe hoses, and where we produce resin, two key ingredients in our watermain rehabilitation services. In order to meet the growing demand for Aqua-Pipe technology, in 2014, we initiated a modernization and expansion of the Niedner plant to obtain better operating efficiency and increase production capacity. This project was completed in 2017 for a total investment of $12.5 million.

Equipment and supplies constitute the second largest expense incurred by the Company as shown in the consolidated statements of earnings, and when combined with depreciation and amortization expense, totalled $156.5 million in 2017, which represents 32.9% of revenue ($116.9 million or 34.1% of revenue in 2016).

Access to Port Facilities

Access to port facilities is a key success factor for a cargo handling company. It is also a barrier to entry in this segment of our business. The number of port facilities with adequate characteristics (geographical location, draft, loading and warehousing capacity, access to land transportation, etc.) is limited, and such facilities are generally leased on a long-term basis. We are present in 35 ports and 58 terminals in eastern North America.

We lease the terminals where we operate and a majority of the warehouses we use. Most of our sites are under long-term leases, permitting us to invest in proper infrastructure. The rent may be a fixed monthly charge, a throughput fee based on tonnage handled, or a combination of both. We have access to thousands of square metres of dock space along with several kilometres of dock front.

In the Company's consolidated statements of earnings, rental expense, which includes rent on leased properties, municipal taxes and maintenance costs of our sites, is the third largest expense at $33.8 million or 7.1% of revenue in 2017 ($28.9 million or 8.4% of revenue in 2016).

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.

Ability to Perform

We have achieved a profit every year since becoming a public company in 1969. Our history of success attests to our long-term financial stability and our ability to perform on a sustained basis in a changing environment.

Business Strategy

In the marine services segment, our business strategy is rooted in the diversification of the cargoes we handle, the wide geographical area covered by our facilities and a well-balanced mix of import and export activities. This strategy has proven particularly effective over the years, as we have seen fluctuations in mining, steel, forest products, containers and other cargo volumes, where negative situations are often offset by positive ones. In the environmental services segment, we have positioned ourselves as a leader in our traditional markets, and we are counting on the penetration of Aqua-Pipe services in the USA and international markets for future growth.

We have sound internal expertise as well as access to a qualified labour force, an efficient, well-maintained and well-deployed fleet of equipment, and a solid reputation in both cargo handling and environmental services. These features have earned the trust of our customers, suppliers and partners, and contribute to our growth.

Ability to Negotiate with Unions

LOGISTEC employs union and non-union workers depending on the company and location. Over the years, we have proven our ability to negotiate directly or through employer associations and reach agreements with unions where applicable. The Company is party to 31 collective agreements. We signed seven agreements in 2017, while five are still being negotiated at the end of 2017 and 12 will expire in 2018.

Borrowing Capacity

LOGISTEC generates positive operating cash flows. These reached $71.3 million and $48.3 million in 2017 and 2016, respectively, which is more than sufficient to cover our capital expenditures and working capital needs.

At the end of 2017, our total consolidated long-term debt, including the current portion, was $83.4 million, whereas our equity attributable to owners of the Company totalled $228.6 million, giving us a debt/capitalization ratio of 26.7%.

The Company has organized its banking facilities in order to segregate credits available to its wholly owned activities and subsidiaries from credits available to non-wholly owned subsidiaries and joint ventures. All credits available to non-wholly owned subsidiaries and joint ventures are without recourse to LOGISTEC. At the end of 2017, LOGISTEC had available credit facilities, including short-term and long-term facilities, totalling $154.0 million, of which $76.7 million were used (including letters of guarantee) as at December 31, 2017. As part of the acquisition of GSM, the Company exercised the accordion facility in place with its main banker, increasing the actual available credit by $50 million, to bring the total credits available to LOGISTEC to $204.0 million.

Please refer to Note 29 of the 2017 Notes for further details on long-term debt.

Joint ventures and non-wholly owned subsidiaries' available credit facilities totalled $86.1 million at the same date (representing 100% of the value, i.e. not our proportionate share) of which $77.9 million were used.

These figures demonstrate the Company's financial capacity and its ability to secure financial resources to ensure our performance and development over the long term.

Selected Annual Financial Information

years ended December 31
(in thousands of dollars, except earnings and dividends per share)

	2017	2016	2015	**Variation 16-17**	
	$	$	$	**$**	**%**
Revenue	**475,743**	343,326	358,008	**132,417**	**38.6**
Profit attributable to owners of the Company	**27,426**	18,858	29,142	**8,568**	**45.4**
Total basic earnings per share (1)	**2.23**	1.55	2.34	**0.68**	**43.9**
Total diluted earnings per share (1)	**2.11**	1.48	2.34	**0.63**	**42.6**
Total assets	**512,452**	355,860	328,415	**156,592**	**44.0**
Total non-current liabilities	**173,368**	102,549	64,674	**70,819**	**69.1**
Cash dividends per share:					
— Class A shares (2)	**0.3075**	0.3000	0.2625		
— Class B shares (3)	**0.3383**	0.3300	0.2888		
Total cash dividends	**3,917**	3,814	3,408		

(1) *Combined for both classes of shares*
(2) *Class A Common Shares ("Class A shares")*
(3) *Class B Subordinate Voting Shares ("Class B shares")*

2017 versus 2016

Revenue was up by 38.6% in 2017, an increase of $132.4 million over 2016. The variation came from both our marine services segment, with an increase of 10.4%, and our environmental services segment, with an increase of $113.2 million or 71.9%.

Profit attributable to owners of the Company increased by $8.6 million or 45.4% in 2017. The variation came from a 24.9% increase in our marine services segment, mainly due to higher cargo handling volumes. The environmental services segment was less profitable in relation to revenue due to a significantly lower margin in all services.

The additional profit deriving from the acquisition of FER-PAL was almost completely offset by the amortization of the intangible asset that was part of the acquisition. This intangible asset was the value of contracts on hand at the time of the purchase, whose life expectancy only lasted seven months.

Total assets amounted to $512.5 million at the end of 2017, up by $156.6 million over 2016. This growth in assets is due to investments in capital expenditures, and to two business acquisitions, FER-PAL and Logistec Gulf Coast LLC ("LGC"). Please refer to page 23 of this MD&A for details on these business acquisitions. Our cash position decreased by $12.0 million, mainly due to our investment activities of $69.7 million and a negative change in non-cash working capital of $23.9 million. This was partly offset by $71.3 million in cash generated from operations, and the issuance of long-term debt net of repayment for $19.2 million.

Total non-current liabilities increased to $173.4 million in 2017, compared with $102.5 million in 2016. This is due to the $19.3 million increase in our long-term debt in 2017 to finance our investments in capital expenditures. It also stems from the $49.1 million increase in non-current liabilities mostly related to the FER-PAL business acquisition, detailed on page 23 of this MD&A.

Cash dividends paid in 2017 increased by 2.7% to $3.9 million, compared with $3.8 million in 2016.

2016 versus 2015

Revenue was down by 4.1% in 2016, a decrease of $14.7 million over 2015. The variation came from our marine services segment with a decrease of 9.9%, partially offset by a 3.9% increase in the environmental services segment.

Profit attributable to owners of the Company decreased by $10.3 million or 35.3% in 2016. The variation came from both of our business segments: a 23.9% and 49.6% decrease for the marine and environmental services segments, respectively. This decline stemmed largely from lower cargo handling volumes for the marine services segment. The environmental services segment was less profitable due to significantly lower sales in Aqua-Pipe installation services.

Total assets amounted to $355.9 million at the end of 2016, up by $27.4 million over 2015. This growth in assets was mainly due to investments in capital expenditures, and to an increase in trade and other receivables. Our cash position decreased by $7.8 million, which is mainly due to our investment activities of $32.2 million, income taxes paid of $7.5 million, and a negative change in working capital of $15.3 million, partly offset by $48.3 million in cash generated from operations.

Total non-current liabilities increased to $102.5 million in 2016 from $64.7 million in 2015, due mainly to the $28.7 million increase in our long-term debt during the year in order to finance our investments in capital expenditures, and to the $12.5 million increase of our other non-current liabilities related to the repurchase of the non-controlling interest in Sanexen.

Cash dividends paid in 2016 increased by 11.8% to $3.8 million from $3.4 million in 2015.

Repurchase of the Non-Controlling Interest in Sanexen

On March 24, 2016, LOGISTEC entered into an agreement to acquire the remaining 29.8% equity interest it did not own in Sanexen for an agreed value of $43.8 million.

To determine the value, we used the ratio of LOGISTEC's shares on the stock market over LOGISTEC's equity at book value, and applied the same ratio to Sanexen's equity at book value. In order to avoid any anomalies, we used the average of the daily close price of LOGISTEC's LGT.A and LGT.B stocks on the TSX for the 30 calendar days prior to the transaction date.

As part of the transaction, the non-controlling interest shareholders of Sanexen exchanged their common shares in the capital of Sanexen for two classes of newly created non-voting and non-dividend bearing preferred shares of Sanexen, Class G Preferred Shares ("Class G shares") and Class H Preferred Shares ("Class H shares"), for an aggregate value of $43.8 million, resulting in LOGISTEC holding 100% of the common shares of Sanexen.

Immediately following the share exchange, LOGISTEC and the non-controlling interest shareholders entered into a put and call option agreement ("Option Agreement") pursuant to which LOGISTEC was granted call options, exercisable in whole or in part at any time, to acquire from them their Class G shares for cash consideration of $15.9 million and to acquire their Class H shares in exchange for 754,015 Class B shares of LOGISTEC. The number of Class B shares was determined using the average price for Class B shares over the prior 30 days ($36.92 per share).

Pursuant to the Option Agreement, each non-controlling interest shareholder was granted a put option to sell to LOGISTEC their Class G shares upon certain events, including termination of employment, and a put option to sell to LOGISTEC their Class H shares as to one-fifth (1/5) on each of the first five anniversaries of the signature of the Option Agreement, each at the same price and consideration as the call options granted to LOGISTEC.

A retention restriction was imposed to certain non-controlling interest shareholders who are executives of Sanexen as follows: a 40% discount, representing $4.5 million, will be applied to the purchase price of the Class G shares of these shareholders should they leave Sanexen voluntarily before March 24, 2021.

The Board of Directors of LOGISTEC received a fairness opinion from PricewaterhouseCoopers LLP to the effect that the consideration paid for the transaction was fair, from a financial point of view, to LOGISTEC.

The recording of the transaction is summarized as follows:

Pursuant to the Option Agreement, the Class G shares will be repurchased for a fixed cash amount. Accordingly, the options are classified as a long-term liability in the consolidated statements of financial position of the Company.

The options have a nominal value of $15.9 million. The portion related to the retention of certain Sanexen executives of $4.5 million will be recorded as a compensation expense over the retention period using the straight-line method, with a corresponding increase to the long-term liability. The remaining $11.4 million liability was recorded at the date of the transaction.

Since the options related to the Class G shares are not expected to be immediately exercisable, we recorded this long-term liability of $11.4 million at its fair value of $8.9 million, which represents the present value of our best estimate of when LOGISTEC will exercise its call option, or when the non-controlling interest shareholders will exercise their put option, and a corresponding decrease to non-controlling interests. The long-term liability will accrete to $11.4 million over the expected life of the option through an interest charge.

The Class H shares are redeemable in 754,015 Class B shares of LOGISTEC, as described above. As opposed to the $36.92 per share price that was used to determine the number of Class B shares of LOGISTEC to be issued, the value used for accounting purposes was the current market price of Class B shares. On March 24, 2016, the closing trading price of the Class B shares on the TSX was $39.75 per share. In addition, because the Class H shares are redeemable in Class B shares over a period of five years, we have determined the fair value of the Class B shares to be issued using a Black-Scholes option pricing model based on assumptions regarding the volatility of LOGISTEC Class B shares, dividend yield and interest rates, resulting in a value of $33.02 per share.

As a result, as at March 24, 2016, LOGISTEC recorded share capital to be issued amounting to $24.9 million with a corresponding decrease in retained earnings.

Furthermore the 754,015 Class B Shares to be issued were included in our calculation of earnings per share presented on a fully diluted basis.

During 2017, 150,803 Class B shares were issued to acquire Class H shares of Sanexen. As at December 31, 2017, there are 600,231 Class B shares to be issued, and the related amount recorded in our financial statements as share capital to be issued is $19.9 million.

Business Acquisitions

Business acquisitions for the year ended December 31, 2017

On July 6, 2017, the Company acquired 51% of the shares of FER-PAL, a Toronto (ON)-based company that utilizes our Aqua-Pipe technology and that offers complete watermain rehabilitation solutions, for an estimated aggregate purchase price of $49.5 million. The purchase price paid by LOGISTEC consisted of a cash payment of $41.5 million and the issuance of 230,747 Class B shares in the share capital of LOGISTEC, subject to a post-closing adjustment. The LOGISTEC shares issued as part of the purchase price were covered by contractual lock-up restrictions as to 100% of such shares until January 6, 2018, and as to 50% until July 6, 2018, and orderly disposal provisions. Transaction costs amounting to some $0.9 million are included in the financial results.

This transaction consolidates and expands the Company's environmental services in watermain rehabilitation projects utilizing our Aqua-Pipe trenchless technology for municipalities in Canada and the United States.

On February 16, 2017, the Company also invested US$4.4 million (CA$5.8 million) in Logistec Gulf Coast LLC ("LGC"), a newly formed company. The funds were used to acquire essentially all of the operating assets of Gulf Coast Bulk Equipment, Inc. ("GCBE"). The Company holds a 70% interest in LGC and GCBE holds the remaining 30% interest.

This transaction consolidates and expands the Company's bulk cargo handling services in the U.S. Southeast and the Gulf of Mexico region.

FER-PAL and LGC Acquisitions

At the acquisition date, the fair value of the underlying identifiable assets acquired and liability assumed was as follows:

(in thousands of dollars)	FER-PAL $	LGC $	Total $
Current assets	**29,624**	**194**	**29,818**
Property, plant and equipment	**8,034**	**8,457**	**16,491**
Goodwill	**83,347**	**564**	**83,911**
Other intangible assets	**16,750**	**—**	**16,750**
Non-current financial assets	**317**	**—**	**317**
Bank overdraft	**(8,251)**	**—**	**(8,251)**
Current liabilities	**(23,791)**	**(866)**	**(24,657)**
Long-term debt	**(1,648)**	**—**	**(1,648)**
Deferred income tax liabilities	**(6,298)**	**—**	**(6,298)**
Non-current financial liabilities	**(1,058)**	**—**	**(1,058)**
	97,026	**8,349**	**105,375**

(in thousands of dollars)	FER-PAL $	LGC $	Total $
Purchase consideration			
Cash [(1)]	**41,483**	**5,805**	**47,288**
230,747 Class B shares issued (Note 32)	**8,000**	**—**	**8,000**
Non-controlling interests [(2)]	**47,543**	**2,544**	**50,087**
	97,026	**8,349**	**105,375**

(1) ***Based on the performance of FER-PAL for the six-month period ended December 31, 2017, the company recorded a preliminary estimated gain of $5.3 million in the consolidated financial statements of earnings, under the heading Other gains and losses, as a post-closing adjustment settlement of the purchase consideration***

(2) ***Non-controlling interest shareholders hold 49% and 30% interest in FER-PAL and in LGC, respectively. Non-controlling interests are measured at fair value as at the acquisition date***

The cash portion of the purchase consideration includes an amount of $5.0 million paid in escrow, which will be used to settle the post-closing adjustments based on the performance of FER-PAL for the year ended December 31, 2017. At the acquisition date, the Company estimated that no additional amount would be payable nor any reduction in the purchase price would occur. As of December 31, 2017, based on the lower than anticipated performance of FER-PAL, an estimated gain of $5.3 million was recorded, included in the caption "Other gains and losses" and an equivalent amount as a receivable. The purchase price, as of the date of these financial statements, is subject to further material post-closing adjustments, which may result in additional further future impacts to the consolidated results of the Company. The uncertainty regarding the purchase price is due to the ongoing review, by the Company, of pre-acquisition results of FER-PAL, which are significant in the performance for the year ended December 31, 2017.

The purchase price and allocation thereof regarding FER-PAL is preliminary and is subject to change once final valuations of the assets acquired and liability assumed are completed. The principal valuations which have not yet been completed are with respect to inventory, property, plant and equipment and the impacts to goodwill and deferred income taxes. Once the valuations are completed, the consolidated financial statements will be adjusted on a retroactive basis.

The purchase price allocation of LGC is final.

Goodwill

Goodwill from the acquisitions is mainly the result of expected synergies and intangible assets not qualifying for separate recognition. Goodwill is not deductible for tax purposes.

Repurchase of the Non-Controlling Interests

FER-PAL

The Company granted the 49% non-controlling interest shareholders in FER-PAL 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 a two-year period for cash consideration based on a predetermined purchase price formula based on FER-PAL's performance. At the acquisition date, the Company recorded a liability and reduced the non-controlling interest by an amount of $47.5 million representing the estimated present value of the redemption amount of such cash consideration. As at December 31, 2017, following the accretion of interest a liability of $48.4 million has been included in non-current financial liabilities in the consolidated financial statements.

The Company also has a call option, exercisable by LOGISTEC at any time after July 6, 2022, to purchase the remaining 49% shares from the non-controlling interest shareholders on the same terms as the put option.

LGC

The Company has the obligation to repurchase the 30% non-controlling interest in LGC on December 31, 2021 at the latest, or sooner upon the occurrence of certain events. The purchase price will be the greater of: i) the book value of the 30% non-controlling interest or ii) a multiple of the applicable three-year average EBITDA[(1)], minus LGC's debt. Consequently, the Company recorded a liability and reduced the non-controlling interest by an amount of $2.6 million representing the estimated present value of the purchase price of the non-controlling interest. As at December 31, 2017, a liability of $2.2 million is included in non-current financial liabilities in the consolidated financial statements.

The purchase price allocation of LGC is final. As a result of the non-participant nature of the non-controlling interests in the results of both FER-PAL and LGC, no profit is attributed to the non-controlling interests other than with respect to amounts representing the distribution of profits pursuant to a shareholder agreement entered into with the FER-PAL non-controlling shareholders.

(1) EBITDA is a non-IFRS measure and is calculated as the sum of profit attributable to owners of the Company plus interest expense, income taxes, depreciation and amortization expense, customer repayment of investment in a service contract, and including impairment charge

Impact of the Acquisitions on the Results of the Company

The Company's results for the year ended December 31, 2017, include $92.1 million in revenue, and an additional net profit of $1.7 million generated from FER-PAL. They also include $11.6 million in revenue and a net loss of $1.3 million generated from additional business at LGC for the year ended December 31, 2017.

If these business acquisitions had been completed on January 1, 2017, the Company's consolidated revenue and net profit for the year ended December 31, 2017 would have totalled $507.6 million and $33.9 million, respectively.

Business acquisitions for the year ended December 31, 2016

On March 8, 2016, the Company acquired Excava-Tech Inc. ("Excava-Tech") for $5.7 million. This acquisition represents a vertical integration for Aqua-Pipe services.

Please refer to Note 6 of the 2017 Notes for further details on business acquisitions.

Gulf Stream Marine Acquisition

On March 1, 2018, the Company concluded the acquisition of GSM. This transaction will allow LOGISTEC to establish a stronghold in the U.S. Gulf region, strengthen its position in a high-growth market in the United States, provide access to an experienced talent pool, facilitate knowledge transfer between the two organizations, and generate immediate positive benefits to shareholders.

This acquisition also represents a major expansion of our network of terminals in the USA. With GSM's 10 terminals in 5 ports, LOGISTEC's cargo handling activities now cover 58 terminals in 35 ports in North America.

Headquartered in Houston (TX), GSM is a leader in cargo handling, stevedoring and terminal operations in the U.S. Gulf region. For the year ended October 31, 2017, the ultimate parent company of GSM, GSM Maritime Holdings, LLC ("GSM Holdings"), generated revenue of US$68.7 million (approximately CA$87.7 million) and an adjusted EBITDA of US$8.2 million (approximately CA$10.5 million).

The acquisition was effected through the merger of a wholly-owned subsidiary of LOGISTEC with GSM Holdings, pursuant to which LOGISTEC acquired 100% of the shares of the merged entity and GSM Holdings shareholders received aggregate cash consideration of US$65.7 million (approximately CA$83.9 million), subject to adjustments.

Due to the short period between the date of acquisition and the date of issuance of these consolidated financial statements, the fair value of the tangible and intangible assets acquired and liabilities assumed has not yet been determined. Consequently, the initial accounting of the transaction has not been completed. The acquisition was financed by the Company's revolving existing credit facility and long-term debt.

Results

Significant accounting policies applied in the 2017 consolidated financial statements are described in Note 2 of the 2017 Notes.

Revenue

Consolidated revenue totalled $475.7 million in 2017, an increase of $132.4 million or 38.6% over 2016. Revenue was affected by the decrease in the U.S. dollar against the Canadian dollar. For the year, the negative impact on revenue was $3.6 million.

The marine services segment posted revenue of $205.3 million in 2017, representing higher sales compared with $186.0 million in 2016. The increase was mostly due to bulk activity.

The environmental services segment delivered a good performance in 2017, as revenue increased by $113.2 million or 71.9% over 2016 to reach $270.5 million. Revenue growth came primarily from the business acquisition of FER-PAL, and from increased activity in site remediation and Aqua-Pipe.

Employee Benefits Expense

Employee benefits expense increased from $158.8 million in 2016 to $235.2 million in 2017. This $76.5 million variation reflects the overall increase in activity in 2017, and stems from higher levels of activity related to the investment in FER-PAL, along with a higher labour ratio of employee benefits expense to revenue, which rose from 46.2% in 2016 to 49.4% in 2017. The higher expense ratio is due to our environmental services segment's revenue mix which has, on average, a higher labour ratio, particularly in the last quarter. This expense was affected by a challenging contract in Europe.

Equipment and Supplies Expense

Equipment and supplies expense amounted to $122.7 million, an increase of $20.0 million or 19.5% over the same period in 2016, a lower percentage than the revenue increase. Consequently, the overall ratio of equipment and supplies expense to revenue was 25.8% compared with 29.9% for the same period in 2016. This better ratio is in line with a more favourable revenue mix in the environmental services segment for this type of expense in 2017 compared with 2016, and is particularly impacted by FER-PAL, as mentioned above.

Rental Expense

Rental expense was stable between 2017 and 2016, totalling $33.8 million and $28.9 million, representing 7.1% and 8.4% of revenue, respectively. The fixed portion of this expense does not fluctuate substantially from quarter to quarter, unless changes occur within our network of facilities. The variable portion of this expense accounted for the variation in 2017 results, reflecting a higher throughput fee due to an increase in cargo volumes in the marine services segment.

Other Expenses

Other expenses stood at $22.0 million, representing a variation of $6.8 million or 44.4% compared with 2016. This variation is mainly due to an increase in professional fee expenses related to acquisition projects during 2017, and to our investment in FER-PAL.

Depreciation and Amortization Expense

Depreciation and amortization expense amounted to $33.9 million in 2017, an increase of $19.6 million compared with $14.3 million for the same period in 2016. The increase results from our business acquisitions and property, plant and equipment investments in 2016 and 2017. The investment in FER-PAL resulted in a $15.8 million depreciation charge stemming from other intangible assets related to the backlog acquired, which will be fully amortized over a period of seven months and represents a total value of $16.8 million. Please refer to Note 6 of the 2017 Notes for further details.

Income Taxes

Income taxes stood at $6.2 million for 2017. When the profit before income taxes is adjusted to exclude the effect of the share of the profit of equity accounted investments, the 2017 tax rate computes to 23.3% compared with 33.9% in 2016. This variation is mainly due to the adjustment of future income tax in the USA. The tax rate changed from 39.9% to 25.3%, representing an adjustment of $2.2 million in 2017 and computing to an average rate of 32.0%. This variation is within normal parameters, considering that this average rate may vary depending on the distribution of profits over the various tax jurisdictions. Please refer to Note 12 of the 2017 Notes for a full reconciliation of the effective income tax rate and other relevant income tax information.

Profit for the Year and Earnings per Share

In 2017, LOGISTEC achieved a consolidated profit for the year of $27.4 million, of which $27.4 million was attributable to owners of the Company. This is higher than the 2016 consolidated profit of $18.5 million and $18.9 million was attributable to owners of the Company.

The 2017 profit attributable to owners of the Company computes to total diluted earnings per share of $2.11 which corresponds to $2.02 attributable to Class A shares and $2.22 attributable to Class B shares.

All other expenses affecting operating profit varied within normal business parameters and were comparable to 2016 levels.

Dividends

LOGISTEC paid a total of $3.9 million in dividends to its shareholders in 2017.

On March 17, 2017, the Board of Directors declared dividends of $0.075 per Class A share and $0.0825 per Class B share, for a total consideration of $1.0 million. These dividends were paid on April 21, 2017, to shareholders of record as of April 7, 2017.

On May 9, 2017, the Board of Directors declared dividends of $0.075 per Class A share and $0.0825 per Class B share, for a total consideration of $1.0 million. These dividends were paid on July 7, 2017, to shareholders of record as at June 23, 2017.

On July 28, 2017, the Board of Directors elected to increase the dividend payment by 10.0% for both classes of shares. Accordingly, on July 28, 2017, the Board of Directors declared dividends of $0.0825 per Class A share and $0.09075 per Class B share, for a total consideration of $1.1 million. These dividends were paid on October 13, 2017, to shareholders of record as at September 29, 2017.

On December 5, 2017, the Board of Directors declared dividends of $0.0825 per Class A share and of $0.09075 per Class B share, for a total consideration of $1.1 million. These dividends were paid on January 19, 2018, to shareholders of record as of January 5, 2018.

All dividends paid in 2017 were eligible dividends for Canada Revenue Agency purposes.

On March 16, 2018, the Board of Directors declared a dividend of $0.0825 per Class A share and $0.09075 per Class B share, which will be paid on April 20, 2018, to all shareholders of record as of April 6, 2018. The total estimated dividend to be paid is $1.1 million.

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

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;
- Maintain a debt/capitalization ratio of less than 40%. The debt/capitalization ratio is defined as long-term debt (including the current portion) over long-term debt (including the current portion) plus equity attributable to owners of the Company.

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 in order to maintain a flexible capital structure that is consistent with the objectives stated above and corresponds to the risk characteristics of the underlying assets. In order 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 to earnings per share, 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.

Capital Resources

Total assets amounted to $512.5 million as at December 31, 2017, up by $156.6 million over the closing balance of $355.9 million as at December 31, 2016.

Cash and cash equivalents totalled $4.0 million at the end of 2017, down by $12.0 million from $16.0 million as at December 31, 2016. The main items behind this decrease were as follows:

(in thousands of dollars)	
Positive:	
Profit for the year	27,356
Issuance of long-term debt, net of repayment	19,185
Current income taxes	12,380
Depreciation and amortization expense	33,859
	92,780
Negative:	
Acquisition of property, plant and equipment	(21,965)
Changes in non-cash working capital items	(23,885)
Share of profit of equity accounted investments, not distributed	(6,952)
Business acquisitions	(48,038)
Income taxes paid	(6,021)
	(106,861)

Working Capital

As at December 31, 2017, current assets totalled $178.5 million and current liabilities totalled $108.3 million, computing into working capital of $70.2 million for a current ratio of 1.65:1. This compares with working capital of $75.7 million and a 2.51:1 ratio as at December 31, 2016.

Long-Term Debt

Combining the current and long-term portions of long-term debt, the balance of $60.3 million as at December 31, 2016, was up by $23.1 million to $83.4 million as at December 31, 2017. The increase mainly reflects our investment in capital expenditures, where we borrowed $90.0 million in 2017 (excluding business acquisitions), less the repayments of $70.8 million.

Under the terms of our various financing agreements, the Company, its subsidiaries and its joint ventures must satisfy certain restrictive covenants with respect to minimum financial ratios. As at December 31, 2017, all the group's entities 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:

Contractual Obligations
as at December 31, 2017
(in thousands of dollars)

	Total $	Less than 1 year $	1 - 3 years $	4 - 5 years $	More than 5 years $
Long-term debt	92,396	6,848	6,597	52,340	26,611
Operating leases					
— Equipment	6,968	2,646	2,235	1,224	863
— Occupancy	57,783	11,866	22,598	15,786	7,533
Purchase obligations (1)	1,822	1,822	—	—	—
Long-term liabilities to shareholders	59,168	—	—	18,299	40,869
Non-current financial liabilities	2,473	—	—	—	2,473
Total contractual obligations	220,610	23,182	31,430	87,649	78,349

(1) *Consists of equipment ordered, not yet delivered at the end of 2017*

The reader is referred to Notes 5, 25, 29, 30, 37 and 38 of the 2017 Notes for further details about financial risk management, post-employment benefit assets and obligations, long-term debt, provisions, commitments, and contingent liabilities and guarantees.

Equity Attributable to Owners of the Company

Equity attributable to owners of the Company amounted to $228.6 million as at December 31, 2017. Adding long-term debt yields a capitalization of $312.0 million, which computes to a debt/capitalization ratio of 26.7%, significantly below the 40% threshold mentioned previously in the Company's capital management objectives. This also means that the Company has substantial financial leverage available should the need arise.

As at March 20, 2018, 7,405,822 Class A shares and 5,111,755 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 32 of the 2017 Notes for full details on the Company's share capital.

Normal Course Issuer Bid ("NCIB")

Since October 20, 2005, LOGISTEC has repurchased some of its shares for cancellation purposes pursuant to consecutive annual NCIBs, the latest of which terminated on October 25, 2017. On October 26, 2017, the Company launched another NCIB that will terminate on October 25, 2018. The Company believes that the repurchase of its shares may constitute an appropriate and desirable use of its available cash and, consequently, that the offer is in the best interest of LOGISTEC and its shareholders. Pursuant to the current NCIB, LOGISTEC intends to repurchase for cancellation purposes up to 370,496 Class A shares and 255,997 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 20, 2017.

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

During 2017, under the NCIB programs, 3,700 Class A shares and 6,700 Class B shares were repurchased at average prices per share of $41.85 and $43.69, respectively. Please refer to Note 32 of the 2017 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 $34.4 million at the end of 2017 is mainly the result of the 2016 closing balance of $31.1 million plus the 2017 share of profit of equity accounted investments of $7.0 million, less $3.6 million in dividends received.

As at December 31, 2017, the Company's 50%-equity interests are in the following joint ventures: Termont Terminal Inc., Transport Nanuk Inc., Quebec Mooring Inc., Moorings (Trois-Rivières) Ltd., Quebec Maritime Services Inc., 9260-0873 Québec Inc. and Flexiport Mobile Docking Structures 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 business. Please refer to Note 20 of the 2017 Notes for its financial information.

Post-Employment Benefits

The Company offers either defined benefit retirement plans or defined contribution retirement plans to its employees. In consideration 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 25 of the 2017 Notes.

Calculations on the retirement plans' funded statuses have been performed by the Company's independent actuaries as of December 31, 2017. They calculated a benefit obligation of $33.9 million, compared with a fair value of plan assets of $20.6 million, which computed into a funded status deficit of $13.3 million. The Company offers supplemental retirement plans to senior executives ("SERP"). The reader is referred to the description of the "Senior Management Pension Plan" in our information circular. These SERP are unfunded and the related obligation of $12.3 million is included in the above numbers. Excluding the SERP obligation, the funded status deficit amounts to $1 million.

Management's assumption for the discount rate was 4.0% in 2016 and 3.5% in 2017. Actuarial calculations made 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 of the retirement plans for funding purposes were as of December 31, 2016. Based on these valuations, the Company's combined surplus amounts to $1.6 million when calculated using the going concern method, and to a combined deficit of $1.9 million when using the solvency method.

Prior to December 31, 2017, the Company sponsored three registered defined benefit retirement plans. The Board of Directors of each of Logistec Stevedoring (Nova Scotia) Inc. and LOGISTEC Corporation have resolved, subject to the provisions of any applicable legislation, regulations and administrative rules of any applicable regulatory authorities and subject to the receipt of the required approvals of any applicable regulatory authorities, to merge, effective December 31, 2017, the Retirement Plan for Employees of Logistec Atlantic ("Atlantic Plan") and the Régime de rentes de retaite des employés de LOGISTEC Corporation et ses filiales ("LOGISTEC Plan"). Pursuant to the merger, the assets of the Atlantic Plan (transferring plan) was transferred to the LOGISTEC Plan (receiving plan). Consequently, the Company now sponsors two defined benefit retirement plans.

Other Items in the Consolidated Statements of Financial Position

Financial position as at *(in millions of dollars)*	**December 31, 2017 $**	December 31, 2016 $	**Var. $**	**Var. %**	Explanation of variation
Trade and other receivables	**153.3**	86.4	**67.0**	**77.5**	The variation is due to two factors - a greater level of activity in the fourth quarter of 2017 compared with the same quarter of 2016, and the FER-PAL business acquisition.
Inventories	**11.6**	7.5	**4.0**	**53.9**	The majority of the inventories increase stems from FER-PAL's $4.2 million year-end inventories added to the total in 2017, compared to 2016.
Property, plant and equipment	**156.7**	138.6	**18.1**	**13.1**	The majority of the increase stems from capital expenditures of $22.0 million plus $16.8 million included in business acquisitions, less the depreciation expense of $16.6 million.
Goodwill	**108.6**	24.9	**83.7**	**336.0**	The majority of the increase stems from the FER-PAL and LGC acquisitions, as discussed in the Business Acquisitions section of this this MD&A.
Trade and other payables	**85.2**	43.1	**42.1**	**97.7**	The increase is due to higher levels of activity in all business segments in the fourth quarter of 2017, compared with the fourth quarter of 2016, and to FER-PAL activity, which represents 56% of the increase.
Current portion of long-term debt	**5.4**	1.7	**3.8**	**224.0**	The increase of $21.8 million derives mainly from the two business acquisitions, with a total cash impact of $48.0 million. This was partially offset by cash generated from operations, which was partly used to pay the debt.
Long-term debt	**78.0**	58.6	**19.3**	**32.9**	
Non-current financial liabilities	**61.6**	12.5	**49.1**	**392.6**	The increase is mainly due to the acquisition of the non-controlling interests in FER-PAL and LGC. As a result of those transactions, LOGISTEC recorded a long-term liability obligation to repurchase the non-controlling interests amounting to $50 million as at December 31, 2017.
Share capital	**29.0**	15.6	**13.4**	**85.8**	The variation as at December 31, 2017, is due to the investment in FER-PAL and the resulting issuance of $8.0 million of Class B shares as discussed previously, and to the issuance of 1/5 of the share capital to be issued after the acquisition of the non-controlling interest in Sanexen in 2016.
Share capital to be issued	**19.8**	24.9	**(5.1)**	**(20.4)**	

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

Financial Risk Management

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

Credit Risk

Credit risk arises from the possibility that a counterpart will fail to perform its obligations. The Company conducts a thorough assessment of credit issues prior to committing to the investment and actively monitors the financial health of its investees on an ongoing basis. In addition, the Company is exposed to credit risk from customers. On the one hand, the Company does business mostly with large industrial 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 approximately 1,750 customers. In 2017, the 20 largest customers accounted for 51.7% of consolidated revenue (45.7% in 2016) and one single customer accounts for more than 10% of consolidated revenue and trade receivables, at 10.9% for revenue and 19.5% for trade receivables (none in 2016).

Allowance for doubtful accounts and past due receivables are reviewed by management at each reporting date. The Company updates its estimate of the allowance for doubtful accounts on a specific basis and, if required, using a set percentage applied to the aging of accounts receivable. Trade and other receivables are written off once determined not to be collectable.

Pursuant to their respective terms, trade and other receivables were aged as follows:

(in thousands of dollars)	**As at December 31, 2017 $**	As at December 31, 2016 $
Current	**57,651**	28,342
31-60 days	**34,857**	21,216
Past due 1-30 days	**28,106**	16,135
Past due 31-60 days	**8,421**	9,445
Past due 61-120 days	**8,072**	1,253
Past due over 121 days [(1)]	**16,235**	9,982
	153,342	86,373

[(1)] *Includes contract holdbacks amounting to $2.8 million ($1.9 million in 2016)*

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

(in thousands of dollars)	**2017 $**	2016 $
Balance, beginning of year	**2,848**	2,519
Bad debt expense	**2,309**	462
Reversals (write offs)	**(1,104)**	(133)
Balance, end of year	**4,053**	2,848

The Company's maximum exposure to credit risk with respect to each of its financial assets (cash and cash equivalents, investment in a service contract, 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 were the contractual maturities of financial obligations:

As at December 31, 2017 *(in thousands of dollars)*	Carrying amount $	Contractual cash flows $	Less than 1 year $	1-3 years $	More than 3 years $
Short-term bank loans	**9,829**	**9,829**	**9,829**	**—**	**—**
Trade and other payables	**85,174**	**85,174**	**85,174**	**—**	**—**
Long-term debt [(1)]	**92,396**	**92,396**	**6,848**	**6,597**	**78,951**
Non-current financial liabilities, excluding the derivative	**61,637**	**61,637**	**—**	**18,299**	**43,338**
	249,036	**249,036**	**101,851**	**24,896**	**122,289**

As at December 31, 2016 *(in thousands of dollars)*	Carrying amount $	Contractual cash flows $	Less than 1 year $	1-3 years $	More than 3 years $
Trade and other payables	43,081	43,081	43,081	—	—
Long-term debt [(1)]	60,707	60,707	814	58,693	1,200
Non-current financial liabilities, excluding the derivative	12,437	12,437	1,836	2,138	8,463
	116,225	116,225	45,731	60,831	9,663

(1) *Includes principal and interest*

Given the actual liquidity level combined with future cash flows that will be generated by operations, and considering the increase in financial obligations, 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 risk and foreign exchange risk.

INTEREST RISK

The Company is exposed to interest risk through interest rate fluctuations. However, the Company holds interest rate swap contracts to partly swap the floating rate to a fixed rate, and in 2017, the Company entered into an interest rate swap contract with our main banks for an amount of $25.0 million. As at December 31, 2017, the degressive notional principal amount of the outstanding interest rate swap contract was $23.8 million (nil in 2016). The Company also contracted a new loan with a new financial institution which is on a fixed interest basis, thus decreasing the Company's sensitivity to interest rate fluctuations.

SENSITIVITY ANALYSIS

As at December 31, 2017, the floating rate portion of the Company's long-term debt was 61.4% (92% in 2016). Taking into account the interest rate swap contracts mentioned above, the floating rate portion was 24.9% as at December 31, 2017 (80% in 2016). 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, 2017, excluding the floating rate debt for which the floating rate has been swapped to fixed, would have a negative impact of $0.2 million ($0.6 million in 2016) on profit for the year. A hypothetical variation of -1.0% in the prime interest rate would have the opposite impact on profit for the year.

FOREIGN EXCHANGE RISK

The Company is mainly exposed to fluctuations in the U.S. dollar. The Company considers the risk to be limited and, therefore, does not use derivative instruments to reduce its exposure.

During 2017, all else being equal, a hypothetical strengthening of 5.0% of the U.S. dollar against the Canadian dollar would have a positive impact of $2.3 million ($2.2 million in 2016) on profit for the year and a positive impact of $2.9 million ($2.8 million in 2016) on total comprehensive income. A hypothetical weakening of 5.0% of the U.S. dollar against the Canadian dollar would have the opposite impact on profit for the year and total comprehensive income.

As at December 31, 2017, a total of $41.4 million or US$32.6 million and €0.3 million ($42.4 million or US$29.0 million and €2.5 million in 2016) of cash and cash equivalents and trade and other receivables is denominated in foreign currencies. As at December 31, 2017, a total of $30.1 million or US$23.7 million and €0.3 million ($17.8 million or US$11.7 million and €1.5 million in 2016) of trade and other payables is denominated in foreign currencies.

Fair Value of Financial Instruments

As at December 31, 2017 and 2016, the estimated fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in other non-current financial assets, was not significantly different from their carrying value as at December 31, 2017 and 2016, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of an investment in a service contract was not significantly different from its carrying value as at December 31, 2016, as terms and conditions were similar to current conditions.

The estimated fair value of long-term debt was not significantly different from its carrying value as at December 31, 2017 and 2016, since it mainly bore interest at floating rates and had financing conditions similar to those then available to the Company.

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 against significant impacts, major fluctuations in specific commodities or in specific regions may affect our performance.

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 are generally fixed costs for the Company. Consequently, we quickly feel the financial impact of a major decline in cargo volumes.

Government Policies — Government investment in port infrastructures, legislation, tariffs or taxation powers can have a direct impact on a site's profitability and even on the flow of cargo.

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 "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 strike or work stoppage when negotiating collective agreements.

Related Party Transactions

In addition to compensation to key management personnel and dividends to shareholders that occur in the normal course of business and that are quantified in Note 34 of the 2017 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.

Selected Quarterly Information

(in thousands of Canadian dollars, except per share amounts)	Q1 $	Q2 $	Q3 $	Q4 $	Year $
2017					
Revenue	**60,071**	**101,861**	**168,314**	**145,497**	**475,743**
Profit (loss) attributable to owners of the Company	**(1,530)**	**4,789**	**10,955**	**13,212**	**27,426**
Basic earnings per Class A share	**(0.12)**	**0.38**	**0.84**	**1.01**	**2.14**
Basic earnings per Class B share	**(0.13)**	**0.41**	**0.93**	**1.12**	**2.35**
Total basic earnings per share	**(0.13)**	**0.39**	**0.88**	**1.05**	**2.23**
Diluted earnings per Class A share	**(0.12)**	**0.36**	**0.80**	**0.97**	**2.02**
Diluted earnings per Class B share	**(0.13)**	**0.39**	**0.88**	**1.06**	**2.22**
Total diluted earnings per share	**(0.13)**	**0.37**	**0.83**	**1.01**	**2.11**
2016					
Revenue	64,859	79,616	103,093	95,758	343,326
Profit (loss) attributable to owners of the Company	(138)	951	9,153	8,892	18,858
Basic earnings per Class A share	(0.01)	0.08	0.72	0.70	1.48
Basic earnings per Class B share	(0.01)	0.08	0.80	0.76	1.63
Total basic earnings per share	(0.01)	0.08	0.75	0.73	1.55
Diluted earnings per Class A share	(0.01)	0.07	0.67	0.68	1.41
Diluted earnings per Class B share	(0.01)	0.08	0.75	0.74	1.56
Total diluted earnings per share	(0.01)	0.07	0.71	0.71	1.48

Seasonal Nature of Operations

Operations 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.

Sanexen's and FER-PAL's activities are also affected by weather conditions, as the majority of the specialized services it offers depend upon the excavation of soils, which is more difficult during the winter.

Historically, the first quarter and, to a lesser extent, the second quarter have always presented a lower level of activity and yielded weaker results than the other quarters. The third and fourth quarters are usually the most active.

Fourth Quarter of 2017 Results and Comparative Figures

(in thousands of dollars, except per share amounts)	**Q4 2017** **$**	Q4 2016 $
Revenue	**145,497**	95,758
Employee benefits expense	**(71,689)**	(42,797)
Equipment and supplies expense	**(35,009)**	(26,064)
Rental expense	**(9,613)**	(8,122)
Other expenses	**(5,803)**	(3,986)
Depreciation and amortization expense	**(13,191)**	(4,141)
Share of profit of equity accounted investments	**1,581**	1,546
Other gains and losses	**5,430**	955
Impairment charge	**(2,917)**	–
Operating profit	**14,286**	13,149
Finance expense	**(2,158)**	(520)
Finance income	**125**	33
Profit before income taxes	**12,253**	12,662
Income taxes	**(286)**	(3,775)
Profit for the period	**11,967**	8,887
Profit attributable to:		
Owners of the Company	**13,212**	8,892
Non-controlling interests	**(1,245)**	(5)
Profit for the period	**11,967**	8,887
Basic earnings per Class A share	**1.01**	0.70
Basic earnings per Class B share	**1.12**	0.76
Diluted earnings per Class A share	**0.97**	0.68
Diluted earnings per Class B share	**1.06**	0.74

Consolidated revenue totalled $145.5 million in 2017, an increase of $49.7 million or 51.9% over 2016. This increase is mainly due to strong activity in the environmental services segment during the fourth quarter of 2017, and to the business acquisition of FER-PAL, as mentioned earlier.

Employee benefits expense to revenue ratio for the fourth quarter of 2017 was higher at 49.3% compared with 44.7% for the same period in 2016. The higher ratio is mainly due to Sanexen's revenue mix, as Sanexen recorded more Aqua-Pipe installation revenue combined with FER-PAL activity, which has a higher labour component. Consequently, the overall proportion of employee benefits expense to revenue was higher.

Equipment and supplies expense for the fourth quarter of 2017 was higher at $35.0 million, up by $8.9 million over the fourth quarter of 2016. This increase is, for the most part, influenced by Sanexen's revenue mix and the FER-PAL business acquisition, as mentioned earlier. The overall proportion of equipment and supplies expense to revenue was lower, posting a ratio of 24.1% for the fourth quarter of 2017 versus 27.2% for the same period in 2016.

Depreciation and amortization expense amounted to $13.2 million for the fourth quarter of 2017, up by $9.1 million over $4.1 million for the same period in 2016. This significant increase is the result of the depreciation expense of FER-PAL's backlog, for an amount of $8.2 million for the quarter.

Operating profit for the fourth quarter of 2017 amounted to $14.3 million, up from $13.1 million in the fourth quarter of 2016. The increase in operating profit derives from the various elements discussed above.

All other expenses affecting operating profit varied within normal business parameters and were comparable to 2016 levels.

Income taxes for the fourth quarter of 2017 amounted to a credit of $0.3 million. This is mainly due to the adjustment of future income taxes in the USA following the recent tax reform.

Non-controlling interests at ($1.3) million reflect the reversal of an attribution we originally expected to distribute to non-controlling shareholders for which the contractual requirements were not met by the subsidiary.

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 4 of the 2017 Notes. Further details on judgments, estimates and assumptions can be found in the 2017 Notes, particularly regarding trade receivables (Notes 5 and 18), goodwill (Note 22), finite-life intangible assets (Note 23), equity accounted investments (Note 20), impairment of long-lived assets including goodwill (Note 22), deferred income taxes (Note 12), post-employment benefits (Note 25), and provisions (Note 30). The Company's significant accounting policies are applied consistently to all its reportable industry segments (Note 35).

Application of New and Revised IFRS

On January 1, 2017, the Company adopted the following revised standard:

IAS 7, "Statement of Cash Flows"

IAS 7 was amended in January 2016 to enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. It did not have any significant impact on the Company's financial statements.

Accounting Standards and Interpretation Issued but not yet Applied

The following accounting standards have been published: IFRS 9, "Financial Instruments"; IFRS 15, "Revenue from Contracts with Customers", and IFRS 16, "Leases".

The following interpretation has been published: IFRIC 23, "Accounting for Uncertainties in Income Taxes (IAS 12)".

Please refer to Note 3 of the 2017 Notes for further details on these standards and this interpretation.

Environmental Matters

Climate Change

It is not possible to assess the impact of climate change on our business at this time. We believe it may create concerns but also opportunities. Although it may have an impact on water levels in certain ports, it may also lead to a longer season for Arctic transportation. These are monitored regularly to ensure that we will be well positioned to deal with any changes that may occur in the flow of trade.

Other Environmental Concerns

We handle various bulk commodities on sites that have had industrial activities for many years. It is more than likely that some sites were already contaminated from such activities prior to our arrival. We normally make a baseline assessment of the sites' contamination prior to signing a new lease. This limits our liability to our own operations. LOGISTEC takes environmental matters very seriously and is committed to limiting and reducing its environmental footprint.

ENVIRONMENTAL POLICY

LOGISTEC has a health, safety and environment ("HSE") policy that recognizes the importance of environmental aspects of the business. It commits us to take into account the possible repercussions on the environment of all our current and future decisions and operations.

The policy states that the Company will subscribe to certain principles, such as:

- Respect of and compliance with current environmental laws and regulations in the conduct of all our operations;
- Reduction of our possible impact on the environment with protective and preventive measures;
- Use of environmentally friendly technologies;
- Adoption and application of programs aimed at continuous improvement, as measured through the monitoring of emissions and waste resulting from our activities.

GREEN MARINE

As proof of its commitment towards the environment, LOGISTEC has been a certified Green Marine participant since 2009. Green Marine is a joint Canada-USA initiative aimed at implementing a marine industry environmental program throughout North America. Founded in 2008 by CEOs of leading marine services companies in Eastern Canada, including our CEO, Green Marine has rapidly gained a reputation for credibility and transparency, and for challenging participant companies to improve their environmental performance beyond regulatory compliance. The cornerstone of the Green Marine initiative is its far-reaching environmental program, which makes it possible for any marine company operating in Canada or the USA to voluntarily improve its environmental performance by undertaking concrete and measurable actions.

Although the program was originally conceived for the Great Lakes and St. Lawrence corridor, the interest it has generated throughout the marine industry has enabled it to evolve and cover North America in its entirety. Companies participating in the voluntary program evaluate their performance yearly on a scale that ranges from regulatory compliance to excellence in their practices with respect to seven priority environmental issues, namely: aquatic invasive species, pollutant air emissions, greenhouse gases, cargo residues, oily waters, conflicts of use in ports and terminals, and environmental leadership. The program is reviewed and adjusted every year to reflect new regulations and keep up with technological innovation.

OPPORTUNITIES

Serving the marine industry may represent an opportunity from an environmental point of view. Indeed, carrying goods by ship is one of the most economical and environmentally friendly means of transportation. The large volume of cargoes being transported on each sailing generally converts into a lower consumption of energy per tonne of cargo handled versus ground transportation. Environmental pressures from authorities to lower greenhouse gas emissions may favour marine transportation (via the St. Lawrence River for instance) which in turn may favour our business, since such ships will need to be loaded and unloaded.

Our subsidiary Sanexen is active in the field of environmental cleanup and rehabilitation of watermains, and the more conscientious businesses and municipalities become, the more opportunities this may represent for Sanexen.

Corporate Governance

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". 9 of LOGISTEC's 12 directors are independent, 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 analysis.

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 Vice-President, Finance 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 Vice-President, Finance concluded that the DC&P were effective as at the end of the fiscal period ended December 31, 2017, 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 Vice-President, Finance 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.

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 Vice-President, Finance concluded that ICFR is adequate and effective to provide such assurance as at December 31, 2017.

The management's evaluation of the design and the effectiveness of the Company's internal control over financial reporting excludes controls, conventions and procedures regarding FER-PAL, acquired on July 6, 2017. The Company has a period of one year from the acquisition date to conduct this analysis and to implement internal controls deemed necessary. Please refer to the Business Acquisition section for further financial information.

There has been no change in the Company's ICFR that occurred during the fourth quarter of 2017 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

Since our marine services segment handles commodities and all types of cargo, and our environmental services segment manages large site remediation projects and watermain rehabilitation that are infrastructure projects, our business and performance will be influenced by the economy. In this regard, the North American economy is still performing very well and is expected to remain strong, most likely beyond 2018.

The U.S. economy will be somewhat stimulated by the recent overall reduction of federal tax rates, at least in the foreseeable future. Government prime interest rates are beginning to increase, but should remain below 2% until the end of 2018 in the USA and in Canada. They will therefore remain in the stimulating range, making it easier for companies and governments to finance their projects and their investments.

These conditions are further improved by the economy being close to full employment in both Canada and the USA, meaning that people are working and spending, with positive effects on the economy. It all adds up to a recipe that bodes very well for LOGISTEC's performance in the foreseeable future.

Even the European economy is expected to do well, and China's growth should progress slightly. Therefore, most macroeconomic trends are positive. For LOGISTEC, specifically, 2017's positive growth should continue in 2018.

One of the highlights of 2017 was the acquisition of a majority position in FER-PAL in July 2017. We are very pleased with its performance in 2017, but on a consolidated basis, we had to support some $15.8 million of amortization of intangible assets acquired during that transaction: the value of the customer backlog, to be precise. Since this asset is now fully amortized, our 2018 results will now include a full year of FER-PAL operations without that significant charge, directly improving our earnings. We do have to keep in mind that, being an amortization expense, its elimination will not impact our EBITDA.

As for Sanexen, which was faced with greater competition for site remediation projects and experienced a less favourable revenue mix in 2017, we expect a better performance in 2018, including more contracts for our Aqua-Pipe technology in the USA.

The outlook is also positive in the marine services segment. The momentum regained in 2017 should continue in our cargo handling operations, particularly in bulk cargo and containers. As for break-bulk cargo, we just completed the acquisition of GSM for US$65.7 million, which will generate additional revenue for this business segment.

As mentioned earlier in this MD&A, this strategic acquisition positions the Company as a leader in cargo handling in the U.S. Gulf region. We are very excited to welcome this dynamic group of individuals, who add expertise to our organization and will no doubt contribute to LOGISTEC's continued growth.

In conclusion, the Company was successful in completing two significant acquisitions, one in each of our business segments. Moreover, we are still actively identifying, studying and evaluating other acquisition targets.

Our people are fully accountable for our performance and truly committed to our long-term growth. By empowering our people, setting clear goals, and measuring our progress on a timely basis, we have delivered superior results in 2017, and look forward to creating more value for our shareholders going forward.

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

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

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

(signed) Jean-Claude Dugas
Jean-Claude Dugas, CPA, CA
Vice-President, Finance

March 20, 2018

Independent Auditor's Report

To the Shareholders of Logistec Corporation

We have audited the accompanying consolidated financial statements of Logistec Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Logistec Corporation as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(s) Deloitte LLP [1]
March 20, 2018
Montreal, Québec

[1] CPA auditor, CA, public accountancy permit No. A109522

Consolidated Statements of Earnings

years ended December 31
(in thousands of Canadian dollars, except for per share amounts)

	Notes	2017 $	2016 $
Revenue	7	**475,743**	343,326
Employee benefits expense	8	**(235,247)**	(158,784)
Equipment and supplies expense		**(122,651)**	(102,636)
Rental expense		**(33,799)**	(28,899)
Other expenses		**(21,997)**	(15,230)
Depreciation and amortization expense	21, 23	**(33,859)**	(14,288)
Share of profit of equity accounted investments	20	**6,952**	4,310
Other gains and losses	9	**4,875**	(345)
Impairment charge	23	**(2,917)**	—
Operating profit		**37,100**	27,454
Finance expense	10	**(3,937)**	(1,894)
Finance income	11	**404**	194
Profit before income taxes		**33,567**	25,754
Income taxes	12	**(6,211)**	(7,268)
Profit for the year		**27,356**	18,486
Profit attributable to:			
Owners of the Company		**27,426**	18,858
Non-controlling interest		**(70)**	(372)
Profit for the year		**27,356**	18,486
Basic earnings per Class A Common Share [(1)]	14, 32	**2.14**	1.48
Basic earnings per Class B Subordinate Voting Share [(2)]	14, 32	**2.35**	1.64
Diluted earnings per Class A share	14, 32	**2.02**	1.41
Diluted earnings per Class B share	14, 32	**2.22**	1.56

(1) *Class A Common Share ("Class A share")*
(2) *Class B Subordinate Voting Share ("Class B share")*

Consolidated Statements of Comprehensive Income

years ended December 31
(in thousands of Canadian dollars)

	Notes	**2017** **$**	2016 $
Profit for the year		**27,356**	18,486
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		**(2,787)**	(1,158)
Gains on derivatives designated as cash flow hedges		**151**	—
Transfer of gains on derivatives designated as cash flow hedges to the consolidated statements of earnings		**—**	167
Income taxes relating to derivatives designated as cash flow hedges		**(41)**	(45)
Total items that are or may be reclassified to the consolidated statements of earnings		**(2,677)**	(1,036)
Items that will not be reclassified to the consolidated statements of earnings			
Remeasurement losses on benefit obligation	25	**(1,515)**	(44)
Return on retirement plan assets excluding amounts included in profit for the year	25	**830**	669
Income taxes on remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the year	12	**151**	(168)
Total items that will not be reclassified to the consolidated statements of earnings		**(534)**	457
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		**32**	1
Items that will not be reclassified to the consolidated statements of earnings		**(133)**	12
Total share of other comprehensive income of equity accounted investments, net of income taxes		**(101)**	13
Other comprehensive loss for the year, net of income taxes		**(3,312)**	(566)
Total comprehensive income for the year		**24,044**	17,920
Total comprehensive income (loss) attributable to:			
Owners of the Company		**24,114**	18,292
Non-controlling interest		**(70)**	(372)
Total comprehensive income for the year		**24,044**	**17,920**

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Notes	**As at December 31, 2017 $**	As at December 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents	16	**3,963**	15,971
Investment in a service contract	17	**—**	865
Trade and other receivables	18	**153,342**	86,373
Work in progress		**5,306**	4,395
Current income tax assets	12	**494**	3,767
Other financial assets		**1,055**	1,014
Assets available for sale		**—**	330
Prepaid expenses		**2,775**	5,654
Inventories	19	**11,550**	7,506
		178,485	125,875
Equity accounted investments	20	**34,350**	31,141
Property, plant and equipment	21	**156,691**	138,591
Goodwill	22	**108,557**	24,899
Other intangible assets	23	**14,903**	18,233
Other non-current assets	24	**1,658**	1,534
Post-employment benefit assets	25	**606**	706
Non-current financial assets	26	**7,984**	7,166
Deferred income tax assets	12	**9,218**	7,715
Total assets		**512,452**	355,860
Liabilities			
Current liabilities			
Short-term bank loans	27	**9,829**	—
Trade and other payables	28	**85,174**	43,081
Deferred revenue		**2,252**	2,928
Current income tax liabilities	12	**3,699**	149
Dividends payable	32	**1,075**	947
Current portion of long-term debt	29	**5,447**	1,681
Provisions	30	**813**	1,344
		108,289	50,130
Long-term debt	29	**77,957**	58,644
Provisions	30	**771**	800
Deferred income tax liabilities	12	**14,488**	13,382
Post-employment benefit obligations	25	**14,778**	13,076
Deferred revenue		**3,733**	4,133
Non-current financial liabilities	31	**61,641**	12,514
Total liabilities		**281,657**	152,679
Commitments, contingent liabilities and guarantees	37, 38		
Equity			
Share capital	32	**29,019**	15,618
Share capital to be issued	32	**19,820**	24,898
Retained earnings		**173,129**	151,616
Accumulated other comprehensive income		**6,606**	9,251
Equity attributable to owners of the Company		**228,574**	201,383
Non-controlling interest		**2,221**	1,798
Total equity		**230,795**	203,181
Total liabilities and equity		**512,452**	355,860

On behalf of the Board

(signed) George R. Jones
Director

(signed) Madeleine Paquin
Director

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

		Attributable to owners of the Company							
				Accumulated other comprehensive income					
	Notes	Share capital $	Share capital to be issued $	Cash flow hedges $	Foreign currency translation $	Retained earnings $	Total $	Non-controlling interest $	Total equity $
Balance as at January 1, 2017		**15,618**	**24,898**	**(4)**	**9,255**	**151,616**	**201,383**	**1,798**	**203,181**
Profit (loss) for the year		–	–	–	–	27,426	27,426	(70)	27,356
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		–	–	–	(2,787)	–	(2,787)	–	(2,787)
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the year, net of income taxes	25	–	–	–	–	(534)	(534)	–	(534)
Cash flow hedges, net of income taxes		–	–	142	–	–	142	–	142
Share of other comprehensive income of equity accounted investments, net of income taxes		–	–	–	–	(133)	(133)	–	(133)
Total comprehensive income (loss) for the year		–	–	142	(2,787)	26,759	24,114	(70)	24,044
Repurchase of Class A shares	32	(4)	–	–	–	(243)	(247)	–	(247)
Issuance and repurchase of Class B shares	32	327	–	–	–	(959)	(632)	–	(632)
Issuance of Class B shares related to a business acquisition		8,000	–	–	–	–	8,000	–	8,000
Long-term liability for the obligation to repurchase a non-controlling interest		–	–	–	–	–	–	(50,089)	(50,089)
Non-controlling interest arising on a business acquisition		–	–	–	–	–	–	50,582	50,582
Issuance of Class B shares capital to a subsidiary shareholder upon the exercise of the put option	32	5,078	(5,078)	–	–	–	–	–	–
Dividends on Class A shares	32	–	–	–	–	(2,334)	(2,334)	–	(2,334)
Dividends on Class B shares	32	–	–	–	–	(1,710)	(1,710)	–	(1,710)
Balance as at December 31, 2017		**29,019**	**19,820**	**138**	**6,468**	**173,129**	**228,574**	**2,221**	**230,795**

Consolidated Statements of Changes in Equity (Continued)

(in thousands of Canadian dollars)

		Attributable to owners of the Company							
				Accumulated other comprehensive income					
	Notes	Share capital $	Share capital to be issued $	Cash flow hedges $	Foreign currency translation $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance as at January 1, 2016		**14,985**	**–**	**(139)**	**10,413**	**164,154**	**189,413**	**20,232**	**209,645**
Profit (loss) for the year		–	–	–	–	18,858	18,858	(372)	18,486
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		–	–	–	(1,158)	–	(1,158)	–	(1,158)
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the year, net of income taxes	25	–	–	–	–	457	457	–	457
Cash flow hedges, net of income taxes		–	–	122	–	–	122	–	122
Share of other comprehensive income of equity accounted investments, net of income taxes		–	–	13	–	–	13	–	13
Total comprehensive income (loss) for the year		–	–	135	(1,158)	19,315	18,292	(372)	17,920
Repurchase of Class A shares	32	(16)	–	–	–	(953)	(969)	–	(969)
Issuance and repurchase of Class B shares	32	649	–	–	–	(8,957)	(8,308)	–	(8,308)
Repurchase of non-controlling interests	32	–	24,898	–	–	(18,148)	6,750	(18,062)	(11,312)
Dividends on Class A shares	32	–	–	–	–	(2,226)	(2,226)	–	(2,226)
Dividends on Class B shares	32	–	–	–	–	(1,569)	(1,569)	–	(1,569)
Balance as at December 31, 2016		**15,618**	**24,898**	**(4)**	**9,255**	**151,616**	**201,383**	**1,798**	**203,181**

Consolidated Statements of Cash Flows

years ended December 31
(in thousands of Canadian dollars)

	Notes	2017 $	2016 $
Operating activities			
Profit for the year		**27,356**	18,486
Items not affecting cash and cash equivalents	33	**43,899**	29,787
Cash generated from operations		**71,255**	48,273
Dividends received from equity accounted investments	20	**3,637**	2,213
Contributions to defined benefit retirement plans	25	**(1,036)**	(866)
Settlement of provisions	30	**(154)**	(304)
Changes in non-cash working capital items	33	**(23,885)**	(15,028)
Income taxes paid		**(6,021)**	(7,473)
		43,796	26,815
Financing activities			
Net change in short-term bank loans		**1,579**	–
Issuance of long-term debt, net of transaction costs	29, 33	**90,014**	53,852
Repayment of long-term debt	29, 33	**(70,829)**	(29,909)
Interest paid		**(2,822)**	(1,867)
Issuance of Class B shares	32	**201**	607
Repurchase of Class A shares	32	**(248)**	(969)
Repurchase of Class B shares	32	**(1,043)**	(9,484)
Dividends paid on Class A shares	32	**(2,279)**	(2,227)
Dividends paid on Class B shares	32	**(1,638)**	(1,587)
		12,935	8,416
Investing activities			
Customer repayment of an investment in a service contract		**865**	292
Interest received		**403**	206
Cash acquired in a business acquisition	6	**–**	205
Business acquisitions	6	**(48,038)**	(5,262)
Repurchase of a non-controlling interest		**(2,880)**	(2,393)
Acquisition of property, plant and equipment	21	**(21,965)**	(32,198)
Proceeds from disposal of property, plant and equipment	21	**2,473**	363
Acquisition of other financial assets	7	**–**	(4,039)
Acquisition of intangible assets	23	**(45)**	(33)
Repayment of non-current financial assets		**104**	3
Increase of other non-current assets		**(805)**	(827)
Disposal of other non-current assets		**191**	68
		(69,697)	(43,615)
Net change in cash and cash equivalents		**(12,966)**	(8,384)
Cash and cash equivalents, beginning of year		**15,971**	23,811
Effect of exchange rate on balances held in foreign currencies of foreign operations		**958**	544
Cash and cash equivalents, end of year		**3,963**	15,971
Non-cash transactions and supplemental information	33		

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 35 ports in eastern North America; short-line rail transportation services; and marine agency services to foreign shipowners and operators serving the Canadian market. The Company is widely diversified on the basis of cargo type and port location with a balance between import and export activities. Furthermore, the Company, through its subsidiaries Sanexen Environmental Services Inc. ("Sanexen") and FER-PAL Construction Ltd. ("FER-PAL"), operates in the environmental sector where it provides services for the trenchless structural rehabilitation of underground watermains, regulated materials management, site remediation, risk assessment and manufacturing of woven hoses.

The Company is incorporated in the Province of Québec and is governed by the Québec Business Corporations Act. Its shares are listed on the Toronto Stock Exchange ("TSX") under the ticker symbols LGT.A and LGT.B. The address of its registered office is 360 St. Jacques Street, Suite 1500, Montréal (QC) H2Y 1P5, 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 20, 2018.

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").

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. The principal accounting policies are set out below.

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.

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.

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), 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:

BalTerm, LLC, CrossGlobe Transport, Ltd., Les Terminaux Rideau Bulk Terminals Inc., Logistec Environmental Services Inc., 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., Niedner Inc., Ramsey Greig & Co. Ltd., Sanexen Environmental Services Inc., Sanexen Water, Inc., SETL Real Estate Management Inc., Sorel Maritime Agencies Inc., and Tartan Terminals, Inc. The Company also holds an 85.82% investment in MtlLINK Multimodal Solutions Inc.

On July 6, 2017, the Company acquired 51% of the shares of FER-PAL, and on February 16, 2017, the Company invested in Logistec Gulf Coast LLC ("LGC") and holds a 70% interest.

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, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, “Non-Current Assets Held for Sale and Discontinued Operations”. 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 at the fair value of consideration received or receivable. Revenue is recognized when it is probable that the economic benefits will flow to the Company, sale price is determinable, services are rendered or goods are shipped, and collectability is reasonably assured.

The Company earns revenue for stevedoring, material loading and unloading, container stuffing and destuffing, ship dockage, rail and road transportation, storage, tailgating (truck loading and discharging), and marine agency services. Revenue for stevedoring, material loading and unloading, container stuffing and destuffing, ship dockage, rail and road transportation, tailgating and marine agency services is recognized when services are performed. Fees for storage are recognized for material stored at the facilities.

The Company also earns revenue from environmental services relating to the rehabilitation of underground watermains, regulated materials management, site remediation, risk analysis as well as manufacturing of woven hoses. Revenue from rehabilitation of underground watermains, regulated materials management services, site remediation, and risk analysis is recognized based on the stage of completion of work, which, depending on the nature of the revenue arrangement, is determined by surveys of work performed. Revenue is calculated based on billing rates for the services performed or proportionally with its stage of completion at any given time by dividing the cumulative costs incurred as at the period end date by the sum of incurred costs and anticipated costs for completing a contract. When using the stage of completion method to recognize revenue, the cumulative effect of changes to anticipated costs and anticipated 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 it becomes known. Estimates are required to determine the appropriate anticipated costs and revenue. Anticipated revenue on contracts may include future revenue from unapproved change orders, if such additional revenue can be reliably estimated and it is considered probable that it will be recovered. Also, anticipated revenue on contracts may include future revenue from claims, if negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and that it is probable that the amount will be accepted by the customer can be measured reliably. Revenue from manufacturing of woven hoses is recognized when goods are shipped.

Service Concession Arrangements under IFRIC Interpretation 12

IFRIC Interpretation 12, "Service Concession Arrangements", provides guidance on the accounting of certain qualifying public-private partnership arrangements under which the grantor, usually a government:

- Controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- Controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

The concessionaire accounts for the assets related to the infrastructure as a financial asset when it does not assume the financial risk associated with the usage of the infrastructure, as an intangible asset when it assumes the demand risk and a mix of both when it shares the demand risk with the grantor.

Revenue from service concession arrangements associated with the construction of an infrastructure is recognized based on the stage of completion of work. Revenue from the operation of the infrastructure is recognized in the period in which the services are rendered. Finance income generated on financial assets is recognized using the effective interest 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 the heading accumulated other comprehensive income — foreign currency translation.

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 the heading Other Gains and Losses, except where hedge accounting is applied as described under derivative financial instruments.

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 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. 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.

Work in Progress

Work in progress represents 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. If progress billings for a given project exceed costs incurred plus recognized profit, then the difference is presented as deferred revenue.

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.

Investment in a Service Contract

Investment in a service contract is an amount paid by the Company for assets that will be used in a service contract where the customer has the exclusive right to all or a portion of these assets for a specific period and the Company is not able to sell or otherwise use these assets to service others without the customer's consent. The investment is accounted for as financing arrangements based on the return established in the terms of the contracts.

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 10 years
Automotive equipment held under finance leases	5 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

Leases are classified as either operating or finance leases based on the substance of the transaction at the inception of the lease.

OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Expenses under an operating lease are recognized in the consolidated statements of earnings on a straight-line basis over the period of the lease.

FINANCE LEASES

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation and is classified in long-term debt.

Lease payments are apportioned between finance expense and reduction of the lease obligation so as 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, unless it is directly attributable to qualifying assets, in which case it is capitalized.

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 unit may be impaired. Recoverable amount is the higher of fair value less costs of disposal to sell 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 the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rated on the basis of the carrying amount of each asset in the unit. 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, and client relationships. 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 10 years
Computer software	3 to 5 years
Dredging costs	2 years
Lease rights and location	21 years

Following the FER-PAL acquisition, the company recorded an intangible asset related to contract backlog which is fully amortized over the delivery period of seven months.

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 reimbursement 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 operating leases. 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 that is 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 pro-rated 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 return on 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:

i. When the plan amendment or curtailment occurs; or
ii. 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

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are initially recorded at fair value.

FINANCIAL ASSETS

Financial assets are classified as available for sale, at fair value through profit or loss ("FVTPL"), held-to-maturity, or loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

CLASSIFICATION

Cash and cash equivalents, trade and other receivables, non-current financial assets and investments in service contracts are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset is derecognized when the contractual right to the asset's cash flows expires.

FINANCIAL LIABILITIES

Financial liabilities are classified either as at FVTPL or other financial liabilities.

CLASSIFICATION

Trade and other payables, dividends payable, long-term debt, long-term incentive plans, and workers' compensation are classified as other financial liabilities.

Other financial liabilities are subsequently measured 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.

TRANSACTION COSTS

Transaction costs related to financial liabilities classified as FVTPL are netted against the carrying value of the liability and then amortized over the expected life of the instrument using the effective interest method.

DERECOGNITION OF FINANCIAL LIABILITIES

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

Derivative Financial Instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk and to interest risk. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in the consolidated statements of earnings unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the consolidated statements of earnings depends on the nature of the hedge relationship.

HEDGE ACCOUNTING

Hedge accounting enables the recording of the effective portion of gains or losses from derivative financial instruments in the same period as for those related to the hedged item. The Company designates foreign exchange forward contracts as hedging instruments in respect of foreign currency risk related to some forecasted transactions of non-financial assets as cash flow hedges. The Company also designates interest rate swap contracts as hedging instruments in respect of interest risk related to floating interest rate debts as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge relationship and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading accumulated other comprehensive income — cash flow hedges. The gain or loss relating to the ineffective portion is recorded in the consolidated statements of earnings, if any, and is included in the other gains and losses line item.

The gains and losses previously recognized in other comprehensive income and accumulated in equity related to the forecasted transactions of the non-financial assets are transferred from equity and included in the initial measurement of the cost of the non-financial asset while those related to interest rate swap contracts are reclassified to the consolidated statements of earnings over the period that the floating rate interest payments on debts affect profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized only when the forecasted transaction is ultimately recognized in the consolidated statements of earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the consolidated statements of earnings.

Earnings per Share ("EPS")

Basic EPS are 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 are calculated by adjusting the weighted average number of Class A and Class B shares outstanding for dilutive instruments. Diluted EPS are 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 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.

3. Application of New and Revised IFRS

On January 1, 2017, the Company adopted the following revised standard:

IAS 7, "Statement of Cash Flows"

IAS 7 was amended in January 2016 to enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. It did not have any significant impact on the Company's financial statements.

Accounting Standards and Interpretation Issued but not yet Applied

The following accounting standards have been published: IFRS 9, "Financial Instruments"; IFRS 15, "Revenue from Contracts with Customers", and IFRS 16, "Leases".

The following interpretation has been published: IFRIC 23, "Accounting for Uncertainties in Income Taxes (IAS 12)".

IFRS 9, "Financial Instruments"

In July 2014, the final version of IFRS 9 was issued and it replaces IAS 39, "Financial Instruments — Recognition and Measurement". Classification and measurement of financial assets are based on a single approach, which reflects the business model in which they are managed and their cash flow characteristics. Requirements for financial liabilities largely carried forward existing requirements in IAS 39. Expected credit losses will be accounted for from when financial instruments are first recognized and the threshold for recognition of full lifetime expected losses is lowered. A new hedge accounting model is introduced, together with corresponding disclosures about risk management activity. The new hedge accounting model will allow entities to better reflect their risk management activities when hedging financial and non-financial risk exposures in the financial statements.

The standard is to be applied for accounting periods beginning on or after January 1, 2018, with early adoption permitted. The Company decided to adopt IFRS 9 using the retrospective approach and chose not to restate prior year comparatives. The requirements for hedge accounting in IFRS 9 will be applied prospectively on January 1, 2018. The Company completed its assessment of the impact of this new standard and the adoption of the standard will not have a material impact on the financial statements other than additional required note disclosures.

IFRS 15, "Revenue from Contracts with Customers"

IFRS 15, issued in May 2014, specifies when and how revenue will be recognized. It provides a single five-step model to be applied to all contracts with customers. It also provides additional disclosure requirements.

The standard is to be applied for accounting periods beginning on or after January 1, 2018. The Company decided to adopt IFRS 15 using the modified retrospective approach. The Company completed its assessment of the impact of this new standard and the adoption of the standard will not have a material impact on the financial statements other than additional required note disclosures.

IFRS 16, "Leases"

IFRS 16, issued in February 2016, specifies how to recognize, evaluate and present leases and provide information about them. The standard contains a unique model for lessee accounting which requires the recognition of assets and liabilities for all contracts unless the contract term is 12 months or less or the underlying asset has a low value. However, the recognition by the lessor remains largely unchanged from IAS 17, "Leases", and the distinction between contracts of leasing and contract hire remains single. The standard is effective for accounting periods beginning on or after January 1, 2019.

The Company is currently assessing the impact of this standard on the financial statements. The Company expects a material impact to the financial statements. However, at this time, it is not possible to provide a reasonable estimate of the effects of this new standard.

IFRIC 23, "Accounting for Uncertainties in Income Taxes (IAS 12)"

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments (IAS 12)", to clarify how to apply the recognition and measurement requirements in IAS 12 ("Income Taxes"), when there is uncertainty over income tax treatments.

This new interpretation applies to fiscal years beginning on or after January 1, 2019. The Company is currently assessing the estimated impact on the financial statements.

4. 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:

Trade Receivables

The Company must make an assessment of whether trade receivables are collectable from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment on a specific basis and, if required, using a set percentage applied to the aging of trade receivables. Trade receivables are written off once determined not to be collectable. If future collections differ from estimates, future profit would be affected.

Goodwill and Other Intangible Assets

Goodwill and certain of the Company's other intangible assets, consisting of lease rights and location, client relationships and acquired contractual backlog, arise out of business combinations. The purchase method involves the allocation of the cost of an acquisition to the net assets acquired based on their respective estimated fair values. As part of this allocation process, the Company must identify and attribute values and estimated useful lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital.

These estimates and assumptions are used to determine the amount allocated to other identifiable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company would record the impact of the change on a prospective basis.

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 22 for a discussion on the Company's goodwill impairment test.

Deferred Income Taxes

The evaluation of the recoverability of deferred income tax assets is based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable profit. The assessment is based upon existing tax laws and estimates of future taxable profit.

Work in Progress

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

Post-Employment Benefits

The actuarial techniques used to assess the value of defined benefit retirement plans involve significant financial (discount rate) and demographic (salary increase rate) assumptions. The Company uses the assistance of an independent actuary in the assessment of these assumptions.

The actuarial assumptions used by the Company may differ materially from actual results in future years due to changing market and economic conditions, regulatory events, judicial rulings, withdrawal rates, or participant life spans. Refer to Note 25 for further details on the significant actuarial assumptions used in the measurement of the Company's net benefit liability.

Non-Current Financial Liabilities

The determination of the liability resulting from the options granted the FER-PAL and LGC non-controlling interest shareholders require the use of estimates and assumptions regarding the future performance of the entities. 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 control of the Company. Refer to Note 6 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.

5. 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;

— Maintain a debt/capitalization ratio of less than 40%. The debt/capitalization ratio is defined as long-term debt (including the current portion) over long-term debt (including the current portion) plus equity attributable to owners of the Company.

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 in order to maintain a flexible capital structure that is consistent with the objectives stated above and corresponds to the risk characteristics of the underlying assets. In order 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.

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

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 managed is as follows:

	As at December 31, 2017 $	As at December 31, 2016 $
Cash and cash equivalents	**3,963**	15,971
Short-term bank loans	**9,829**	—
Long-term debt, including the current portion	**83,404**	60,325
Non-current financial liabilities	**61,641**	12,514
Equity attributable to owners of the Company	**228,574**	201,383

The Company monitors the debt/capitalization ratio on a quarterly basis. As at December 31, 2017, the ratio is 26.7% based on debt of $83,404 divided by a capitalization of $311,978 (23.1% as at December 31, 2016, based on debt of $60,325 divided by capitalization of $261,708), which is within the Company's objective.

Note that an amount of $61,641 is presented as non-current financial liabilities in the condensed consolidated financial statements of financial position. Of this amount, $59,168 represents long-term liabilities associated with past acquisitions due to non-controlling and former shareholders of such businesses acquired. If we include these non-current financial liabilities of $59,168 in our debt/capitalisation ratio, the calculation becomes a debt of $142,572 over a capitalization of $371,146, resulting in a ratio of 38.4%.

As at December 31, 2017, the Company is in compliance with all of its obligations under the terms of its banking agreements.

Financial Risk Management

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

CREDIT RISK

Credit risk arises from the possibility that a counterpart will fail to perform its obligations. The Company conducts a thorough assessment of credit issues prior to committing to the investment and actively monitors the financial health of its investees on an ongoing basis. In addition, the Company is exposed to credit risk from customers. On the one hand, the Company does business mostly with large industrial 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 approximately 1,750 customers. In 2017, the 20 largest customers account for 51.7% (45.7% in 2016) of consolidated revenue, and one single customer accounts for more than 10% of consolidated revenue and trade receivables, at 10.9% for revenue and 19.5% for trade receivables (none in 2016).

Allowance for doubtful accounts and past due receivables are reviewed by management at each reporting date. Allowance for doubtful accounts and past due receivables are presented in further detail in Note 18.

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

The Company's maximum exposure to credit risk with respect to each of its financial assets (cash and cash equivalents, investment in a service contract, 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:

As at December 31, 2017	Carrying amount $	Contractual cash flows $	Less than 1 year $	1-3 years $	More than 3 years $
Short-term bank loans	**9,829**	**9,829**	**9,829**	**—**	**—**
Trade and other payables	**85,174**	**85,174**	**85,174**	**—**	**—**
Long-term debt [(1)]	**92,936**	**92,936**	**6,848**	**6,597**	**78,951**
Non-current financial liabilities, excluding the derivative	**61,637**	**61,637**	**—**	**18,299**	**43,338**
	249,036	**249,036**	**101,851**	**24,896**	**122,289**

As at December 31, 2016	Carrying amount $	Contractual cash flows $	Less than 1 year $	1-3 years $	More than 3 years $
Trade and other payables	43,081	43,081	43,081	—	—
Long-term debt [(1)]	60,707	60,707	814	58,693	1,200
Non-current financial liabilities, excluding the derivative	12,437	12,437	1,836	2,138	8,463
	116,225	116,225	45,731	60,831	9,663

(1) *Includes principal and interest*

Given the actual liquidity level combined with future cash flows that will be generated by operations, and considering the increase in financial obligations, 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 risk and foreign exchange risk.

INTEREST RISK

The Company holds interest rate swap contracts related to its debts to swap the floating rate to a fixed rate, thus decreasing the Company's sensitivity to interest rate fluctuations.

SENSITIVITY ANALYSIS

As at December 31, 2017, the floating rate portion of the Company's long-term debt is 61.4% (92% in 2016). Taking into account the interest rate swap contracts mentioned above, the floating rate portion is 24.9% as at December 31, 2017 (80% in 2016). 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, 2017, excluding the floating rate debt for which the floating rate has been swapped to fixed, would have had a negative impact of $202 ($557 in 2016) 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.

INTEREST RATE SWAP CONTRACTS

In 2017, the Company entered into an interest rate swap contract with our main banks for an amount of $25,000. The interest rate swap contract was designated as a cash flow hedge, settles on a monthly basis and will mature on July 22, 2022. As at December 31, 2017, the degressive notional principal amount of the outstanding interest rate swap contract was $23,750 (nil in 2016). The floating interest rate on the interest rate swap is CDOR and the fixed interest rate is 1.80%.

Another interest rate swap contract was designated as a cash flow hedge until September 2017. It settles on a monthly basis and will mature on August 27, 2018. As at December 31, 2017, the degressive notional principal amount of the outstanding interest rate swap contract was $5,833 ($7,261 in 2016). The floating interest rate on the interest rate swap is CDOR and the fixed interest rate is 1.79%.

FOREIGN EXCHANGE RISK

The Company is mainly exposed to fluctuations in the U.S. dollar. The Company considers the risk to be limited and, therefore, does not use derivative instruments to reduce its exposure.

During 2017, 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 $2,329 ($2,205 in 2016) on profit for the year and a positive impact of $2,853 ($2,783 in 2016) 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, 2017, a total of $41,368 or US$32,628 and €290 ($42,445 or US$28,966 and €2,507 in 2016) of cash and cash equivalents and trade and other receivables is denominated in foreign currencies. As at December 31, 2017, a total of $30,118 or US$23,707 and €251 ($17,775 or US$11,669 and €1,487 in 2016) of trade and other payables is denominated in foreign currencies.

Fair Value of Financial Instruments

As at December 31, 2017 and 2016, the estimated fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in other non-current financial assets, was not significantly different from their carrying value as at December 31, 2017 and 2016, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of the investment in a service contract was not significantly different from its carrying value as at December 31, 2016, as terms and conditions were similar to current conditions.

The estimated fair value of long-term debt was not significantly different from its carrying value as at December 31, 2017 and 2016, since it mainly bore interest at floating rates or had financing conditions similar to those then available to the Company.

6. Business Acquisitions

Business acquisitions for the year ended December 31, 2017

On July 6, 2017, the Company acquired 51% of the shares of FER-PAL, a Toronto (ON)-based company that utilizes our Aqua-Pipe technology and that offers complete watermain rehabilitation solutions, for an estimated aggregate purchase price of $49,483. The purchase price paid by LOGISTEC consisted of a cash payment of $41,483 and the issuance of 230,747 Class B shares in the share capital of LOGISTEC, subject to a post-closing adjustment. The LOGISTEC shares issued as part of the purchase price were covered by contractual lock-up restrictions as to 100% of such shares until January 6, 2018, and as to

50% until July 6, 2018, and orderly disposal provisions. Transaction costs amounting to some $873 are included in the financial results.

This transaction consolidates and expands the Company's environmental services in watermain rehabilitation projects utilizing our Aqua-Pipe trenchless technology for municipalities in Canada and the United States.

On February 16, 2017, the Company also invested US$4,429 (CA$5,805) in Logistec Gulf Coast LLC ("LGC"), a newly formed company. The funds were used to acquire essentially all of the operating assets of Gulf Coast Bulk Equipment, Inc. ("GCBE"). The Company holds a 70% interest in LGC and GCBE holds the remaining 30% interest.

This transaction consolidates and expands the Company's bulk cargo handling services in the U.S. Southeast and the Gulf of Mexico region.

FER-PAL and LGC Acquisitions

At the acquisition date, the fair value of the underlying identifiable assets acquired and liability assumed was as follows:

(in thousands of dollars)	FER-PAL $	LGC $	Total $
Current assets	**29,624**	**194**	**29,818**
Property, plant and equipment	**8,034**	**8,457**	**16,491**
Goodwill	**83,347**	**564**	**83,911**
Other intangible assets	**16,750**	**—**	**16,750**
Non-current financial assets	**317**	**—**	**317**
Bank overdraft	**(8,251)**	**—**	**(8,251)**
Current liabilities	**(23,791)**	**(866)**	**(24,657)**
Long-term debt	**(1,648)**	**—**	**(1,648)**
Deferred income tax liabilities	**(6,298)**	**—**	**(6,298)**
Non-current financial liabilities	**(1,058)**	**—**	**(1,058)**
	97,026	**8,349**	**105,375**
Purchase consideration			
Cash (1)	**41,483**	**5,805**	**47,288**
230,747 Class B shares issued (Note 32)	**8,000**	**—**	**8,000**
Non-controlling interests (2)	**47,543**	**2,544**	**50,087**
	97,026	**8,349**	**105,375**

(1) *Based on the performance of FER-PAL for the six-month period ended December 31, 2017, the company recorded a preliminary estimated gain of $5,260 in the consolidated financial statements of earnings, under the heading Other gains and losses, as a post-closing adjustment settlement of the purchase consideration*

(2) *Non-controlling interest shareholders hold 49% and 30% interest in FER-PAL and in LGC, respectively. Non-controlling interests are measured at fair value as at the acquisition date*

The cash portion of the purchase consideration includes an amount of $5,000 paid in escrow, which will be used to settle the post-closing adjustments based on the performance of FER-PAL for the year ended December 31, 2017. At the acquisition date, the Company estimated that no additional amount would be payable nor any reduction in the purchase price would occur. As of December 31, 2017, based on the lower than anticipated performance of FER-PAL, an estimated gain of $5,260 was recorded, included in the caption "Other gains and losses" and an equivalent amount as a receivable. The purchase price, as of the date of these financial statements, is subject to further material post-closing adjustments, which may result in additional future impacts to the consolidated results of the Company.

The uncertainty regarding the purchase price is due to the ongoing review, by the Company, of pre-acquisition results of FER-PAL, which are significant in the performance for the year ended December 31, 2017.

The purchase price and allocation thereof regarding FER-PAL is preliminary and is subject to change once final valuations of the assets acquired and liability assumed are completed. The principal valuations which have not yet been completed are with respect to inventory, property, plant and equipment and the impacts to goodwill and deferred income taxes. Once the valuations are completed, the consolidated financial statements will be adjusted on a retroactive basis.

The purchase price allocation of LGC is final.

Goodwill

Goodwill from the acquisitions is mainly the result of expected synergies and intangible assets not qualifying for separate recognition. Goodwill is not deductible for tax purposes.

Repurchase of the Non-Controlling Interests

FER-PAL

The Company granted the 49% non-controlling interest shareholders in FER-PAL 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 a two-year period for cash consideration based on a predetermined purchase price formula based on FER-PAL's performance. At the acquisition date, the Company recorded a liability and reduced the non-controlling interest by an amount of $47,543, representing the estimated present value of the redemption amount of such cash consideration. As at December 31, 2017, following the accretion of interest a liability of $48,427 has been included in non-current financial liabilities in the consolidated financial statements.

The Company also has a call option, exercisable by LOGISTEC at any time after July 6, 2022, to purchase the remaining 49% shares from the non-controlling interest shareholders on the same terms as the put option.

LGC

The Company has the obligation to repurchase the 30% non-controlling interest in LGC on December 31, 2021 at the latest, or sooner upon the occurrence of certain events. The purchase price will be the greater of: i) the book value of the 30% non-controlling interest or ii) a multiple of the applicable three-year average EBITDA, minus LGC's debt. Consequently, the Company recorded a liability and reduced the non-controlling interest by an amount of $2,545, representing the estimated present value of the purchase price of the non-controlling interest. As at December 31, 2017, a liability of $2,156 is included in non-current financial liabilities in the consolidated financial statements.

The purchase price allocation of LGC is final. As a result of the non-participant nature of the non-controlling interests in the results of both FER-PAL and LGC, no profit is attributed to the non-controlling interests other than with respect to amounts representing the distribution of profits pursuant to a shareholder agreement entered into with the FER-PAL non-controlling shareholders.

Impact of the Acquisitions on the Results of the Company

The Company's results for the year ended December 31, 2017, include $92,052 in revenue, and an additional net profit of $1,741 generated from FER-PAL. They also include $11,582 in revenue and a net loss of $1,256 generated from additional business at LGC for the year ended December 31, 2017.

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

If these business acquisitions had been completed on January 1, 2017, the Company's consolidated revenue and net profit for the year ended December 31, 2017 would have totaled $507,574 and $33,853, respectively.

Business acquisitions for the year ended December 31, 2016

On March 8, 2016, the Company acquired Excava-Tech Inc. ("Excava-Tech") for $5,562. This acquisition represents a vertical integration for Aqua-Pipe services.

At the acquisition date, the final fair value of the underlying identifiable assets acquired and liabilities assumed was as follows:

	Excava-Tech $	Other $	Total $
Current assets	1,704	973	2,677
Property, plant and equipment	5,262	1,244	6,506
Goodwill	2,439	244	2,683
Other non-current financial assets	44	–	44
Current liabilities	(2,000)	(1,431)	(3,431)
Deferred income tax liabilities	(546)	(80)	(626)
Long-term debt	(1,341)	(100)	(1,441)
	5,562	850	6,412
Settlement			
Cash	4,562	700	5,262
Non-interest bearing balance of sale, payable in two annual instalments of $500 in 2017 and 2018 for Excava-Tech Inc. and in one annual instalment in 2018 for the other company	1,000	150	1,150
	5,562	850	6,412

Receivables acquired (consisting primarily of trade receivables) as part of the acquisitions had a fair value and gross contractual amounts of $1,610, and were fully collected.

Goodwill

Goodwill mainly arose in the acquisitions as a result of expected synergies and intangible assets not qualifying for separate recognition. Goodwill is not deductible for tax purposes.

Impact of the Acquisitions on the Results of the Company

For the year ended December 31, 2016, revenue amounted to $2,190 and profit for the year was not significant.

Had these business acquisitions been made effective January 1, 2016, the Company's revenue would have amounted to $345,197 and profit for the year would have been $17,855.

7. Revenue

	2017 **$**	2016 $
Revenue from the sale of goods	**42,216**	39,769
Revenue from the rendering of services	**433,517**	303,458
Interest revenue from an investment in a service contract	**10**	99
	475,743	343,326

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

Contract in the scope of IFRIC 12

In 2015, the Company entered into a service contract with a federal Crown corporation and a department of the Québec government whereby the Company was required to design and construct a groundwater pumping and treatment system (the "System") to better control migration of groundwater and to prevent it from flowing into the St. Lawrence River. The contract is for a period of 15 years.

The federal Crown corporation and the department of the Québec government jointly assume the management of the land bordering the St. Lawrence River.

In connection with the construction of the System, the Company recorded revenue of $711 ($7,407 in 2016). Payment of the total amount is as follows: 40% at the provisional completion of construction, 10% upon final completion of the construction, and 50% spread over the number of quarters corresponding to the period beginning on the date of the provisional completion and ending at the end of the initial term of 15 years, payable quarterly. The Company expects to recover an aggregate amount of $1,248 in 2018, therefore this amount is presented in current assets. An amount of $217($4,563 in 2016) is recorded in accounts receivable and other receivables, including consumption taxes, and an amount of $968 ($1,243 in 2016) is recorded in the current portion of other non-current financial assets. In addition, an amount of $3,758 ($4,012 in 2016), which bears interest at a rate of 5%, is included in other non-current financial assets.

8. Employee Benefits Expense

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

	2017 **$**	2016 $
Wages, salaries and fringe benefits	**228,194**	150,717
Defined benefit retirement plans (Note 25)	**1,697**	1,498
Defined contribution retirement plans (Note 25)	**2,323**	1,982
Government pension plans	**1,512**	1,863
Perigovernmental organization pension plan	**681**	442
Other long-term benefits	**840**	2,282
	235,247	158,784

The compensation of key management personnel is further disclosed in Note 34.

9. Other Gains and Losses

	2017 **$**	2016 $
Net foreign exchange losses	**(2,151)**	(1,046)
Preliminary estimated gain on post-closing adjustment for a purchase consideration related to a business acquisition (Note 6)	**5,260**	–
Gain on disposal of property, plant and equipment	**1,766**	701
	4,875	(345)

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

10. Finance Expense

	2017 $	2016 $
Interest on short-term bank loans	86	154
Interest on long-term debt	3,835	1,711
Amortization of transaction costs and other interest expense	16	29
	3,937	1,894

11. Finance Income

	2017 $	2016 $
Interest on cash and cash equivalents	365	177
Other	39	17
	404	194

12. Income Taxes

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

	2017 $	2016 $
Profit before income taxes	33,567	25,754
Less: share of profit of equity accounted investments	(6,952)	(4,310)
Parent company's and subsidiaries' profit before income taxes	26,615	21,444
Income tax expense calculated at the statutory income tax rate of 27.32% (26.63% in 2016)	7,272	5,711
Non-deductible items	1,684	516
Non-taxable income	(1,394)	—
Effect of recognition of previous capital loss	—	655
Effect of deferred US tax rate decrease	(2,220)	—
Adjustments in respect of prior years and other	869	386
Income tax expense recognized in profit or loss	6,211	7,268
Effective income tax rate	23.3%	33.90%

Components of the income tax expense for the years are as follows:

	2017 $	2016 $
Current income taxes		
Current income tax expense in respect of the current year	12,320	5,383
Adjustments in respect of the prior year	60	299
Deferred income taxes		
Deferred income tax expense recognized in the year	(6,169)	1,586
Income tax expense recognized in profit or loss	6,211	7,268

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

Deferred Income Tax Balances

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

	As at December 31, 2017 $	As at December 31, 2016 $
Deferred income tax assets	**9,218**	7,715
Deferred income tax liabilities	**(14,488)**	(13,382)
	(5,270)	(5,667)

Deferred income tax balances for which a right of offset exists within the same 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 $	Other intangible assets $	Other $	Total $
As at January 1, 2016	**1,796**	**3,972**	**3,237**	**181**	**3,178**	**12,364**
Acquisitions through business acquisitions (Note 6)	–	–	–	–	7	7
Benefit (expense) to statement of earnings	(142)	253	197	(106)	627	829
Benefit to statement of comprehensive income	–	–	(168)	–	(110)	(278)
Effect of foreign currency exchange differences	52	(10)	–	–	(48)	(6)
As at December 31, 2016	**1,706**	**4,215**	**3,266**	**75**	**3,654**	**12,916**
Acquisitions through business acquisitions (Note 6)	–	980	–	–	–	980
Benefit (expense) to statement of earnings	(1,423)	5	123	(65)	(644)	(2,004)
Benefit to statement of comprehensive income	–	–	151	–	(41)	110
Effect of foreign currency exchange differences	203	(76)	–	–	–	127
As at December 31, 2017	**486**	**5,124**	**3,540**	**10**	**2,969**	**12,129**

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

Deferred income tax liabilities	Property, plant and equipment $	Investment in a service contract $	Contract holdbacks and backlog $	Other intangible assets $	Other $	Total $
As at January 1, 2016	**(4,618)**	**(312)**	**(3,224)**	**(7,600)**	**(11)**	**(15,765)**
Acquisitions through business acquisitions (Note 6)	(608)	–	(25)	–	–	(633)
Benefit (expense) to statement of earnings	(2,564)	291	(404)	508	(246)	(2,415)
Effect of foreign currency exchange differences	–	–	–	230	–	230
As at December 31, 2016	**(7,790)**	**(21)**	**(3,653)**	**(6,862)**	**(257)**	**(18,583)**
Acquisitions through business acquisitions (Note 6)	(700)	–	(2,021)	(4,557)	–	(7,278)
Benefit (expense) to statement of earnings	729	27	(372)	7,729	60	8,173
Effect of foreign currency exchange differences	–	–	–	289	–	289
As at December 31, 2017	**(7,761)**	**6**	**(6,046)**	**(3,401)**	**(197)**	**(17,399)**

Unused Tax Losses

The Company has unused non-capital tax losses in the amount of $25,684 ($19,543 in 2016) of which $8,667 has not been recognized ($5,562 in 2016). These losses are expiring in the following years:

Year	**As at December 31, 2017 $**	**As at December 31, 2016 $**
2026 to 2029	**233**	233
2030	**10**	60
2031	**94**	213
2032	**588**	6,336
2033	**1,084**	1,083
2034	**3,482**	4,855
2035	**8,292**	3,640
2036	**1,874**	3,123
2037	**6,619**	–

Tax benefits of $5,124 ($3,574 in 2016) have been recorded related to unused non-capital tax losses, including $2,031 ($2,058 in 2016) from foreign subsidiaries. The Company also has $1,342 ($1,639 in 2016) of unrecognized capital losses that may be carried forward indefinitely.

13. Operating Lease Arrangements

The Company as Lessee

LEASE ARRANGEMENTS

Operating leases relate to lease agreements to rent offices, port facilities, and equipment that expire until 2031. 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.

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

Payments recognized are as follows:

	2017 **$**	2016 $
Minimum lease payments	**14,303**	14,819
Contingent rentals	**10,300**	6,411
Sublease payments received	**(2,061)**	(1,655)
	22,542	19,575

Future minimum sublease payments amounting to $55 ($61 in 2016) are expected to be received.

The Company's commitments under operating lease arrangements are further discussed in Note 37.

14. 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:

	2017	2016
Profit attributable to owners of Class A shares ($)	**15,859**	11,040
Profit attributable to owners of Class B shares ($)	**11,567**	7,818
	27,426	18,858
Weighted average number of Class A shares outstanding, basic	**7,410,139**	7,419,847
Weighted average number of Class B shares outstanding, basic	**4,913,685**	4,777,058
	12,323,824	12,196,905
Weighted average number of Class A shares outstanding, diluted	**7,410,139**	7,419,847
Weighted average number of Class B shares outstanding, diluted	**5,605,701**	5,348,861
	13,015,840	12,768,708

15. Financial Instruments

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

Carrying amount	**As at December 31, 2017 $**	As at December 31, 2016 $
Loans and receivables		
Cash and cash equivalents	**3,963**	15,971
Investment in a service contract	—	865
Trade and other receivables	**153,342**	86,373
Other financial assets	**1,055**	1,014
Non-current financial assets, excluding the derivative	**7,834**	7,166
	166,194	111,389
Other financial liabilities		
Short-term bank loans	**9,829**	—
Trade and other payables	**85,174**	43,081
Dividends payable	**1,075**	947
Current portion of long-term debt	**5,447**	1,681
Long-term debt	**77,957**	58,644
Non-current financial liabilities, excluding the derivative	**61,637**	12,437
	241,119	116,790

The fair value of the Company's financial instruments is disclosed in Note 5.

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

16. Cash and Cash Equivalents

	As at December 31, 2017 **$**	As at December 31, 2016 $
Cash on hand	**3,963**	15,971

17. Investment in a Service Contract

	As at December 31, 2017 **$**	As at December 31, 2016 $
Investment in a service contract	**–**	865

The investment in a service contract, bearing interest at 9.66%, required fixed monthly repayments of $33 (including principal and interest). This contract ended in January 2017.

18. Trade and Other Receivables

	As at December 31, 2017 **$**	As at December 31, 2016 $
Trade receivables	**116,824**	71,106
Allowance for doubtful accounts	**(4,053)**	(2,848)
Net trade receivables	**112,771**	68,258
Accrued revenue	**10,737**	6,667
Contract holdbacks	**17,121**	5,831
Commodity taxes	**2,199**	–
Insurance reimbursement receivable related to claims	**1,022**	3,290
Other [(1)]	**9,492**	2,327
	153,342	86,373

[(1)] *Includes a preliminary estimated gain on post-closing adjustment for a purchase consideration related to a business acquisition (note 6) amounting to $5,260 (nil in 2016)*

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

	As at December 31, 2017 **$**	As at December 31, 2016 $
Current	**57,651**	28,342
31-60 days	**34,857**	21,216
Past due 1-30 days	**28,106**	16,135
Past due 31-60 days	**8,421**	9,445
Past due 61-120 days	**8,072**	1,253
Past due over 121 days [(1)]	**16,235**	9,982
	153,342	86,373

[(1)] *Includes contract holdbacks amounting to $2,822 ($1,885 in 2016)*

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

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

	2017 **$**	2016 $
Balance, beginning of year	**2,848**	2,519
Bad debt expense	**2,309**	462
Reversals (write offs)	**(1,104)**	(133)
Balance, end of year	**4,053**	2,848

Credit risk exposure and mitigation are further discussed in Note 5.

19. Inventories

	As at December 31, 2017 **$**	As at December 31, 2016 $
Raw materials	**2,194**	1,661
Work in progress	**2,793**	2,525
Finished goods	**408**	608
Consumables	**6,155**	2,712
	11,550	7,506

The cost of inventories recognized as an expense during the year is $45,404 ($41,205 in 2016).

20. 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: Termont Terminal Inc., Transport Nanuk Inc., Quebec Mooring Inc., Moorings (Trois-Rivières) Ltd., Quebec Maritime Services Inc., 9260-0873 Québec Inc. and Flexiport Mobile Docking Structures 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 business. The address of Termont Terminal Inc.'s registered office is Port of Montréal, Section 68, P.O. Box 36, Station. K, Montréal (QC) H1N 3K9, Canada.

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

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

	2017 **$**	2016 $
Statement of financial position		
Current assets (including cash and cash equivalents of $2,076 ($1,402 in 2016))	**3,111**	3,214
Non-current assets	**40,379**	34,224
Current liabilities	**(298)**	(284)
Net assets	**43,192**	37,154
The Company's share of net assets presented as an equity accounted investments	**21,599**	18,578
Results		
Revenue	**3,137**	2,782
Share of profit of an equity accounted investment	**6,154**	3,638
Interest income	**17**	12
Income taxes	**(688)**	(599)
Profit for the year	**8,042**	5,270
Total comprehensive income for the year	**8,042**	5,272
The Company's share of profit for the year	**4,021**	2,635
The Company's share of total comprehensive income for the year	**4,021**	2,636
Dividend received by the Company	**1,000**	750

The Company also has interests in individually immaterial joint ventures. The following table provides, in aggregate, the financial information for the Company's share of all immaterial joint ventures:

	2017 **$**	2016 $
Carrying amount of interests in individually immaterial joint ventures	**12,734**	12,530
Profit for the year	**2,911**	1,663
Other comprehensive (loss) income	**(100)**	23
Total comprehensive income for the year	**2,811**	1,686
Dividends received by the Company	**2,600**	1,463

Investments in Associates

The Company's results include its share of operations in associates, which are accounted for using the equity method. The Company's equity interests are in the following associates, none of which is individually material: Sept-Îles Mooring Inc. (33.3% ownership), and St-Lawrence Mooring Inc. (25.0% ownership).

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

The following table provides, in aggregate, the financial information of all immaterial associates:

	2017 **$**	2016 $
Carrying amount of interests in associates	**17**	33
Profit for the year and total comprehensive income for the year	**20**	12

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

21. Property, Plant and Equipment

Cost	Land and buildings $	Machinery, automotive equipment and automotive equipment held under finance leases $	Computer equipment, furniture and fixtures $	Leasehold improvements $	Construction in progress $	Total $
As at January 1, 2016	**53,906**	**138,520**	**3,390**	**5,368**	**6,686**	**207,870**
Additions	9,160	11,019	238	385	13,775	34,577
Addition through business acquisitions (Note 6)	1,741	4,756	9	—	—	6,506
Disposals and write offs	(68)	(6,376)	(58)	—	—	(6,502)
Transfers	4,932	66	—	—	(4,998)	—
Effect of foreign currency exchange differences	(267)	(928)	(20)	(117)	(43)	(1,375)
As at December 31, 2016	**69,404**	**147,057**	**3,559**	**5,636**	**15,420**	**241,076**
Additions	1,801	16,815	405	116	3,156	22,293
Addition through business acquisitions (Note 6)	—	9,862	344	6,584	—	16,790
Disposals and write offs	(3,581)	(7,368)	(318)	(747)	—	(12,014)
Transfers	37	7,634	(79)	—	(7,592)	—
Effect of foreign currency exchange differences	(914)	(3,642)	(38)	(488)	(1,029)	(6,111)
As at December 31, 2017	**66,747**	**170,358**	**3,873**	**11,101**	**9,955**	**262,034**

Accumulated depreciation	Land and buildings $	Machinery, automotive equipment and automotive equipment held under finance leases $	Computer equipment, furniture and fixtures $	Leasehold improvements $	Construction in progress $	Total $
As at January 1, 2016	**10,029**	**79,699**	**2,485**	**4,635**	**—**	**96,848**
Depreciation expense	2,002	10,318	407	131	—	12,858
Elimination on disposal of assets and write offs	(68)	(6,405)	(37)	—	—	(6,510)
Effect of foreign currency exchange differences	(14)	(562)	(24)	(111)	—	(711)
As at December 31, 2016	**11,949**	**83,050**	**2,831**	**4,655**	**—**	**102,485**
Depreciation expense	1,742	13,863	465	558	—	16,628
Elimination on disposal of assets and write offs	(3,557)	(7,021)	(311)	(747)	—	(11,636)
Effect of foreign currency exchange differences	(52)	(2,444)	53	309	—	(2,134)
As at December 31, 2017	**10,082**	**87,448**	**3,038**	**4,775**	**—**	**105,343**

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

Carrying amount	Land and buildings $	Machinery, automotive equipment and automotive equipment held under finance leases $	Computer equipment, furniture and fixtures $	Leasehold improvements $	Construction in progress $	Total $
As at December 31, 2016	57,455	64,007	728	981	15,420	138,591
As at December 31, 2017	**56,665**	**82,910**	**835**	**6,326**	**9,955**	**156,691**

22. Goodwill

Cost

	2017 **$**	2016 $
Balance, beginning of year	**26,199**	23,915
Business acquisitions (Note 6)	**83,911**	2,683
Effect of foreign currency exchange differences	**(253)**	(399)
Balance, end of year	**109,857**	26,199

Accumulated Impairment Losses

	2017 **$**	2016 $
Balance, beginning and end of year	**1,300**	1,300

Carrying Amount

	As at December 31, 2017 **$**	As at December 31, 2016 $
Cost	**109,857**	26,199
Accumulated impairment losses	**(1,300)**	(1,300)
	108,557	24,899

Impairment Testing

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

Carrying amount	**As at December 31, 2017** **$**	As at December 31, 2016 $
Stevedoring	**13,307**	13,194
Aqua-Pipe	**89,384**	6,038
Environment	**5,681**	5,482
Agencies	**185**	185
	108,557	24,899

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. These cash flow projections reflect past experience and future expectations of financial performance. A growth rate of 3.0% (3.0% in 2016) has been used to extrapolate cash flow projections beyond that one-year period.

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

The discount rates, before income taxes, used to calculate value in use are based on market data and were 9.1% (9.1% in 2016) for Stevedoring, 12.70% (13.3% in 2016), for Aqua-Pipe and 12.70% (13.1% in 2016) for Environment.

The 2016 calculation of value in use for Stevedoring, which represented the most recent calculation of value in use, was used for the impairment test as at December 31, 2017, since the following criteria were met:

- The assets and liabilities making up the CGU have not changed significantly since the most recent recoverable amount calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU by a substantial margin; and
- Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the CGU is remote.

23. Other Intangible Assets

Cost	Lease rights and location $	Client relationships and backlog $	Dredging costs $	Computer software $	Total $
As at January 1, 2016	**20,623**	**6,962**	**370**	**1,998**	**29,953**
Additions	—	—	—	33	33
Fully amortized	—	(1,900)	—	—	(1,900)
Effect of foreign currency exchange differences	(615)	(120)	(12)	(9)	(756)
As at December 31, 2016	**20,008**	**4,942**	**358**	**2,022**	**27,330**
Additions	1,197	—	—	45	1,242
Fully amortized	—	(1,050)	(344)	(61)	(1,455)
Addition through business acquisitions (Note 6)	—	16,750	—	—	16,750
Impairment charge and disposal	(2,917)	—	—	(26)	(2,943)
Effect of foreign currency exchange differences	(1,308)	(254)	(14)	(19)	(1,595)
As at December 31, 2017	**16,980**	**20,388**	**—**	**1,961**	**39,329**

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

Accumulated amortization	Lease rights and location $	Client relationships and backlog $	Dredging costs $	Computer software $	Total $
As at January 1, 2016	**3,287**	**4,323**	**329**	**1,767**	**9,706**
Amortization expense	921	384	6	119	1,430
Fully amortized	—	(1,900)	—	—	(1,900)
Effect of foreign currency exchange differences	(85)	(36)	(9)	(9)	(139)
As at December 31, 2016	**4,123**	**2,771**	**326**	**1,877**	**9,097**
Amortization expense	929	16,228	—	74	17,231
Fully amortized	—	(1,050)	—	—	(1,050)
Disposal	—	—	(308)	(80)	(388)
Effect of foreign currency exchange differences	(298)	(125)	(18)	(23)	(464)
As at December 31, 2017	**4,754**	**17,824**	**—**	**1,848**	**24,426**

Carrying amount	Lease rights and location $	Client relationships $	Dredging costs $	Computer software $	Total $
As at December 31, 2016	15,885	2,171	32	145	18,233
As at December 31, 2017	**12,226**	**2,564**	—	**113**	**14,903**

Accumulated Impairment Losses

	2017 $	2016 $
Balance, beginning of year	—	—
Impairment charge on lease rights and location	**2,917**	—
Balance, end of year	**2,917**	—

Research and Development Expenditures

Research and development expenditures of $1,313 ($819 in 2016) were recognized as an expense during the year.

24. Other Non-Current Assets

	As at December 31, 2017 $	As at December 31, 2016 $
Amount owed from a joint venture (Note 34)	**152**	(118)
Prepaid expenses	**34**	69
Other	**1,472**	1,583
	1,658	1,534

25. Post-Employment Benefit Assets and Obligations

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

The projected benefit obligation as at December 31, 2017, has been extrapolated using the projected benefit obligation based on the latest actuarial valuations.

The most recent actuarial valuations of the retirement plans for funding purposes were as of December 31, 2016. The Board of Directors of each of Logistec Stevedoring (Nova Scotia) Inc. and LOGISTEC Corporation have resolved, subject to the provisions of any applicable legislation, regulations and administrative rules of any applicable regulatory authorities and subject to the receipt of the required approvals of any applicable regulatory authorities, to merge, effective December 31, 2017, the Retirement Plan for Employees of Logistec Atlantic ("Atlantic Plan") and the Régime de rentes de retaite des employés de LOGISTEC Corporation et ses filiales ("LOGISTEC Plan"). Pursuant to the merger, the assets of the Atlantic Plan (transferring plan) was transferred to the LOGISTEC Plan (receiving plan).

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 plans' obligations evolution. 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 15.93 years.

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

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

	2017 **$**	2016 $
Benefit obligation, beginning of year	**(30,383)**	(28,476)
Current service cost	**(1,273)**	(1,121)
Interest cost	**(1,251)**	(1,179)
Employees' contributions	**(143)**	(166)
Remeasurement losses		
Actuarial loss arising from experience adjustments	**(2,054)**	(82)
Benefits paid	**1,191**	598
Past service cost	**—**	43
Benefit obligation, end of year	**(33,913)**	(30,383)
Fair value of plan assets, beginning of year	**18,690**	16,540
Interest income	**751**	674
Return on plan assets, excluding amounts included in interest income	**1,062**	940
Administrative fees	**(15)**	(13)
Employer's contributions [1]	**1,166**	981
Employees' contributions	**143**	166
Benefits paid	**(1,191)**	(598)
Fair value of plan assets, end of year	**20,606**	18,690
Net benefit liability, end of year	**(13,307)**	(11,693)
Net benefit liability is comprised of:		
Post-employment benefit assets	**606**	706
Post-employment benefit obligations [2]	**(13,913)**	(12,399)
Net benefit liability, end of year	**(13,307)**	(11,693)

(1) *Employer's contributions include contributions made by an equity accounted investment of the Company of $130 ($115 in 2016)*

(2) *Post-employment benefit obligations in the consolidated statements of financial position include $865 ($677 in 2016) 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		Total	
	2017 **$**	2016 $	**2017** **$**	2016 $	**2017** **$**	2016 $
Benefit obligation	**(21,596)**	(19,069)	**(12,317)**	(11,314)	**(33,913)**	(30,383)
Fair value of plan assets	**20,606**	18,690	**—**	—	**20,606**	18,690
Plan deficit	**(990)**	(379)	**(12,317)**	(11,314)	**(13,307)**	(11,693)

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

Plan assets consist of:

	As at December 31, 2017 $	As at December 31, 2016 $
Cash	**81**	—
Bonds	**7,307**	6,610
Annuity contracts	**3,336**	3,255
Canadian stock	**3,818**	4,075
Foreign stock	**6,064**	4,750
	20,606	18,690

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:

	2017 $	2016 $
Current service cost	**1,273**	1,121
Net interest expense	**500**	505
Past service cost	**—**	(43)
Administrative fees	**15**	13
	1,788	1,596
Less: net expense assumed by an equity accounted investment of the Company	**(91)**	(99)
Defined benefit cost recognized	**1,697**	1,497
Net expense on defined contribution retirement plans	**2,323**	1,982
Net expense for all defined benefit and defined contribution retirement plans	**4,020**	3,479

Significant Actuarial Assumptions

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

	2017 %	2016 %
Accrued benefit liability		
Discount rate, end of year	**3.5**	4.0
Expected rate of compensation increase	**3.5 to 4.0**	3.5 to 4.0
Benefit cost		
Discount rate	**4.0**	4.0
Expected rate of compensation increase	**3.5 to 4.0**	3.5

SENSITIVITY ANALYSIS

As at December 31, 2017, all else being equal, a hypothetical variation of +1.0% in the discount rate would have a positive impact of $4,821 ($4,411 in 2016), whereas a hypothetical variation of -1.0% would have a negative impact of $6,111 ($5,600 in 2016) on the benefit obligation.

As at December 31, 2017, all else being equal, a hypothetical variation of +1.0% in the expected rate of compensation increase would have a negative impact of $1,285 ($1,320 in 2016), whereas a hypothetical variation of -1.0% would have a positive impact of $1,190 ($1,221 in 2016) on the benefit obligation.

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

Contributions to Retirement Plans

Total cash payments for post-employment benefits for 2017, 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 $2,962 ($2,542 in 2016).

The Company expects to make a contribution of $1,319 to the defined benefit retirement plans in 2018.

26. Non-Current Financial Assets

	As at December 31, 2017 $	As at December 31, 2016 $
Other non-current assets (Note 7)	**3,916**	4,039
Contract holdbacks	**4,068**	3,127
	7,984	7,166

27. Short-Term Bank Loans

As of December 8, 2017, FER-PAL, has an overdraft lending facility of up to $10,000 available secured by all existing property of the business of FER-PAL, including equipment and trade and other receivables and all property to be acquired in the future, it is due on demand and bears interest at the bank at a prime lending rate plus 0.75%. At December 31, 2017, the bank's prime lending rate was 2.70% and the overdraft facility was drawn at $9,829.

The facility can be used in the form of overdraft, banker's acceptances, and letters of credit. Pursuant to the terms of the facility, FER-PAL must satisfy certain restrictive covenants as to maximum funded debt/EBITDA, minimum fixed charge coverage and debt/capitalization ratios. As at December 31, 2017, FER-PAL was in compliance with all its covenants.

28. Trade and Other Payables

	As at December 31, 2017 $	As at December 31, 2016 $
Trade payables	**50,414**	19,106
Accruals	**25,550**	18,121
Other	**9,210**	5,854
	85,174	43,081

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

29. Long-Term Debt

	As at December 31, 2017 $	As at December 31, 2016 $
Revolving credit facility, bearing interest at banker's prime rate and or banker's acceptance and LIBOR loans, with no principal repayment required until September 2021. The weighted average interest rate was 3.31% at year end [(1)]	**47,962**	55,699
Unsecured long-term debt, bearing interest at 4.82%, without any principal repayment and due on the 63rd month after issuance date, to be paid in 20 equal consecutive quarterly payments, maturing in 2027 [(2)]	**25,000**	–
Term credit facility, bearing interest at prime rate plus 0.75%, with minimum annual principal repayment of 1/5 of the original loan balance of $6,067 [(3)]	**1,861**	–
Non-interest bearing government loan, without any principal repayment due before January 2018, maturing in 2022	**2,000**	2,000
Loan for equipment purchases, maturing from 2018 to 2022, bearing interest from 0.5% to 6.20%	**3,686**	229
Balance of sale from business acquisitions, bearing no interest, maturing in 2018 (Note 6)	**650**	1,150
Other	**2,245**	1,247
	83,404	60,325
Less:		
Current portion	**5,447**	1,681
	77,957	58,644

[(1)] *As of September 7, 2016, the Company and its wholly owned subsidiary, Logistec USA Inc., solidarily entered into a $100,000 credit agreement.*

The credit facility details are as follows:

- *A $100,000 four-year committed revolving credit facility or the U.S. dollar equivalent, 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, and letters of credit.*
- *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 funded debt to EBITDA (i) ratio achieved by the Company.*
- *In July 2017, the Company entered into an interest swap contract for a notional amount of $25,000 to a fixed interest rate at 1.80% spread over the banker's acceptance stamping fees. On a monthly basis, the fixed rate is compared to the CDOR floating rate and any variation is applied to the notional amount for refund to or repayment by the Company. The notional amount is reduced by $1,250 on a quarterly basis, and is maturing in July 2022. The Company has elected to apply hedge accounting, and consequently recorded an unrealized gain of $151 in the consolidated statements of comprehensive income*
- *This facility is secured by a $30,000 first-ranking movable and immovable hypothec on all present and future assets of a subsidiary. As at December 31, 2017, the security includes inventories amounting to $5,631 and property, plant and equipment with a carrying value of $34,093.*

[(2)] *As of September 14, 2017, the Company entered into an additional $50,000 unsecured loan agreement.*

The loan facility details are as follows:

- *A $25,000 unsecured loan issued on September 14, 2017 for the acquisition of a subsidiary. The loan matures in 10 years and bears interest at 4.82%, paid quarterly. The repayment schedule begins on the 63rd month after the issuance date, and is to be paid in 20 equal consecutive quarterly instalments of $1,250.*

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

- *A $25,000 unsecured loan to be used for future acquisitions, available within the first 60 months of the closing date of September 14, 2017, in $5,000 instalments. The loan will bear interest based on a credit spread of 2.73% over Government of Canada bonds, with a 10-year maturity. If any amount is drawn, the repayment schedule begins on the 63rd month after September 14, 2017, to be paid in 20 equal consecutive quarterly payments.*

(3) *As of December 8, 2017, the Company and its subsidiary, FER-PAL., entered into a $12,811 credit agreement.*

The credit facility details are as follows:

- *A $10,000 overdraft facility due on demand, to be used for operating requirement. The facility can be used in the form of overdrafts, banker's acceptances and letters of credit. The advances are based on accounts receivables estimated worth of good quality.*
- *A demand loan for an amount of $2,061 due over 60 months in equal principal repayments plus monthly interest, bearing interest at prime rate plus 0.75%.*
- *A $750 corporate credit card credit facility.*

The facility is secured by a first-ranking movable and immovable hypotec on all current and future assets.

Under the conditions attached to its long-term debt, the Company must satisfy certain restrictive covenants as to minimum financial ratios, which are EBIT [(ii)] to interest and funded debt to EBITDA. As at December 31, 2017 and December 31, 2016, the Company was in compliance with all its covenants.

(i) *EBITDA is a non-IFRS measure and is calculated as the sum of profit attributable to owners of the Company plus interest expense, income taxes, depreciation and amortization expense, customer repayments of investment in a service contract, and impairment charge*

(ii) *EBIT is a non-IFRS measure and is calculated as EBITDA, less depreciation and amortization expense*

Long-term debt matures as follows:

Total principal repayments required	**As at December 31, 2017 $**	As at December 31, 2016 $
Less than 1 year	**5,447**	1,681
Between 1 and 5 years	**54,207**	58,244
More than 5 years	**23,750**	400
	83,404	60,325

30. Provisions

	Claims and litigation $	Share of losses of certain joint ventures $	Other $	Total $
As at December 31, 2016	**1,101**	**486**	**557**	**2,144**
Additional provisions	356	—	9	365
Settlement of provisions	(154)	(6)	6	(154)
Reversal of provisions	(653)	—	(118)	(771)
As at December 31, 2017	**650**	**480**	**453**	**1,584**
Less: current provisions	650	—	163	813
Non-current provisions	**—**	**480**	**291**	**771**

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 operating leases expiring until 2025.

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

Reimbursements

An amount of $1,022 ($3,290 in 2016) is recognized as an asset in trade and other receivables relative to the reimbursement to be received from the insurance company in connection with claims.

31. Non-Current Financial Liabilities

	As at December 31, 2017 $	As at December 31, 2016 $
Long-term incentive plans	**2,469**	1,944
Workers' compensation	**–**	768
Long-term liabilities due to shareholders [(1)] (Notes 6 and 32)	**59,168**	9,725
Other	**4**	77
	61,641	12,514

[(1)] *Long-term liabilities due to FER-PAL, Sanexen and LGC shareholders amount to respectively $48,427, $8,585 and $2,156*

32. 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.

Issued and outstanding [(1)]	**As at December 31, 2017 $**	As at December 31, 2016 $
7,406,222 Class A shares (7,412,722 in 2016)	**4,895**	4,899
5,113,255 Class B shares (4,744,300 in 2016)	**24,124**	10,719
	29,019	15,618

[(1)] *All issued and outstanding shares are fully paid*

Repurchase of the Non-Controlling Interest in Sanexen

On March 24, 2016, LOGISTEC entered into an agreement to acquire the remaining 29.78% equity interest it did not already own in Sanexen for an aggregate consideration of $40,818, (the "Sanexen Transaction").

As part of the transaction, the non-controlling interest shareholders of Sanexen exchanged their common shares in the capital of Sanexen for two classes of newly created non-voting and non-dividend bearing preferred shares of Sanexen, Class G Preferred Shares ("Class G shares") and Class H Preferred Shares ("Class H shares"), resulting in LOGISTEC holding 100% of the common shares of Sanexen.

Immediately following the share exchange, LOGISTEC and the non-controlling interest shareholders entered into a put and call option agreement ("Option Agreement") pursuant to which LOGISTEC was granted call options, exercisable in whole or in part at any time, to acquire from the non-controlling interest shareholders their Class G shares for cash consideration of $15,920, and to acquire their Class H shares in exchange for 754,015 Class B shares in the capital of LOGISTEC with a value of $24,898.

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

Pursuant to the Option Agreement, each non-controlling interest shareholder was granted a put option to sell to LOGISTEC their Class G shares upon certain events, including termination of employment, and a put option to sell to LOGISTEC their Class H shares as to one-fifth (1/5) on each of the first five anniversaries of the signature of the Option Agreement, each at the same price and consideration as the call options granted to LOGISTEC. A 40% discount, representing $4,518, will be applied to the purchase price of the Class G shares of certain non-controlling interest shareholders should they leave Sanexen voluntarily before March 24, 2021.

As at March 24, 2016, LOGISTEC recorded a long-term liability amounting to $8,856, representing the present value of the option to repurchase, for cash, the Class G shares of Sanexen amounting to $11,402, net of the retention discount of 40% described above, and a corresponding decrease to non-controlling interest. The accretion of the long-term liability will be recorded as a charge to interest expense over the expected life of the option. An additional liability amounting to $4,518 will be recorded on a straight-line basis, over a period of 60 months related to the retention discount through a charge to compensation expense.

As at March 24, 2016, LOGISTEC also recorded share capital to be issued amounting to $24,898, representing the fair value at the transaction date of the Class B shares to be issued, related to the option to acquire the Class H shares in exchange for 754,015 Class B shares in the capital of LOGISTEC, as described above, and a corresponding decrease to retained earnings. The fair value of the Class B shares to be issued was determined using a Black-Scholes option pricing model based on assumptions of the volatility of LOGISTEC Class B shares, dividend yield and interest rates, resulting in a fair value of $33.02 per share.

Also in March 2016, but not as part of the transaction described above, LOGISTEC disbursed $2,392 to repurchase from certain non-controlling interest shareholders all the Class F Preferred Shares of Sanexen.

During 2017, 150,803 Class B shares were issued to acquire Class H shares of Sanexen. As at December 31, 2017, there are 600,231 Class B shares to be issued, and the related amount recorded in our financial statements as share capital to be issued is $19,820.

The balances are as follows:

	As at December 31, 2017 $	As at December 31, 2016 $
Non-current financial liabilities	**8,584**	9,725
Share capital to be issued	**19,820**	24,898

Executive Stock Option Plan

The Company had set aside 580,000 Class B shares pursuant to the Executive Stock Option Plan. Said options are granted at market price. The options granted vest over a period of five years at the rate of 20% per year, starting at the grant date. Options to purchase 550,000 Class B shares were granted pursuant to this plan. There remains an unallocated balance of 180,000 Class B shares reserved for issuance pursuant to the plan as 150,000 options were not exercised and expired or were forfeited in prior years, which options returned to the reserve of shares issuable pursuant to the Executive Stock Option Plan. There were no outstanding options as at December 31, 2017 and 2016.

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

Employee Stock Purchase Plan ("ESPP")

Pursuant to the ESPP, 300,000 Class B shares were reserved for future issuance. On April 26, 2012, the number of Class B shares reserved for issuance under the ESPP was increased by 300,000, bringing the unallocated balance of Class B shares reserved for issuance to 335,400 at that date. As at January 1, 2017, there remained an unallocated balance of 247,600 Class B shares reserved pursuant to this ESPP. Eligible employees designated by the Board of Directors need to have at least two years of service. Participation is 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 for the last Thursday of such 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 the said shares. The loans are reimbursed over a two-year period by way of payroll deductions. As at December 31, 2017, following the issuance of 15,850 (33,000 in 2016) Class B shares under this ESPP, there remains an unallocated balance of 231,750 Class B shares reserved for issuance pursuant to this ESPP. Those 15,850 (33,000 in 2016) Class B shares were issued for cash consideration of $201 ($607 in 2016) and for non-interest bearing loans of $334 ($563 in 2016), repayable over two years with a carrying value of $423 as at December 31, 2017 ($462 in 2016).

Normal Course Issuer Bid ("NCIB")

The Company repurchased some of its shares for cancellation purposes pursuant to NCIBs. Pursuant to the current NCIB, which was launched on October 26, 2017, and will terminate on October 25, 2018, LOGISTEC intends to repurchase for cancellation purposes, up to 370,496 Class A shares and 255,997 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 20, 2017.

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. The tables below summarize the number of shares repurchased by NCIB and by year:

Shares repurchased by bid	Class A shares	Class B shares	Class A shares Average price $	Class B shares Average price $
NCIB 2015 (October 26, 2015 to October 25, 2016)				
Repurchase in 2015	**4,600**	**15,900**	**44.70**	**39.51**
Repurchase in 2016	**22,400**	**233,500**	**41.15**	**37.58**
Total NCIB 2015	**27,000**	**249,400**	**41.75**	**37.70**
NCIB 2016 (October 26, 2016 to October 25, 2017)				
Repurchase in 2016	**1,200**	**19,500**	**38.51**	**36.04**
Repurchase in 2017	**2,500**	**21,300**	**37.01**	**35.21**
Total NCIB 2016	**3,700**	**40,800**	**37.50**	**35.60**
NCIB 2017 (October 26, 2017 to October 25, 2018)				
Repurchase in 2017	**3,700**	**6,700**	**41.85**	**43.69**
Total NCIB 2017	**3,700**	**6,700**	**41.85**	**43.69**

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

Shares repurchased by year	Class A shares	Class B shares
2016		
NCIB 2015	22,400	233,500
NCIB 2016	1,200	19,500
Total 2016	23,600	253,000
2017		
NCIB 2016	2,500	21,300
NCIB 2017	3,700	6,700
Total 2017	6,200	28,000

The number of shares varied as follows:

	Number of Class A shares	Number of Class B shares	Class A shares $	Class B shares $
As at January 1, 2016	**7,436,322**	**4,964,300**	**4,915**	**10,070**
Repurchased under the NCIBs	(23,600)	(253,000)	(16)	(518)
ESPP	—	33,000	—	1,167
As at December 31, 2016	**7,412,722**	**4,744,300**	**4,899**	**10,719**
Repurchased under the NCIBs	(6,200)	(28,000)	(4)	(84)
ESPP	—	15,850	—	535
Conversion	(300)	300	—	—
Exercise of option pursuant to the Sanexen Transaction	—	150,058	—	4,954
Issuance of shares pursuant to FER-PAL acquisition (Note 6)	—	230,747	—	8,000
As at December 31, 2017	**7,406,222**	**5,113,255**	**4,895**	**24,124**

Dividends

Details of dividends declared per share are as follows:

	2017 $	2016 $
Class A shares	**0.32**	0.30
Class B shares	**0.35**	0.33

Details of dividends paid per share are as follows:

	2017 $	2016 $
Class A shares	**0.31**	0.30
Class B shares	**0.34**	0.33

On March 16, 2018, the Board of Directors declared a dividend of $0.0825 per Class A share and $0.09075 per Class B share, which will be paid on April 20, 2018, to all shareholders of record as of April 6, 2018. The estimated dividend to be paid is $611 on Class A shares and $464 on Class B shares.

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

33. Consolidated Statements of Cash Flows

a. Items not Affecting Cash and Cash Equivalents

	2017 **$**	2016 $
Defined benefit and contribution retirement plans expense	**1,878**	1,679
Depreciation and amortization expense	**33,859**	14,288
Share of profit of equity accounted investments	**(6,952)**	(4,310)
Finance expense	**3,937**	1,894
Finance income	**(404)**	(194)
Current income taxes	**12,380**	5,682
Deferred income taxes	**(6,169)**	1,586
Other non-current assets	**2,775**	6,860
Deferred revenue	**(400)**	(400)
Non-current financial liabilities	**(193)**	2,025
Impairment charge on lease rights and location (note 23)	**2,917**	—
Other	**271**	677
	43,899	29,787

b. Changes in Non-Cash Working Capital Items

	2017 **$**	2016 $
Decrease (increase) in:		
Trade and other receivables	**(42,370)**	(2,058)
Income taxes	**1,269**	476
Prepaid expenses	**1,393**	(276)
Inventories	**(1,188)**	(715)
Other financial assets	**(40)**	(1,014)
Increase (decrease) in:		
Trade and other payables	**17,727**	(11,669)
Deferred revenue	**(676)**	228
	(23,885)	(15,028)

c. Non-Cash Transactions

During 2017, the Company acquired property, plant and equipment, of which $2,067 ($1,717 in 2016) is unpaid at the end of the year.

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

d. 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 flows changes:

	Opening	Cash Changes			Non Cash Changes	Ending
	December 31, 2016	Repayments	Borrowings	Debt from Acquisition/ adjustment	Foreign exchange	December 31, 2017
	$	$	$	$	$	
Revolving credit facility	55,699	(66,933)	59,785	—	(589)	47,962
Unsecured Loan debt	—	—	25,000	—	—	25,000
Term credit facility	—	(1,000)	—	2,861	—	1,861
Government loan	2,000	—	—	—	—	2,000
Equipment loan	229	(594)	3,782	382	(113)	3,686
Balance of sale	1,150	(500)	—	—	—	650
Other	1,247	(1,802)	1,447	1,353	—	2,245
Total	**60,325**	**(70,829)**	**90,014**	**4,596**	**(702)**	**83,404**

34. 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 for the years:

	2017 **$**	2016 $
Sale of services	**2,392**	1,819
Purchase of services	**592**	793

	As at December 31, 2017 **$**	As at December 31, 2016 $
Amounts owed to joint ventures	**1,404**	1,487
Amounts owed from joint ventures	**830**	539

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

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

Loans to Related Parties

The following balances were outstanding at the end of the reported periods:

	As at December 31, 2017 $	As at December 31, 2016 $
Key management personnel	**111**	123

The Company has provided loans to several members of key management personnel in connection with the ESPP (Note 32).

Transactions with Shareholders

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

	2017 $	2016 $
Dividends paid to Sumanic Investments Inc.	**1,787**	1,743
Dividends paid to certain members of key management personnel	**102**	103

Compensation of Key Management Personnel

The compensation of directors and of other members of key management personnel (1) during the years ended was as follows:

	2017 $	2016 $
Short-term benefits	**5,365**	4,525
Post-employment benefits	**331**	521
Other long-term benefits	**1,039**	1,306
	6,735	6,352

(1) *The compensation of members of key management personnel includes the compensation of the president of one of the Company's joint ventures*

35. Segmented Information

The Company and its subsidiaries are organized and operate 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:

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

Industry Segments

REVENUE, RESULTS AND OTHER INFORMATION

2017	Marine services $	Environmental services $	Total $
Revenue	**205,278**	**270,465**	**475,743**
Depreciation and amortization expense	**10,926**	**22,933**	**33,859**
Share of profit of equity accounted investments	**6,496**	**456**	**6,952**
Finance expense	**1,472**	**2,465**	**3,937**
Finance income	**81**	**323**	**404**
Profit before income taxes	**20,283**	**13,284**	**33,567**
Acquisition of property, plant and equipment, including business acquisitions	**22,745**	**16,361**	**39,106**

2016	Marine services $	Environmental services $	Total $
Revenue	186,020	157,306	343,326
Depreciation and amortization expense	9,287	5,001	14,288
Share of profit of equity accounted investments	4,322	(12)	4,310
Finance expense	1,097	797	1,894
Finance income	78	116	194
Profit before income taxes	16,239	9,515	25,754
Acquisition of property, plant and equipment, including business acquisitions	32,522	9,406	41,928

ASSETS AND LIABILITIES

2017	Marine services $	Environmental services $	Total $
Total assets	**236,173**	**276,279**	**512,452**
Equity accounted investments	**33,197**	**1,154**	**34,350**
Total liabilities	**124,764**	**156,893**	**281,657**
2016			
Total assets	233,839	122,021	355,860
Equity accounted investments	30,438	703	31,141
Total liabilities	98,205	54,474	152,679

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

Geographic Segments

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

Revenue	Canada $	USA $	Total $
2017	**355,151**	**120,592**	**475,743**
2016	255,756	87,570	343,326
Non-current assets [(1)]			
As at December 31, 2017	**244,126**	**72,033**	**316,159**
As at December 31, 2016	152,498	61,900	214,398

(1) *Non-current assets exclude post-employment benefit assets, non-current financial assets and deferred income tax assets*

36. Government Grants

The Company incurs research and development expenses eligible for investment tax credits. Investment tax credits are recorded based on estimates prepared by management in respect of amounts that should be recovered and are subject to a tax audit. These tax credits amount to $300 ($158 in 2016), and are recorded as a reduction in employee benefits expense.

37. Commitments

The Company is committed until 2031, under operating lease agreements, to rent offices, port facilities, and equipment. The minimum amounts payable over the next years are as follows:

	2017 **$**	2016 $
No later than 1 year	**14,511**	14,071
Later than 1 year and no later than 5 years	**41,844**	27,313
Later than 5 years	**8,396**	9,660
	64,751	51,044

As at December 31, 2017, the Company has $1,892 ($6,220 in 2016) of property, plant and equipment under order, not yet delivered. Delivery and payment are expected to occur in 2018.

38. Contingent Liabilities and Guarantees

As at December 31, 2017, the Company has outstanding letters of guarantee for an amount of $3,149 ($2,651 in 2016) relating to financial guarantees issued in the normal course of business. These letters of guarantee mature within the next 12 months.

In addition to the information disclosed in Notes 27 and 29, a subsidiary of the Company has granted a $30,000 ($30,000 in 2016) second-ranking movable hypothec on all its present and future trade receivables and on the totality of its assets as a guarantee for its performance bond facilities.

The Company, together with one of its partners, severally guarantees the obligations of an operating lease in one of its joint ventures. The guarantee is limited to a cumulative amount of $4,201.

As at December 31, 2017, the Company has contingent liabilities totalling $534 ($534 in 2016) for contingent obligations to remove assets and to restore sites under operating leases.

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.

39. Subsequent Event

On March 1, 2018, the Company acquired 100% ownership of GSM Maritime Holdings, LLC, the ultimate owner of Gulf Stream Marine, Inc., which provides cargo handling operations in the U.S. Gulf Coast to a diverse mix of customers, for a purchase price of US $65,700 (CA $83,880 million), subject to certain adjustments. Due to the short period between the date of acquisition and the date of issuance of these consolidated financial statements, the fair value of the assets acquired and liabilities assumed has not yet been determined. Consequently, the initial accounting of the transaction has not been completed. The acquisition was financed by the Company's revolving credit facility and long-term debt.

This acquisition expands the Company's network of marine terminals and strategically position LOGISTEC in that region.

Directors

James C. Cherry, FCPA, FCA (1) (2) (3)
Corporate Director

Serge Dubreuil, Eng. (3) (4)
Consultant
Corporate Director

Curtis Jay Foltz, (1) (4)
Consultant
Corporate Director

George Gugelmann (2) (3)
Private Investor

George R. Jones (3)
Corporate Director

Rudy Mack (2) (4)
Principal Consultant
Rudy Mack Associates, Inc.
Corporate Director

David M. Mann, Q.C. (1) (4)
Corporate Director

Madeleine Paquin, C.M. (3) (4)
President and Chief Executive Officer
LOGISTEC Corporation

Nicole Paquin
Vice-President, Information Systems
Logistec Stevedoring Inc.

Suzanne Paquin (3)
President
Transport Nanuk Inc.

J. Mark Rodger (1) (2)
Partner
Borden Ladner Gervais LLP

Luc Sabbatini (1) (2)
Chief Executive Officer
PBSC Urban Solutions Inc.

(1) Member of the Audit Committee
(2) Member of the Governance and Human Resources Committee
(3) Member of the Executive Committee
(4) Member of the Pension Committee

Officers

George R. Jones
Chairman of the Board

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

Jean-Claude Dugas, CPA, CA
Vice-President, Finance
Assistant-Secretary

Stéphane Blanchette, CHRP
Vice-President, Human Resources

Suzanne Paquin
Vice-President

Alain Sauriol, M. SC.
Vice-President, Environmental Services

Marie-Chantal Savoy
Vice-President, Strategy and Communications

Ingrid Stefancic, LL.B., FCIS
Vice-President, Corporate and Legal Services
Corporate Secretary

Martin Beaulac, CPA, CGA
Treasurer

Luc Pilon, CPA, CA
Corporate Controller

Subsidiaries

BalTerm, LLC
CrossGlobe Transport, Ltd.
FER-PAL Construction Ltd.
FER-PAL Construction USA, LLC
GSM Intermediate Holdings, Inc.
GSM Maritime Holdings, LLC
Gulf Stream Marine, Inc.
Les Terminaux Rideau Bulk Terminals Inc.
Logistec Environmental Services Inc.
Logistec Everglades LLC
Logistec Gulf Coast LLC
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.
Ramsey Greig & Co. Ltd.
Sanexen Environmental Services Inc.
Sanexen Water, Inc.
SETL Real Estate Management Inc.
Sorel Maritime Agencies Inc.
Tartan Terminals, Inc.

Associates

Sept-Îles Mooring Inc.
St-Lawrence Mooring Inc.

Joint Ventures / Partnerships

Avataani Environmental Services Inc.
Flexiport Mobile Docking Structures Inc.
Moorings (Trois-Rivières) Ltd.
NEAS Inc.
NEAS Group Inc.
Northern Bear Shipping B.V.
Northern Fox Shipping B.V.
Northern Hare Shipping B.V.
Nunavik Eastern Arctic Shipping Inc.
Nunavut Eastern Arctic Shipping Inc.
Qikiqtaaluk Environmental Inc.
Quebec Maritime Services Inc.
Quebec Mooring Inc.
Termont Montréal Inc.
Termont Terminal Inc.
Transport Inukshuk Inc.
Transport Mitiq Inc.
Transport Nanuk Inc.
Transport Nunalik Inc.
Transport Qamutik Inc.
Transport Umialarik Inc.
9260-0873 Québec Inc.

Banks

Bank of America
Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Harris Trust and Savings Bank
HSBC Bank Canada
JPMorgan Chase & Co.
National Bank of Canada
The Toronto-Dominion Bank

Independent Auditor

Deloitte LLP

Transfer Agent and Registrar

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Annual Meeting of Shareholders

Thursday, May 10, 2018 at 11:30 a.m.
BMO Bank of Montréal, Hochelaga Room, 129 Saint-Jacques Street, 14th Floor, Montréal (QC)

Ticker Symbols

LGT.A and LGT.B

Trademarks

LOGISTEC is a registered trademark in Canada and in the USA
Aqua-Pipe is a registered trademark in Canada and in the USA
CrossGlobe and logo are registered trademarks in the USA
MtlLINK is a registered trademark in Canada
Sanexen is a registered trademark in Canada and in the USA

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