



LOGISTEC

Building our Future

ANNUAL REPORT 2018





RELIABILITY



GOING BEYOND



IMAGINATION



SUSTAINABILITY

Our Values

“The LOGISTEC family’s success is built on its core values of reliability, imagination, always going beyond and sustainability. It’s these values that guide our decisions and actions for a better future.”

Building on a Rich Heritage for an Even Better Future



2018 was a year of considerable change and tremendous hard work at LOGISTEC, and we enter 2019 looking forward to celebrating the 50th anniversary of our Company's initial public offering of shares.

Our journey since 1969 has been a truly unique story, paving the way for this generation and the next to go above and beyond in everything we do.

On this occasion of the 50th anniversary of LOGISTEC's initial public offering of shares ("IPO"), we are determined to reinforce our commitment to this journey of growth with continued investments in our people. Our strength is deeply rooted in their ingenuity and resourcefulness. We know that our people have a unique opportunity to tackle today's complex challenges and develop the right solutions for the future.

WORDS FROM OUR
PRESIDENT AND CEO

As our company grows, one of my most important roles is to ensure that we build a solid future for the LOGISTEC family by continuing to strengthen our leadership team. I am very fortunate to work with exceptionally talented people who see the big picture, who share the same values, who bring their unparalleled industry expertise to the table, and who thrive on pushing the boundaries. We are at a pivotal moment and we need dynamic leadership to successfully implement our strategy to take advantage of the exciting market opportunities ahead. I am pleased to introduce you to several of the key members of this “**LEADERS IN THE FIELD**” team who will work together to bring LOGISTEC to the next level.

LEADERS IN THE FIELD

In the last year, Rodney Corrigan played an instrumental role in the strategic acquisitions of Gulf Stream Marine, Inc. (“GSM”) and Pate Stevedore Company, Inc. (“Pate”) located in the U.S. Gulf Coast. His unrelenting drive for operational excellence is built upon a strong focus on the safest and most efficient approach to business operations. Rodney has continuously provided focus and direction on what matters most, especially in this important integration period.



“Operational excellence is about being agile and responsive, while constantly reassessing how we can strengthen our organization and operate better, working closely with our customers and our supply chain partners.”

— RODNEY CORRIGAN
PRESIDENT
LOGISTEC STEVEDORING INC.



“Marching ahead under the bold leadership of Madeleine Paquin, our team is tasked with delivering a set of bold initiatives!”

— KEVIN BOURBONNAIS
*PRESIDENT AND CEO, GSM
VICE-PRESIDENT, SPECIAL PROJECTS
LOGISTEC CORPORATION*

The GSM acquisition has allowed us to tap into a very talented group of people. Kevin Bourbonnais, President and CEO of GSM and Vice-President, Special Projects of LOGISTEC Corporation, brings a refreshing energy to our industry alongside knowledge and experience that has earned him respect from his customers, peers and those who work with him. Working closely with his colleagues across the LOGISTEC family, Kevin’s main mission is to help us leverage a strong pipeline of growth opportunities.

STRENGTH THROUGH INTEGRATION

With the GSM and the Pate acquisitions, LOGISTEC has laid excellent groundwork for future growth. We already see the benefit of this work, and we will continue to build on this solid foundation. We are profiting from synergies from these acquisitions, enabling us to provide our people with more development opportunities, foster greater collaboration and share best practices.

OUR FINANCIAL RESULTS IN 2018

LOGISTEC’s revenue reached \$584.9 million in comparison to last year’s \$475.7 million. The increase of \$109.1 million, or 22.9%, was mainly attributable to our marine services.

EBITDA reached \$64.2 million versus \$74.7 million in 2017. The decrease came largely from the weak performance at FER-PAL Construction Ltd. (“FER-PAL”), our 51%-owned subsidiary of LOGISTEC Environmental Services Inc. (“LOGISTEC Environmental”), which installs our Aqua-Pipe water main technology outside Québec in Canada and in the U.S. Midwest.

Profit attributable to owners of the Company closed at \$18.1 million, a decrease from the \$27.4 million in 2017. This is largely due to the impairment charge of \$6.8 million related to our port logistics terminal in Virginia, as well as a significant loss at FER-PAL. Transaction, integration, financial, and transformational charges also impacted our results negatively.

If we extract the poor results from our partner company FER-PAL, both marine services and Sanexen Environmental Services Inc. (“Sanexen”) had good results. Further, we are optimistic about the two acquisitions made in our cargo handling business in 2018, GSM and Pate. Building our future is based on what we do today, and as we look at our achievements this year, there is much to be optimistic about. Our team contributed to solid financial and operational results in 2018 amid some market challenges.

Marine Services

TERMINAL NETWORK

Our cargo handling team rose to the challenge and delivered a good year with record volumes and revenue. As we look around our expanding network, our operations benefited from higher volumes of bulk, including iron ore, salt and biomass, and break-bulk, in particular, steel and project cargo.

The highlight of 2018 was clearly the purchase and integration of both GSM and Pate, together adding over \$100 million of revenue to the LOGISTEC cargo handling portfolio of terminals. Our combined teams have emerged stronger, and skills are being used across our network to maximize our operational expertise and commercial reach. Our terminal network of some 60 terminals in 37 ports in North America now includes a strong position in the U.S. Gulf, which is, in general, the largest growing break-bulk environment in North America. With a large and growing energy sector, we are committed to finding efficient solutions for a growing customer base.



“We are now able to serve our customers need through an extensive port network, giving them turnkey solutions to ensure the competitiveness of their supply chains.”

— TRIP BAILEY
VICE-PRESIDENT, U.S. OPERATIONS
LOGISTEC USA INC.



“When you have the courage to seize key opportunities, you take advantage of every situation. With the phenomenal growth in our terminals, we are ready to expand and strengthen our footprint in our key strategic hubs.”

— MICHEL MIRON
VICE-PRESIDENT, OPERATIONS
LOGISTEC STEVEDORING INC.

Our U.S. terminals had satisfactory results, particularly those handling bulk cargoes, namely in Brunswick (GA), Port Manatee (FL), Port Redwing (FL), and Cleveland (OH). Canadian activities were also good. Our terminals in Montréal (QC) had a particularly busy year. Our container handling recorded a 13% growth in volume over 2017. This led us to extend gate hours to accommodate our container customers as well as increase labour pools to handle this growing volume. With more growth expected in 2019 and beyond, we will soon be launching Phase 2 of our Viau container terminal to handle the growing volumes of containers.

Given this record tonnage, the Port of Montréal announced its plan to accelerate the start of its container terminal project at Contrecoeur. Our team is pleased and committed to working closely with the Port of Montréal, as well as our customers and terminal partners, in the next few years to develop the port's additional container handling capacity.

We also had a strong year in our bulk and general cargo business at the Port of Montréal, handling record volumes of project cargoes and commodities. Our three sites handled close to 5 million tonnes of bulk, as well as significant project cargo for the new Champlain bridge.

Other Canadian terminals also did well, particularly in the Great Lakes, where we handled increased volumes of steel.

We continue to study opportunities to grow our terminal network to serve our customers across a larger North American footprint.

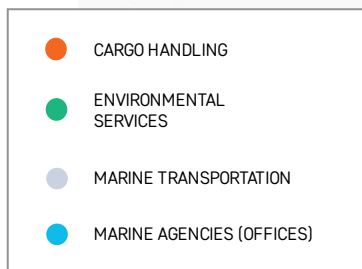
COASTAL SHIPPING

Our marine transportation business which operates as a joint venture with our partners The North West Company and Makivik Corporation, had a record year in 2018 in terms of volumes, revenue and earnings. We operated five vessels and performed 16 voyages to communities and mines in 2018.

We are optimistic for 2019 and beyond, based on increased volumes from the Government of Nunavut, along with community and mining developments. We will be rejuvenating our fleet in 2019 by replacing two of our older vessels.

MARINE AGENCY

Our marine agency business had a good year in 2018. We served a growing number of cruise lines in the St Lawrence River and extended our services to serve our first customers on the West Coast, on top of a solid base of stable shipowners and operators in Eastern Canada.





“In 2018, our focus was to embed a much more disciplined approach to project management. The results of this hard work will pay off in the years to come as we take on more and more complex environmental projects.”

— ÉRIC SAUVAGEAU
EXECUTIVE VICE-PRESIDENT
SANEXEN ENVIRONMENTAL SERVICES INC.

Environmental Services

Overall results for our environmental business were disappointing, with reduced revenue and a loss of \$0.4 million. Although Sanexen results were better, FER-PAL had a terrible year due to reduced revenue and a significant loss. We also had important costs related to our transformational objectives. As we structure the business to be propelled by growth, we intend to combine our environmental and marine businesses on the same head office platform, sharing commercial networks and market intelligence, as well as financial services, human resources, information technology, communications and legal resources. This led to increased one-time costs to optimize the organization to deliver growth. We also incurred increased interest charges associated with the cost of acquisitions.

We remain optimistic for our environmental services. Sanexen is a leader in providing environmental solutions in Québec and, although 2018 was slower in terms of site remediation, given the increased investments in infrastructure across Canada, we are hopeful for a better order book in 2019.

REMEDIATION AND OTHER SOLUTIONS

Our group of environmental services experts are led by Éric Sauvageau. He is passionate about our business and strengthening our performance, introducing creative solutions and implementing best practices to improve the way our people work and add value for the future.

Last year, the Environmental team tackled several multiphase projects that will span the coming years and create more opportunities for growth. We have been awarded a dredging pilot project in Pictou (NS). The Boat Harbour remediation project is the biggest environmental project in the province’s history. We are also rehabilitating an abandoned quarry in Boucherville (QC). The Carrière Rive-Sud project will generate revenue for the next seven years.

Given the very strong regional economy in British Columbia and the growing number of liquefied natural gas (“LNG”) megaprojects on the horizon, Sanexen opened a new office in Kitimat (BC) to work closely with the community and Indigenous groups and partake in the large industrial development expected on the northern B.C. coast.

WATER TECHNOLOGY

In 2018, our Aqua-Pipe solution was deployed across close to 200 kilometres of drinking water infrastructure in Québec and Canada. In Montréal, Canada’s largest water main network is losing over 165 million cubic metres of water to leaks, which on average represents 20 breaks per kilometre of pipe. In response, the City of Montréal is making smart investments and deploying a comprehensive multiyear asset management program, which translates into a promising future for Aqua-Pipe’s growth.

Last fall, Sanexen was extremely pleased to receive \$1 million from Sustainable Development Technology Canada. This funding will allow Sanexen’s innovation team to advance Aqua-Pipe’s unique seamless structural technology with much improved strength and a seismic resiliency never seen before in the industry.

Our Aqua-Pipe business in the USA continues to experience some market challenges. Many cities, municipalities and water districts are still defining their water infrastructure program to plan for critical capital improvements and investments. \$200 billion will need to be invested in drinking water infrastructure in the next three to five years just to meet current environmental protection standards and public health needs. The Aqua-Pipe team is seizing this critical lead-up time to build and maintain strong relationships with governmental, municipal and community groups. By participating in discussions and planning, as experts in water main rehabilitation, we will remain top of mind when much needed infrastructure programs are given the go-ahead.



“Our priority is to support our customers in North America with innovative technologies like Aqua-Pipe, as they plan to face the challenges of renewing the nation’s water distribution network.”

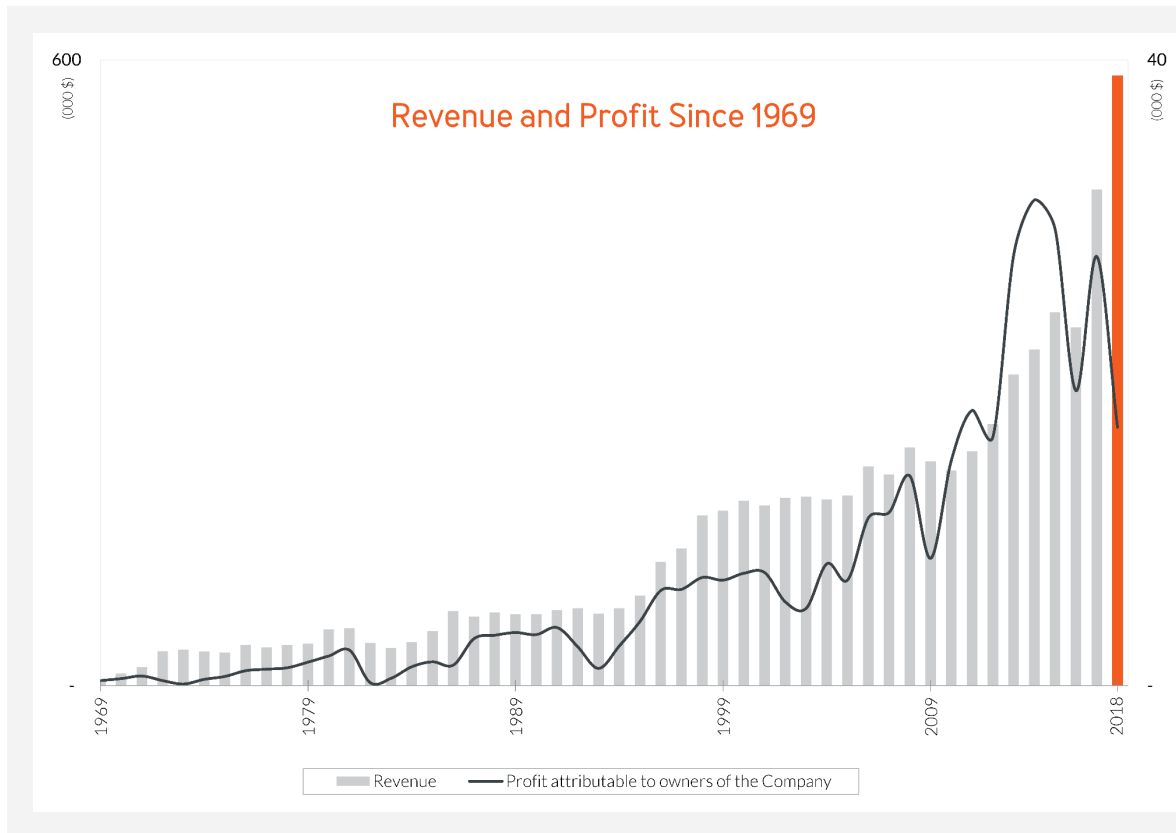
— BENOIT CÔTÉ
PRESIDENT
SANEXEN WATER, INC.

In 2018, our team meaningfully entered a new field, helping municipalities deal with lead from drinking water service lines. To do so, Sanexen uses two methods. We can either replace the pipes through specialized excavation or line the pipe using our exclusive technology named Neofit. In Québec, Sanexen's team replaced some 2,000 of these pipes in 2018, and, for the coming year, we already have orders in the northeastern part of the continent, where most lead pipes are located. The urgency to deal with lead in water has escalated in the last year, particularly in the USA, where new regulation has been introduced to remove and safeguard lead from drinking water. It has been estimated that over 500,000 lead service lines will need to be replaced and/or lined in the coming years. Federal funds have been released by the U.S. government, and municipalities are eager to safeguard their residents from lead piping. Sanexen is well positioned to participate in this important market.

Our big challenge in 2018 was FER-PAL, which acts as a licensed installer for Aqua-Pipe in Ontario, Eastern and Western Canada (non-Québec markets) and the U.S. Midwest and Great Lakes region. LOGISTEC Environmental acquired 51% of FER-PAL in 2017 and there are options to purchase the balance over the next five years, based on a multiple of earnings. In 2018, revenue was affected by a poor order book at the start of the year, and a late start due to weather, delayed awards and other restrictions in Toronto (ON). We also experienced poor project execution causing dismal profitability on many projects. We are working hard to put FER-PAL's financial performance back on track, better follow project profitability and improve project delivery. Armed with a solid backlog, we are confident that we can improve project execution and return to profitability in 2019.

Niedner continues to offer a wide range of distinctive woven hose products. Our team in Coaticook (QC) posted another strong performing year with regard to the manufacturing of woven hoses destined for our Aqua-Pipe rehabilitation services, as well as the fire-fighting market and the energy industry.

THE PATH FORWARD



As we mark our 50th year as a public company, I am extremely proud of the resiliency of our organization. Over fifty years ago, we were a Québec company with 100% of our revenue generated in the marine industry in Québec. Today, we are a true North American player with an ideal mix of businesses and expanding markets. Exciting times lie ahead. With a clear strategic agenda, driven by a dynamic leadership team, I am confident that we will continue to solidify and build on our unique position.

From the young talent who are just starting their careers within our family, some of whom are even a second generation to our seasoned veterans, I see a shared sense of purpose and passion in making great things happen at work and in our communities. Whether it's on the docks, on a project site, on a busy city street or in our offices, we're all focused on moving LOGISTEC forward. This mindset is truly what distinguishes us in the industry, and the reason we are recognized for our leadership.

“Very few organizations can state that they have earned solid profits year after year for the last 50 years. We did! Let’s continue to build this promising future together.”

(signed) Madeleine Paquin

— MADELEINE PAQUIN, c.m.
PRESIDENT AND CEO
LOGISTEC CORPORATION

2018 Highlights

LOGISTEC's performance continued to be supported by strong revenue growth.

\$584.9 MILLION IN
REVENUE

23% INCREASE FROM 2017
\$475.7 MILLION

EBITDA

\$64.2

MILLION

PROFIT ATTRIBUTABLE TO
OWNERS OF THE COMPANY

\$18.1

MILLION



Developing our Next Leaders

“At LOGISTEC, talent is a strategic priority.”

Empowering the next generation of leaders is a key priority for the LOGISTEC family. This is something we work really hard at. It comes down to giving our young talent the flexibility and opportunities they need to make a difference. We recognize that some of the best ideas come from the youngest and brightest minds across our network. We empower them to share their ideas and challenge the status quo.

In 2018, our human resources team played a significant role in welcoming new talent onboard and also actively participated in the ongoing integration efforts with our new colleagues. We supported our leadership team throughout this rapid growth with various programs and initiatives.



“We take great pride in developing our young talent, allowing them to reach their full potential and make a genuine difference in our Company and our communities.”

— STÉPHANE BLANCHETTE, *CHRP*
VICE-PRESIDENT, HUMAN RESOURCES
LOGISTEC CORPORATION

Our team also worked very closely with our CEO to strengthen our talent management program, BUILDING OUR FUTURE. We evaluated more than 600 people in our family at different levels, from young emerging talent to experienced project managers, superintendents, and senior leaders. We intend to engage our young talent in different key company initiatives, so they can contribute to bringing the organization to the next level.

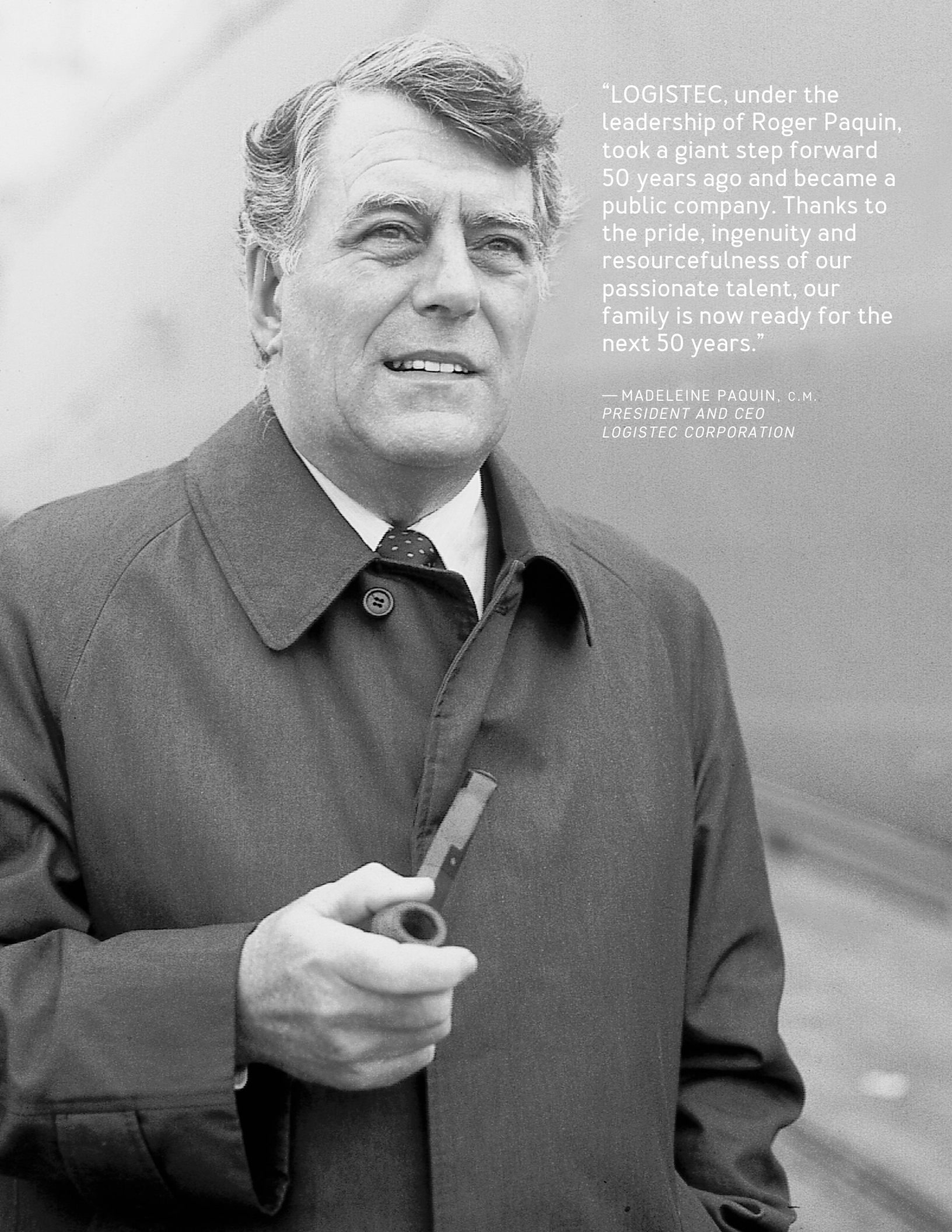
BUILDING A SAFE FUTURE

Our future success will be rooted in the actions we take today and every day. Of all these actions, nothing is more important than safety. Our training initiatives are strengthening our safety culture and increasing the skills and knowledge of our new talents to help them perform their jobs safely. We will continue to provide leadership and support to elevate safety to the next level and we will recognize the leaders and teams who go above and beyond in the drive for safety excellence with a new award, in memory of our colleague Mitchell. The Mitchell Daudier Safety Leadership Award will be presented to those who, like Mitchell did in her time as Director, Health, Safety and Environment for LOGISTEC, make safety their mission every day, and who strive to find new and innovative ways to instill a safety mindset in everything we do.

OUR GROWTH JOURNEY

We have a unique opportunity to support our leaders in the field with smart initiatives designed to improve operational excellence and commercial efforts. These will allow us to build on the progress made in 2018.





“LOGISTEC, under the leadership of Roger Paquin, took a giant step forward 50 years ago and became a public company. Thanks to the pride, ingenuity and resourcefulness of our passionate talent, our family is now ready for the next 50 years.”

— MADELEINE PAQUIN, C.M.
PRESIDENT AND CEO
LOGISTEC CORPORATION

A True Canadian Business Story

2019 marks the 50th anniversary of LOGISTEC's initial public offering of shares ("IPO"). This is one of Canada's most inspiring business stories. LOGISTEC's accomplishments since going public have been nothing short of extraordinary.

LOGISTEC's journey to date has been characterized by the rapid expansion of its network of terminals, and its successful entry into the environmental services industry. 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.

KEY PIVOTAL MOMENTS IN OUR HISTORY

1952

Founding of Quebec Terminals Ltd., a Quebec City-based company specializing in stevedoring and port agency operations.

1969

Quebec Terminals Ltd. becomes Logistec Corporation. An IPO generates proceeds of some \$2 million. It is one of the first IPOs to be launched by a mid-sized company in Québec.

1971-1972

LOGISTEC purchases the assets of Canada's largest stevedoring company, Eastern Canada Stevedoring Co., and moves its headquarters to Montréal.

1988

LOGISTEC increases its commitment to its container activities with the inauguration of Termont Terminal Inc.

1990

LOGISTEC enters the U.S. market through a joint-venture called Baltimore Forest Products Terminal (BalTerm).

1992

LOGISTEC becomes majority shareholder of Sanexen, a company specializing in decontamination.

1993

LOGISTEC enters the bulk market with the acquisition of Terminal Maritime Contrecoeur.

2009

Sanexen strengthens its hold on its newly developed Aqua-Pipe technology by acquiring manufacturing facilities for its key components.

2018

LOGISTEC continues its U.S. Gulf expansion with the strategic acquisitions of GSM and Pate.

2018 FINANCIAL HIGHLIGHTS

<i>(in thousands of dollars, except where indicated)</i>	2018	2017	2016	2015	2014	Variation 18-17 %	Variation 18-14 %
Financial Results							
Revenue	584,878	475,743	343,326	358,008	322,220	22.9	81.5
EBITDA ⁽¹⁾	64,177	74,741	42,034	56,321	55,557	(14.1)	15.5
Profit for the year ⁽²⁾	18,060	27,426	18,858	29,142	31,037	(34.2)	(41.8)
Financial Position							
Total assets	637,103	513,539	355,860	328,415	286,987	24.1	122.0
Working capital	82,284	70,196	75,745	71,717	58,992	17.2	39.5
Long-term debt (including the current portion)	163,297	83,404	60,325	32,079	29,268	95.8	457.9
Equity ⁽²⁾	262,198	228,574	201,383	189,413	163,501	14.7	60.4
Per Share Information ^{(3) (4)}							
Profit for the year ⁽²⁾ (\$)	1.38	2.11	1.48	2.34	2.46		
Equity ⁽²⁾ (\$)	19.96	17.56	15.77	15.20	12.96		
Outstanding shares, diluted (weighted average in thousands)	13,135	13,016	12,768	12,458	12,617		
Share price as at December 31							
Class A Common Shares (\$)	40.86	44.04	38.00	44.01	49.00		
Class B Subordinate Voting Shares (\$)	43.27	44.75	35.10	38.00	41.00		
Dividends declared per share							
Class A Common Shares ⁽⁵⁾ (\$)	0.3465	0.3150	0.3000	0.2750	0.9800		
Class B Subordinate Voting Shares ⁽⁵⁾ (\$)	0.3812	0.3465	0.3300	0.3025	1.0780		
Financial Ratios							
Return on average equity ⁽²⁾	7.36%	12.76%	9.65%	16.52%	19.68%		
Profit for the year ⁽²⁾ / revenue	3.09%	5.76%	5.49%	8.14%	9.63%		
Long-term debt / capitalization ⁽⁶⁾	38%	27%	23%	14%	15%		
Price / earnings ratio (Class B Subordinate Voting Shares)	31.36	21.24	23.76	16.24	16.66		

(1) EBITDA is a non-IFRS measure and is calculated as the sum of profit for the year 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 42.

(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, 2018 and 2017. 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 \$584.9 million in 2018 (\$475.7 million in 2017). The Company has earned a profit each year since going public in 1969 and posted a profit attributable to owners of the Company of \$18.1 million in 2018, which works out to \$1.38 per diluted share (\$27.4 million and \$2.11 per share in 2017). 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 Canada's largest cargo handling companies and a growing player in the USA with revenue from its marine services segment amounting to \$340.8 million. Marine services accounted for 58.3% of the Company's consolidated revenue in 2018. Our services also include marine transportation and marine agency services.

CARGO HANDLING

With a presence in 37 ports and 61 terminals across 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.

Our strategy is focused on diversifying our operations to respond to our customers' needs and cover a wide geographical area with a broad cargo mix and a blend of import-export activities. This helps minimize the impact of market disruptions 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.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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 performed 16 voyages to the Arctic in 2018. We served over 40 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 matters on its behalf. The agency will ensure a berth for the incoming ship, obtain services for the pilot and organize the necessary contacts with the stevedores. The agent also ensures that essential supplies, crew transfer, customs documentation and waste declarations are all arranged with port authorities.

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 water mains, 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 Note 27 of the notes to 2018 consolidated financial statements (the "2018 Notes"). LOGISTEC acquired a 51% interest in FER-PAL in 2017. Please refer to the business combinations section of this MD&A for more details. Revenue from the environmental services segment amounted to \$244.1 million in 2018 and accounted for 41.7% 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 600 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 most important Aqua-Pipe licensee 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 1,750 kilometres of water mains have been rehabilitated to date, directly or via licensees.

In 2018, Sanexen opened a new Water Technology Center in Baltimore (MD). Sanexen received \$1M CAD from Sustainable Development Technology Canada ("SDTC"). Sanexen will direct the funding to demonstrate the next generation of trenchless structural cured in-place pipe ("CIPP") technology for water main applications. The funding from SDTC will allow Sanexen to advance its unique seamless

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

structural water technology with much improved strength and a unique ability to adapt to the host pipe. To achieve this goal, Sanexen has initiated a testing program at Cornell University.

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 marine and environmental services to its marine, industrial, municipal and other governmental 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 combinations. 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 combination is pursued only if it will contribute to maximizing shareholder value. Furthermore, the recent acquisition of Gulf Stream Marine, Inc. (“GSM”), which we discuss in the business combinations 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.

Sanexen’s long-term business 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.

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 people are key to our successful business strategy, since they ensure the delivery of our services whether through our cargo handling facilities or on a project site. Our success is a reflection of their skills.

We consider ourselves fortunate to count on a team of passionate 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. LOGISTEC's success relies on its team of more than 2,700 people across North America, from the Arctic to Brownsville (TX). This number is based on 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. 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 \$299.7 million or 51.2% of revenue in 2018 (\$235.2 million or 49.4% of revenue in 2017). Please refer to Notes 7, 20 and 29 of the 2018 Notes and to page 32 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 \$20 million and \$25 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 2018, our consolidated capital expenditures were at \$16.1 million, but this number does not include the \$22.5 million of capital assets acquired through our 2018 business combinations.

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 the resin production facility, two key ingredients in our water main rehabilitation services. In order to meet the growing demand for Aqua-Pipe technology, we initiated in 2014 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 \$185.4 million in 2018, which represents 31.7% of revenue (\$156.5 million or 32.9% of revenue in 2017).

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 37 ports and 61 terminals across 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 and cargo handling equipment and technologies. 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 \$46.0 million or 7.9% of revenue in 2018 (\$33.8 million or 7.1% of revenue in 2017).

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 U.S. and international markets for future growth.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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 33 active collective agreements. We signed nine agreements in 2018, while three were still being negotiated at the end of 2018 and seven will expire in 2019.

Borrowing Capacity

LOGISTEC generates positive cash flows from operating activities. These reached \$59.1 million and \$43.8 million in 2018 and 2017, respectively, which is more than sufficient to cover our usual investing and financing activities.

At the end of 2018, our total consolidated long-term debt, including the current portion, was \$163.3 million, whereas our equity attributable to owners of the Company totalled \$262.2 million, giving us a debt/capitalization ratio of 38.4%.

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.

LOGISTEC has a committed line of credit provided by its main banker. It allows LOGISTEC Corporation and a designated subsidiary to borrow funds directly from this credit facility to cover operating and general corporate expenses and to issue bank guarantees.

The total amount available through this committed credit facility at December 31, 2018 was \$175.0 million (\$100.0 million in 2017). There was an equivalent of \$104.5 million drawn under the facility, and an additional \$3.8 million was used for letters of credit (\$3.1 million in 2017). The applicable interest rate on this revolving credit facility is variable, based on the bank's prime rate, bankers' acceptance rates or LIBOR plus a spread which depends on a debt coverage ratio.

In March 2018, the accordion feature of the credit facility of \$50.0 million was exercised to complete the acquisition of GSM. The credit facility was further increased to \$175.0 million in November 2018 to increase the Company's financial flexibility.

Selected Annual Financial Information

Years ended December 31

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

	2018	2017	2016	Variation 18-17	
	\$	\$	\$	\$	%
Revenue	584,878	475,743	343,326	109,135	22.9
Profit attributable to owners of the Company	18,060	27,426	18,858	(9,366)	(34.2)
Total basic earnings per share ⁽¹⁾	1.43	2.23	1.55	(0.80)	(35.9)
Total diluted earnings per share ⁽¹⁾	1.38	2.11	1.48	(0.73)	(34.6)
Total assets	637,103	513,539	355,860	123,564	24.1
Total non-current liabilities	246,497	174,455	102,549	72,042	41.3
Cash dividends per share:					
– Class A shares ⁽²⁾	0.3383	0.3075	0.3000		
– Class B shares ⁽³⁾	0.3721	0.3383	0.3300		
Total cash dividends	4,452	3,917	3,814		

⁽¹⁾ Combined for both classes of shares.

⁽²⁾ Class A Common Shares ("Class A shares").

⁽³⁾ Class B Subordinate Voting Shares ("Class B shares").

2018 versus 2017

Revenue was up by 22.9% in 2018, an increase of \$109.1 million over 2017. The variation came from our marine services segment, with an increase of \$135.5 million or 66.0%, offset by our environmental services segment, with a decrease of 9.7%.

Profit attributable to owners of the Company decreased by \$9.4 million or 34.2% in 2018. The variation came from a decrease in our environmental services segment, mainly due to a significantly lower performance by FER-PAL.

Total assets amounted to \$637.1 million at the end of 2018, up by \$123.6 million over 2017. This growth in assets is due to investments in capital expenditures and to two business combinations, GSM and Pate Stevedore Company, Inc. ("Pate"). Please refer to page 30 of this MD&A for details on these business combinations. Our cash position increased by \$11.4 million, mainly due to our issuance in long term debt, net of repayment, of \$72.3 million and cash flows from operating activities of \$59.1 million. This was partly offset by our investing activities of \$109.9 million, dividends paid of \$4.5 million, and income taxes paid of \$10.0 million.

Total non-current liabilities increased to \$246.5 million in 2018, compared with \$174.5 million in 2017. This is due to the \$79.9 million increase in our long-term debt in 2018 to finance our investments in capital expenditures. It also stems from the \$5.9 million increase in deferred income tax liabilities. This was partly offset by a \$15.5 million decrease in our other non-current liabilities.

Cash dividends paid in 2018 increased by 13.7% to \$4.5 million, compared with \$3.9 million in 2017.

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%.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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 derived 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 \$513.5 million at the end of 2017, up by \$157.7 million over 2016. This growth in assets is due to investments in capital expenditures and to two business combinations, FER-PAL and LOGISTEC Gulf Coast LLC ("LGC"). Please refer to page 31 of this MD&A for details on these business combinations. Our cash position decreased by \$12.0 million, mainly due to our investment activities of \$69.7 million. This was partly offset by \$43.8 million in cash flows from operating activities, and the issuance of long-term debt, net of repayment, for \$19.2 million.

Total non-current liabilities increased to \$174.5 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 acquisition, detailed on page 24 of this MD&A.

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

Business Combinations

Business Combinations for the Year Ended December 31, 2018

GSM

On March 1, 2018, the Company acquired 100% ownership of GSM Maritime Holdings, LLC, the ultimate owner of GSM, which performs cargo handling operations in the U.S. Gulf Coast for a diverse mix of customers, for a purchase price of US\$67.6 million (CA\$85.6 million), subject to certain adjustments.

This acquisition expands the Company's network of marine terminals and provides LOGISTEC with a strategic position in that region.

Prior to the acquisition, a note receivable of US\$4.0 million (CA\$5.1 million) was issued to an associate to acquire excluded assets from the transaction. On August 31, 2018, the Company completed the sale of its associate for a minimal cash consideration. Prior to the sale, the Company received a cash consideration of US\$4.0 million (CA\$5.1 million) as reimbursement of the note receivable.

PATE

On May 25, 2018, the Company acquired 100% ownership of Pate for a purchase price of US\$9.6 million (CA\$12.4 million), subject to certain adjustments.

Pate provides cargo handling and distribution services at its Florida operations. This acquisition continues to expand the Company's network of marine terminals and strategically positions LOGISTEC in the U.S. Gulf Coast region.

The purchase price has been allocated on a preliminary basis and will be finalized as soon as the Company has obtained all the information it considers necessary. As at December 31, 2018, we are currently evaluating intangible assets.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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

<i>(in thousands of dollars)</i>	GSM \$	Pate \$	Total \$
Cash and cash equivalents	2,377	124	2,501
Current assets	23,815	1,270	25,085
Property, plant and equipment	18,410	4,094	22,504
Goodwill	30,229	10,788	41,017
Intangible assets	34,170	47	34,217
Current liabilities	(15,074)	(201)	(15,275)
Long-term debt	–	(3,758)	(3,758)
Deferred income tax liabilities	(8,293)	–	(8,293)
	85,634	12,364	97,998
Purchase consideration			
Cash	85,634	12,364	97,998
	85,634	12,364	97,998

The purchase price allocation of GSM is final.

The acquisition transition costs for GSM, included in the caption other expenses, amounted to \$1.1 million.

The purchase price allocation of Pate is preliminary and is subject to change once final valuations of the assets acquired and liabilities assumed are completed.

Goodwill

Goodwill mainly arose in the acquisitions as a result of synergies attributable to the expected future growth potential from the expanded locations and intangible assets not qualifying for separate recognition. Goodwill related to the acquisitions of GSM is not deductible for tax purposes.

Impact of the Combinations on the Results of the Company

The Company's results for the year ended December 31, 2018 include \$98.5 million in revenue, and an additional profit of \$0.6 million generated from GSM. They also include \$3.9 million in revenue and a profit of \$0.8 million generated from additional business at Pate for the year ended December 31, 2018.

If these business combinations had been completed on January 1, 2018, the Company's consolidated revenue and profit for the year ended December 31, 2018 would have totalled \$598.7 million and \$18.7 million, respectively.

In determining these estimated amounts, the Company assumes that the fair value adjustments that arose on the acquisition dates would have been the same had the acquisitions occurred on January 1, 2018.

2017 Business Combinations

LGC

On February 16, 2017, the Company invested US\$4.4 million (CA\$5.8 million) in 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.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

This transaction consolidates and expands the Company's bulk cargo handling services in the U.S. Southeast and Gulf Coast regions.

Please refer to Note 5 of the 2018 Notes for further details.

FER-PAL

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 water main rehabilitation solutions, for an aggregate purchase price of \$49.5 million.

The cash portion of the purchase consideration includes an amount of \$5.0 million paid in escrow, which was 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 was recorded as a receivable. In 2018, the calculation of the gain was finalized with an additional gain of \$0.5 million. As at December 31, 2018, the Company received an amount of \$5.0 million with a balance receivable of \$0.8 million.

During the year ended December 31, 2018, the Company finalized estimates of the fair value of assets acquired and liabilities assumed. As a result, changes were made by increasing property, plant and equipment by \$4.0 million with offsetting adjustments to goodwill and deferred income tax liabilities by the same amount. Comparative figures of the consolidated statements of financial position have been changed accordingly.

Results

Significant accounting policies applied in the 2018 consolidated financial statements are described in Note 2 of the 2018 Notes.

Revenue

Consolidated revenue totalled \$584.9 million in 2018, an increase of \$109.1 million or 22.9% over 2017. Consolidated revenue was positively affected by \$1.0 million this year due to a strengthening of the U.S dollar against the Canadian dollar.

The marine services segment posted revenue of \$340.8 million in 2018, representing higher sales compared with \$205.3 million in 2017. This increase stems from two factors: a general volume increase in our bulk and break-bulk terminals, which saw more activity this year than in 2017, and the business combinations of GSM and Pate, which contributed an additional \$102.4 million in sales during the year.

Revenue from the environmental services segment totalled \$244.1 million, compared with \$270.5 million in 2017, a decrease of \$26.3 million. This decrease is mainly due to lower revenue generated by FER-PAL and lower activity in our site remediation services compared to last year.

Employee Benefits Expense

For 2018, the employee benefits expense reached \$299.7 million, an increase of \$64.4 million or 27.4% over the \$235.2 million recorded for the same period last year. This increase stemmed from the business combinations of FER-PAL, GSM, and Pate, and was partially offset by less activity in our site remediation services. These acquisitions contributed to higher levels of activity in both segments. The ratio of employee benefits expense to revenue was 51.2%, slightly up from 49.4% for the same period last year.

Equipment and Supplies Expense

Equipment and supplies expense amounted to \$156.9 million, an increase of \$34.2 million or 27.9% over the same period in 2017. This variation reflects the overall increase in activity in 2018. However, the overall ratio of equipment and supplies expense to revenue was 26.8%, slightly higher than 25.8% for the same period in 2017.

Rental Expense

Rental expense was stable, in proportion to revenue, between 2018 and 2017, totalling \$46.0 million and \$33.8 million, representing 7.9% and 7.1% of revenue, respectively. This variation mainly derives from the business combination of GSM.

Other Expenses

Other expenses stood at \$29.8 million, representing a variation of \$7.8 million or 35.7% compared with 2017. This variation is mainly due to the new business combinations made in the past 12 months.

Depreciation and Amortization Expense

Depreciation and amortization expense amounted to \$28.6 million in 2018, a decrease of \$5.3 million compared with \$33.9 million for the same period in 2017. In 2017, the investment in FER-PAL resulted in a depreciation charge due to intangible assets related to the backlog acquired, which was fully amortized over a period of seven months. Therefore, this impact is not recurring for most of 2018. The decrease from the year is mainly offset by the depreciation and amortization expense of the business combinations of GSM and Pate.

Impairment charge

The impairment charge for 2018 was at \$6.8 million, compared with \$2.9 million for the same period in 2017. At the end of 2018, the Company reviewed the carrying amount of its intangible assets and determined that cash generating units associated with our port logistics activities in Virginia had suffered an impairment loss.

Finance Expense

Finance expense amounted to \$8.0 million in 2018, an increase of \$4.1 million over the \$3.9 million reported for the same period in 2017. The majority of this variation stems from the financing of the acquisitions of GSM and Pate, which took place in 2018. The variation also relates to balances due following the acquisition of the non-controlling interest of Sanexen in 2016. The acceleration of the deemed interest expense stems from the early retirement of one of the executives involved in the transaction.

Income Taxes

Income taxes stood at \$3.3 million for 2018. When the profit before income taxes is adjusted to exclude the effect of the share of the profit of equity accounted investments, the 2018 tax rate computes to 25.1% compared with 23.3% in 2017. 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 10 of the 2018 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 2018, LOGISTEC achieved a consolidated profit attributable to owners of the Company of \$18.0 million, which is lower than the \$27.4 million posted for 2017. The variation mainly stems from a decrease in our environmental services segment, due to a significantly lower performance from FER-PAL. It also stems from transaction, integration, financial, and transformational charges that have impacted our results negatively.

The 2018 profit attributable to owners of the Company computes to total diluted earnings per share of \$1.38, which corresponds to \$1.32 attributable to Class A shares and \$1.45 attributable to Class B shares.

Dividends

LOGISTEC paid a total of \$4.5 million in dividends to its shareholders in 2018.

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, for a total consideration of \$1.1 million. These dividends were paid on April 20, 2018, to all shareholders of record as of April 6, 2018.

On May 10, 2018, 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 July 6, 2018, to shareholders of record as of June 22, 2018.

On August 9, 2018, the Company's Board of Directors elected to increase the dividend payment by 10% for both classes of shares. Accordingly, on August 9, 2018, the Board of Directors declared dividends of \$0.09075 per Class A share and \$0.099825 per Class B share, for a total consideration of \$1.2 million. These dividends were paid on October 12, 2018, to shareholders of record as at September 28, 2018.

On December 6, 2018, the Board of Directors declared dividends of \$0.09075 per Class A share and of \$0.099825 per Class B share, for a total consideration of \$1.2 million. These dividends were paid on January 18, 2019, to shareholders of record as of January 4, 2019.

All dividends paid in 2018 were eligible dividends for Canada Revenue Agency purposes.

On March 15, 2019, the Board of Directors declared a dividend of \$0.09075 per Class A share and \$0.099825 per Class B share, which will be paid on April 18, 2019, to all shareholders of record as of April 4, 2019. The total estimated dividend to be paid is \$1.2 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 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.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 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 \$637.1 million as at December 31, 2018, up by \$123.6 million over the closing balance of \$513.5 million as at December 31, 2017.

Cash and cash equivalents totalled \$15.4 million at the end of 2018, up by \$11.4 million from \$4.0 million as at December 31, 2017. The main items behind this increase were as follows:

(in thousands of dollars)

Positive:	
Profit for the year	17,994
Issuance of long-term debt, net of repayment	72,271
Depreciation and amortization expense	28,580
Dividends received from equity accounted investments	4,596
	<hr/>
	123,441
Negative:	
Acquisition of property, plant and equipment	(16,131)
Business combinations	(97,998)
	<hr/>
	(114,129)

Working Capital

As at December 31, 2018, current assets totalled \$208.5 million and current liabilities totalled \$126.2 million, computing into working capital of \$82.3 million for a current ratio of 1.65:1. This compares with working capital of \$70.2 million and a 1.65:1 ratio as at December 31, 2017.

Long-Term Debt

Combining the current and long-term portions of long-term debt, the balance of \$83.4 million as at December 31, 2017, was up by \$79.9 million to \$163.3 million as at December 31, 2018. The increase mainly reflects our investment in capital expenditures, where we borrowed \$134.7 million in 2018, less the repayments of \$62.4 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, 2018, all of the group's entities complied with such covenants. In some cases, financing

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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					
<i>as at December 31, 2018</i>					
<i>(in thousands of dollars)</i>					
	Total	Less than	1 - 3	4 - 5	More than
	\$	1 year	years	years	5 years
	\$	\$	\$	\$	\$
Long-term debt ⁽¹⁾	180,691	11,331	113,851	24,232	31,277
Operating leases					
– Equipment	10,354	4,277	4,414	1,283	380
– Occupancy	74,875	15,416	27,659	20,284	11,516
Purchase obligations ⁽²⁾	1,601	1,601	–	–	–
Long-term liabilities to shareholders	40,947	1,046	18,047	21,854	–
Non-current liabilities ⁽³⁾	5,243	224	1,270	3,749	–
Total contractual obligations	313,711	33,895	165,241	71,402	43,173

⁽¹⁾ Includes capital and interest.

⁽²⁾ Consists of equipment ordered, not yet delivered at the end of 2018.

⁽³⁾ Excluding long-term liabilities to shareholders.

The reader is referred to Notes 4, 20, 24, 25, 31 and 32 of the 2018 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 \$262.2 million as at December 31, 2018. Adding long-term debt yields a capitalization of \$425.5 million, which computes to a debt/capitalization ratio of 38.4%. This means that the Company has financial leverage available should the need arise. 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.

As at March 15, 2019, 7,392,722 Class A shares and 5,266,234 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 27 of the 2018 Notes for full details on the Company's share capital.

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, 2018, and will terminate on October 25, 2019, LOGISTEC intends to repurchase, for cancellation purposes, up to 370,251 Class A shares and 264,186 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 22, 2018.

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

During 2018, under the NCIB programs, 3,700 Class A shares and 27,500 Class B shares were repurchased at average prices per share of \$47.99 and \$49.03, respectively. Please refer to Note 27 of the 2018 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 \$38.0 million at the end of 2018 is mainly the result of the 2017 closing balance of \$34.4 million, plus the 2018 share of profit of equity accounted investments of \$8.1 million, less \$4.6 million in dividends received.

As at December 31, 2018, 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 16 of the 2018 Notes for its financial information.

Post-Employment Benefits

The Company offers either defined benefit retirement plans or defined contribution retirement plans to its employees. The Company sponsors two defined benefit retirement plans.

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 20 of the 2018 Notes.

Calculations on the retirement plans' funded statuses have been performed by the Company's independent actuaries as of December 31, 2018. They calculated a benefit obligation of \$33.1 million, compared with a fair value of plan assets of \$19.4 million, which computed into a funded status deficit of \$13.7 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 \$12.7 million is included in the above numbers. Excluding the SERP obligation, the funded status deficit amounts to \$1.0 million.

Management's assumption for the discount rate was 3.5% in 2017 and 4.0% in 2018. 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 Board of Directors of each of LOGISTEC Stevedoring (Nova Scotia) Inc. and LOGISTEC Corporation have resolved to merge, effective December 31, 2017, the Retirement Plan for Employees of LOGISTEC Atlantic ("Atlantic Plan") and the Employee Pension Plan of LOGISTEC Corporation and its subsidiaries ("LOGISTEC Plan"). Actuarial valuations were made at that date for both plans and the resulting merged plan. Pursuant to the merger, the assets of the Atlantic Plan (transferring plan) will be transferred to the LOGISTEC Plan (receiving plan) as soon as approvals from legislative authorities are received. The last actuarial valuation for the Senior Management Pension Plan of LOGISTEC Corporation is dated December 31, 2016. Based on these valuations, the Company's combined surplus amounts to \$2.1 million when calculated using the going concern method, and to a combined deficit of \$1.4 million when using the solvency method.

Other Items in the Consolidated Statements of Financial Position

Financial position as at (in millions of dollars)	December 31, 2018 \$	December 31, 2017 \$	Var. \$	Var. %	Explanation of variation
Trade and other receivables	160.3	153.3	6.9	4.5	The variation is mainly due to a greater level of activity in the fourth quarter of 2018, compared with the same quarter of 2017, and the acquisition of GSM and Pate, as discussed in the business combinations section of this MD&A.
Work in progress	14.3	5.3	9.0	169.2	Work in progress represents the gross unbilled amount that will be collected from customers for contract work performed in our environmental services segment. The increase reflects the higher level of our seasonal operations.
Property, plant and equipment	179.2	160.7	18.5	11.5	The increase stems mainly from capital expenditures and includes fixed assets acquired as part of business combinations. Other regular CAPEX was offset by the depreciation expense.
Intangible assets	41.1	14.9	26.2	175.5	The majority of the increase stems from the acquisition of GSM. As a result of that transaction, LOGISTEC recorded intangible assets amounting to \$34.2 million. This was offset by an impairment charge of \$6.8 million.
Goodwill	150.5	105.6	44.9	42.5	The majority of the increase stems from the acquisitions of GSM and Pate, as discussed in the business combinations section of this MD&A.
Trade and other payables	97.8	85.2	12.7	14.9	The increase reflects the higher level of our seasonal operations and the business combinations.
Current portion of long-term debt	3.3	5.4	(2.2)	(39.5)	The variation stems from the \$134.7 million increase in long-term debt, of which \$98.0 million is related to one of the business combinations in the marine services segment. This was offset by repayment of long-term debt of \$62.4 million, which mainly came from cash flow generated by operations and from the repayment of a note receivable by an equity-accounted investee.
Long-term debt	160.0	78.0	82.0	105.3	
Deferred income tax liabilities	21.5	15.6	5.9	37.8	The increase is mainly due to the acquisition of GSM. As a result of that transaction, LOGISTEC recorded a deferred income tax liability amounting to \$8.3 million.
Non-current liabilities	46.2	61.6	(15.5)	(25.1)	The decrease stems from the re-evaluation of the written put option liability.
Share capital	35.0	29.0	6.0	20.7	The variation is mainly due to the issuance of Class B shares in accordance with the terms of the 2016 acquisition of the non-controlling interest in Sanexen.
Share capital to be issued	14.7	19.8	(5.1)	(25.8)	

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 some 2,200 customers. In 2018, the 20 largest customers accounted for 35.9% of consolidated revenue (51.7% in 2017) and not a single customer accounts for more than 10% of consolidated revenue and trade receivables (10.9% for revenue and 19.5% for trade receivables in 2017).

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

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

<i>(in thousands of dollars)</i>	As at December 31, 2018 \$	As at December 31, 2017 \$
Current	39,393	37,455
31-60 days	39,183	34,779
Past due 1-30 days	26,305	27,907
Past due 31-60 days	12,073	8,281
Past due 61-120 days	8,421	5,549
Past due over 121 days ⁽¹⁾	16,767	15,921
	142,142	129,892

⁽¹⁾ Includes contract holdbacks amounting to \$9.3 million (\$2.8 million in 2017).

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

<i>(in thousands of dollars)</i>	2018 \$	2017 \$
Balance, beginning of year	4,053	2,848
Bad debt expense	1,126	2,309
Write offs	(2,815)	(1,104)
Balance, end of year	2,364	4,053

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

Liquidity Risk

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

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

The following were the contractual maturities of financial obligations:

As at December 31, 2018 <i>(in thousands of dollars)</i>	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$	1-3 years \$	More than 3 years \$
Short-term bank loans	13,577	13,577	13,577	—	—
Trade and other payables	97,845	97,845	97,845	—	—
Long-term debt ⁽¹⁾	163,297	180,691	11,331	113,851	55,509
Non-current liabilities	46,190	46,190	1,270	19,317	25,603
	320,909	338,303	124,023	133,168	81,112

As at December 31, 2017 <i>(in thousands of dollars)</i>	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⁾	83,404	92,396	6,848	6,597	78,951
Non-current liabilities, excluding the derivative	61,637	61,637	—	18,299	43,338
	240,044	249,036	101,851	24,896	122,289

⁽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 rate 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. In 2017, the Company entered into an interest rate swap contract with our main bank for an amount of \$25.0 million. As at December 31, 2018, the degressive notional principal amount of the outstanding interest rate swap contract was \$18.8 million (\$23.8 million in 2017). In 2018, the Company contracted a new loan which is on a fixed interest basis, thus decreasing the Company's sensitivity to interest rate fluctuations.

SENSITIVITY ANALYSIS

As at December 31, 2018, the floating rate portion of the Company's long-term debt was 64.7% (61.4% in 2017). Taking into account the interest rate swap contracts mentioned above, the floating rate portion was 53.3% as at December 31, 2018 (24.9% in 2017). 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, 2018, excluding the floating rate debt for which the floating rate has been swapped to fixed, would have a negative impact of \$0.9 million (\$0.2 million in 2017) 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.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

During 2018, 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 \$2.2 million (\$2.3 million in 2017) on profit for the year and a positive impact of \$12.2 million (\$2.9 million in 2017) 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, 2018, a total of \$78.1 million or US\$57.1 million and €0.1 million (\$41.4 million or US\$32.6 million and €0.3 million in 2017) of cash and cash equivalents and trade and other receivables is denominated in foreign currencies. As at December 31, 2018, a total of \$46.3 million or US\$33.9 million and €0.1 million (\$30.1 million or US\$23.7 million and €0.3 million in 2017) of trade and other payables is denominated in foreign currencies.

Fair Value of Financial Instruments

As at December 31, 2018 and 2017, the estimated fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in non-current financial assets, was not significantly different from their carrying value as at December 31, 2018 and 2017, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of long-term debt was not significantly different from its carrying value as at December 31, 2018 and 2017, since it had financing conditions similar to those then available to the Company.

Please refer to Note 4 for further Information related to the Company's fair value hierarchy.

Business Risks

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

Market Risk — The Company handles a wide variety of commodities and, although our geographical and product diversification strategy should protect us 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 infrastructure, legislation, tariffs or taxation powers can have a direct impact on profitability.

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

Personnel and Labour Related Risks — Some of our facilities are located near small urban centres where it can be difficult to find qualified labour. In addition, the industry in our marine services segment is strongly unionized and there is always a risk of labour disturbance when negotiating collective agreements.

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 29 of the 2018 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

<i>(in thousands of Canadian dollars, except per share amounts)</i>	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Year \$
2018					
Revenue	82,442	149,182	184,537	168,717	584,878
Profit (loss) attributable to owners of the Company	(9,477)	1,868	22,256	3,413	18,060
Basic earnings per Class A share	(0.72)	0.14	1.68	0.26	1.37
Basic earnings per Class B share	(0.80)	0.16	1.85	0.28	1.51
Total basic earnings per share	(0.75)	0.15	1.75	0.27	1.43
Diluted earnings per Class A share	(0.72)	0.14	1.62	0.25	1.32
Diluted earnings per Class B share	(0.80)	0.15	1.78	0.27	1.45
Total diluted earnings per share	(0.75)	0.14	1.69	0.26	1.38
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

Seasonal Nature of Operations

Marine services are affected by weather conditions and are therefore of a seasonal nature. During the winter months, the St. Lawrence Seaway is closed. There is no activity on the Great Lakes, reduced activity on the St. Lawrence River, and no activity in Arctic transportation due to ice conditions.

Environmental services are also affected by weather conditions, as the majority of the specialized services they offer 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 2018 Results and Comparative Figures

<i>(in thousands of dollars, except per share amounts)</i>	Q4 2018 \$	Q4 2017 \$
Revenue	168,717	145,497
Employee benefits expense	(88,313)	(71,689)
Equipment and supplies expense	(46,026)	(35,009)
Rental expense	(12,405)	(9,613)
Other expenses	(8,023)	(5,803)
Depreciation and amortization expense	(8,627)	(13,191)
Share of profit of equity accounted investments	2,505	1,581
Other gains and losses	2,841	5,430
Impairment charge	(6,821)	(2,917)
Operating profit	3,848	14,286
Finance expense	(2,128)	(2,158)
Finance income	60	125
Profit before income taxes	1,780	12,253
Income taxes	1,658	(286)
Profit for the period	3,438	11,967
Profit attributable to:		
Owners of the Company	3,413	13,212
Non-controlling interest	25	(1,245)
Profit for the period	3,438	11,967
Basic earnings per Class A share	0.26	1.01
Basic earnings per Class B share	0.28	1.12
Diluted earnings per Class A share	0.25	0.97
Diluted earnings per Class B share	0.27	1.06

Consolidated revenue totalled \$168.7 million in 2018, an increase of \$23.2 million or 16.0% over 2017. This increase is mainly due to strong activity in the environmental services segment during the fourth quarter of 2018 and to the business combinations of GSM and Pate, as mentioned earlier.

Employee benefits expense to revenue ratio for the fourth quarter of 2018 was higher at 52.3% compared with 49.3% for the same period in 2017. 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 slightly higher.

Equipment and supplies expense for the fourth quarter of 2018 was higher at \$46.0 million, an increase of \$11.0 million compared with the fourth quarter of 2017. This increase is, for the most part, influenced by Sanexen's revenue mix and the GSM and Pate business combinations, as mentioned earlier. The overall proportion of equipment and supplies expense to revenue was higher, posting a ratio of 27.2% for the fourth quarter of 2018 versus 24.1% for the same period in 2017.

Depreciation and amortization expense amounted to \$8.6 million for the fourth quarter of 2018, down by \$4.6 million over \$13.2 million for the same period in 2017. In 2017, the investment in FER-PAL resulted in a depreciation charge due to intangible assets related to the backlog acquired, which was fully amortized over a period of seven months. Therefore, this impact was not recurring in 2018.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

Impairment charge for the fourth quarter of 2018 was higher at \$6.8 million, up by \$3.9 million over the fourth quarter of 2017. At the end of 2018, the Company reviewed the carrying amount of its intangible assets and determined that cash generating units associated with our port logistics activities in Virginia had suffered an impairment loss.

Operating profit for the fourth quarter of 2018 amounted to \$3.8 million, down by \$10.4 million in the fourth quarter of 2017. The decrease 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 2017 levels.

Significant Judgments, Estimates and Assumptions

In the application of the Company's significant accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from those estimates. The measurement of some assets and liabilities in the preparation of the financial statements includes assumptions made by management that are described in Note 3 of the 2018 Notes. Further details on judgments, estimates and assumptions can be found in the 2018 Notes, particularly regarding trade receivables (Notes 4 and 14), goodwill (Note 18), finite-life intangible assets (Note 19), equity accounted investments (Note 16), impairment of long-lived assets including goodwill (Note 18), deferred income taxes (Note 10), post-employment benefits (Note 20), and provisions (Note 25). The Company's significant accounting policies are applied consistently to all its reportable industry segments (Note 30).

Application of New and Revised IFRS

Accounting Standards Issued and Adopted

On January 1, 2018, the Company adopted the following standards:

IFRS 9 *FINANCIAL INSTRUMENTS*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments - Recognition and Measurement*.

The consolidated financial statements have been prepared in accordance with IFRS 9. The Company adopted IFRS 9 using the retrospective approach and chose not to restate prior year comparatives where permitted.

The Company reviewed and assessed its existing financial assets and liabilities as at January 1, 2018 based on the facts and circumstances that existed at that date, and concluded that the initial application of IFRS 9 has had the following impact regarding its classification and measurement:

- Cash and cash equivalents, trade and other receivables, and non-current financial assets that were classified as loans and receivables under IAS 39 have been classified as amortized cost under IFRS 9.
- Trade and other payables, dividends payable, short-term bank loans, long-term debt, liabilities due to shareholders and long-term incentive plans that were classified as other financial liabilities under IAS 39 have been classified as amortized cost under IFRS 9.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost, work in progress and debt investments at fair value through other comprehensive income (“FVOCI”), but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company has elected to measure loss allowances for trade receivables and non-current financial assets at an amount equal to lifetime ECLs.

This standard also incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. The requirements for hedge accounting in IFRS 9 were applied prospectively on January 1, 2018. All hedging relationships designated under IAS 39 at December 31, 2017 met the criteria for hedge accounting under IFRS 9 at January 1, 2018 and are therefore regarded as continuing hedging relationships.

The Company completed its assessment of the impact of this new standard and the adoption of the standard does not have a material impact on the consolidated financial statements other than as discussed above. The Company has updated its significant accounting policies which are included in Note 2.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 *Revenues*, and IAS 11 *Construction Contracts and Related Interpretations*.

The Company has adopted IFRS 15 using the modified retrospective approach, and elected to apply the requirements only to contracts that were not completed at the date of initial application, January 1, 2018. The adoption of the standard did not have a material impact on the consolidated financial statements, other than for the additional disclosures related to the new standard, which are provided in Note 6.

The details of the new significant accounting policies and the nature of the changes compared to previous accounting policies in relation to the Company's various goods and services are disclosed in Note 2.

Accounting Standards and Interpretations Issued but not yet Applied

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*. The standard is effective for accounting periods beginning on or after January 1, 2019.

Given that the Company has significant contractual obligations accounted for as operating leases under IAS 17, the Company concludes that there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the presentation of expenses associated with the lease arrangements between equipment and supplies expense, rental expense, depreciation and amortization, and finance expense.

The Company intends to adopt IFRS 16 using the modified retrospective approach, and to use the exemptions for short-term leases and leases for which the underlying asset is of low value. Based on the information currently available, the Company estimated that it will recognize additional liabilities and right of use of assets of between approximately \$80.0 million and \$85.0 million as at January 1, 2019.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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:

- Meet or exceed 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 the environmental impact of 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.

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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 twelve priority environmental issues. 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 water mains, 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". Of LOGISTEC's 12 directors, nine are independent, three are women, and the roles of Chairman and Chief Executive Officer are separate. The Governance and Human Resources Committee and the Audit Committee consist exclusively of independent directors. The Audit Committee, which is involved in the review of interim and annual reports and financial statements prior to their submission to the Board of Directors for approval, meets separately with the Company's independent auditor. The Board of Directors recommends the appointment of the independent auditor to shareholders after the Audit Committee has made a proper 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, 2018, and that the design of these DC&P provided reasonable assurance that material information

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018.

There has been no change in the Company's ICFR that occurred during the fourth quarter of 2018 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

We are satisfied with the revenue progression in 2018 compared with 2017, as a result of our 2018 business combinations in the marine services segment.

This increase in revenue, however, did not translate into a similar increase in profit for the year. This is due to FER-PAL's poor performance in 2018, combined with some impairment charges on intangible assets associated with our port logistics activities in Virginia, and transaction, integration, financial, and transformational charges.

That being said, the outlook for 2019 is positive. Indeed, in the marine services segment, the solid revenue performance of 2018 should continue in 2019, and we should benefit from a full year's impact of our 2018 business combinations. Furthermore, in light of the poor performance of our port logistics activities in Virginia, they will be reviewed to streamline and improve their returns.

In our environmental services segment, we expect both our Aqua-Pipe operations and traditional environmental activities at Sanexen to maintain a good level of activity. The combined backlog for Sanexen and FER-PAL is reaching some \$100 million, which bodes well for 2019.

Concerning FER-PAL, we are addressing its 2018 performance. We are reviewing its processes and have begun an improvement plan. Furthermore, many of the elements that led to the poor performance in 2018 are behind us, and we expect a prompt return to profitability.

We will pursue our efforts to develop the U.S. market for both our Aqua-Pipe business and for our new technology that prevents lead from contaminating drinking water, and we anticipate that these will prove worthwhile in the short to mid term.

We are therefore confident about the outlook for 2019 and beyond, but we must remain cautious. While the economy has been doing well for some time now, many economists are warning of a potential recession or slowdown within the next 18-24 months, with its obvious impact on the economy in general and on our business in particular.

Finally, with regard to business development, we remain very active in our research and analysis of investment opportunities in both our business segments, our objective being to maintain and improve our high quality of service, and ensure the growth of our Company, for the benefit of our business partners and shareholders.

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

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

2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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 15, 2019

Independent Auditors' Report

To the Shareholders of Logistec Corporation

Opinion

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

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of earnings for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Other Matter - Comparative information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 20, 2018.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, included in the "Annual report 2018".

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

2018 CONSOLIDATED FINANCIAL STATEMENTS

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditors' report thereon, included in the "Annual report 2018" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

2018 CONSOLIDATED FINANCIAL STATEMENTS

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*(signed) KPMG LLP**

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

Montréal, Canada

March 15, 2019

*CPA auditor, CA, public accountancy permit No. A114306

Consolidated Statements of Earnings

Years ended December 31

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

	Notes	2018 \$	2017 \$
Revenue	6	584,878	475,743
Employee benefits expense	7	(299,682)	(235,247)
Equipment and supplies expense		(156,859)	(122,651)
Rental expense		(46,028)	(33,799)
Other expenses		(29,839)	(21,997)
Depreciation and amortization expense		(28,580)	(33,859)
Share of profit of equity accounted investments	16	8,111	6,952
Other gains and losses	8	3,596	4,875
Impairment charge	19	(6,821)	(2,917)
Operating profit		28,776	37,100
Finance expense	9	(8,046)	(3,937)
Finance income		572	404
Profit before income taxes		21,302	33,567
Income taxes	10	(3,308)	(6,211)
Profit for the year		17,994	27,356
Profit attributable to:			
Owners of the Company		18,060	27,426
Non-controlling interest		(66)	(70)
Profit for the year		17,994	27,356
Basic earnings per Class A Common Share ⁽¹⁾	12, 27	1.37	2.14
Basic earnings per Class B Subordinate Voting Share ⁽²⁾	12, 27	1.51	2.35
Diluted earnings per Class A share	12, 27	1.32	2.02
Diluted earnings per Class B share	12, 27	1.45	2.22

⁽¹⁾ Class A Common Share ("Class A share")

⁽²⁾ Class B Subordinate Voting Share ("Class B share")

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31
(in thousands of Canadian dollars)

	Notes	2018 \$	2017 \$
Profit for the year		17,994	27,356
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		9,871	(2,787)
Unrealized loss on translating debt designated as hedging item of the net investment in foreign operations		(4,377)	—
Gains (losses) on derivatives designated as cash flow hedges		(5)	151
Income taxes relating to derivatives designated as cash flow hedges		2	(41)
Total items that are or may be reclassified to the consolidated statements of earnings		5,491	(2,677)
Items that will not be reclassified to the consolidated statements of earnings			
Remeasurement gains (losses) on benefit obligation	20	1,850	(1,515)
Variation on retirement plan assets excluding amounts included in profit for the year	20	(1,637)	830
Income taxes on remeasurement losses (gains) on benefit obligation and variation on retirement plan assets excluding amounts included in profit for the year	10	(41)	151
Total items that will not be reclassified to the consolidated statements of earnings		172	(534)
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
Items that will not be reclassified to the consolidated statements of earnings		118	(133)
Total share of other comprehensive income (loss) of equity accounted investments, net of income taxes		118	(101)
Other comprehensive income (loss) for the year, net of income taxes		5,781	(3,312)
Total comprehensive income for the year		23,775	24,044
Total comprehensive income (loss) attributable to:			
Owners of the Company		23,805	24,114
Non-controlling interest		(30)	(70)
Total comprehensive income for the year		23,775	24,044

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Notes	As at December 31, 2018 \$	As at December 31, 2017 \$
Assets			
Current assets			
Cash and cash equivalents		15,393	3,963
Trade and other receivables	14	160,252	153,342
Work in progress		14,282	5,306
Current income tax assets	10	2,964	494
Other financial assets		416	1,055
Prepaid expenses		4,483	2,775
Inventories	15	10,711	11,550
		208,501	178,485
Equity accounted investments	16	38,005	34,350
Property, plant and equipment	17	179,225	160,717
Goodwill	18	150,498	105,618
Intangible assets	19	41,054	14,903
Non-current assets		2,173	1,658
Post-employment benefit assets	20	—	606
Non-current financial assets	21	6,328	7,984
Deferred income tax assets	10	11,319	9,218
Total assets		637,103	513,539
Liabilities			
Current liabilities			
Short-term bank loans	22	13,577	9,829
Trade and other payables	23	97,845	85,174
Deferred revenue		5,225	2,252
Current income tax liabilities	10	3,480	3,699
Dividends payable	27	1,973	1,075
Current portion of long-term debt	24	3,294	5,447
Provisions	25	823	813
		126,217	108,289
Long-term debt	24	160,003	77,957
Provisions	25	790	771
Deferred income tax liabilities	10	21,465	15,575
Post-employment benefit obligations	20	14,716	14,778
Deferred revenue		3,333	3,733
Non-current liabilities	26	46,190	61,641
Total liabilities		372,714	282,744
Equity			
Share capital	27	35,016	29,019
Share capital to be issued	27	14,717	19,820
Retained earnings		200,404	173,129
Accumulated other comprehensive income		12,061	6,606
Equity attributable to owners of the Company		262,198	228,574
Non-controlling interest		2,191	2,221
Total equity		264,389	230,795
Total liabilities and equity		637,103	513,539
Commitments, contingent liabilities and guarantees	31, 32		

See accompanying notes to the consolidated financial statements.

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)

	Notes	Attributable to owners of the Company							Non-controlling interest	Total equity
		Share capital	Share capital to be issued	Cash flow hedges	Foreign currency translation	Retained earnings	Total	Accumulated other comprehensive income		
		\$	\$	\$	\$	\$	\$	\$	\$	
Balance as at January 1, 2018		29,019	19,820	138	6,468	173,129	228,574	2,221	230,795	
Profit (loss) for the year		—	—	—	—	18,060	18,060	(66)	17,994	
Other comprehensive income (loss)										
Currency translation differences arising on translation of foreign operation		—	—	—	9,835	—	9,835	36	9,871	
Unrealized loss on translating debt designated as hedging item of the net investment in foreign operations		—	—	—	(4,377)	—	(4,377)	—	(4,377)	
Remeasurement gains on benefit obligation and variation on retirement plan assets excluding amounts included in profit for the year, net of income taxes	20	—	—	—	—	172	172	—	172	
Cash flow hedges, net of income taxes		—	—	(3)	—	—	(3)	—	(3)	
Share of other comprehensive income of equity accounted investments, net of income taxes		—	—	—	—	118	118	—	118	
Total comprehensive income (loss) for the year		—	—	(3)	5,458	18,350	23,805	(30)	23,775	
Put option liability		—	—	—	—	15,644	15,644	—	15,644	
Repurchase of Class A shares	27	(10)	—	—	—	(174)	(184)	—	(184)	
Issuance and repurchase of Class B shares	27	904	—	—	—	(1,195)	(291)	—	(291)	
Issuance of Class B shares capital to a subsidiary shareholder		5,103	(5,103)	—	—	—	—	—	—	
Other dividend		—	—	—	—	(776)	(776)	—	(776)	
Dividends on Class A shares	27	—	—	—	—	(2,565)	(2,565)	—	(2,565)	
Dividends on Class B shares	27	—	—	—	—	(2,009)	(2,009)	—	(2,009)	
Balance as at December 31, 2018		35,016	14,717	135	11,926	200,404	262,198	2,191	264,389	

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity (Continued)

(in thousands of Canadian dollars)

	Notes	Attributable to owners of the Company								
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income			Retained earnings \$	Total \$	Non-controlling interest \$	Total equity \$
				Cash flow hedges \$	Foreign currency translation \$					
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 variation on retirement plan assets excluding amounts included in profit for the year, net of income taxes	20	—	—	—	—	(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	27	(4)	—	—	—	(243)	(247)	—	(247)	
Issuance and repurchase of Class B shares	27	327	—	—	—	(959)	(632)	—	(632)	
Issuance of Class B shares related to a business combination		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 combination		—	—	—	—	—	—	50,582	50,582	
Issuance of Class B shares capital to a subsidiary shareholder		5,078	(5,078)	—	—	—	—	—	—	
Dividends on Class A shares	27	—	—	—	—	(2,334)	(2,334)	—	(2,334)	
Dividends on Class B shares	27	—	—	—	—	(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	

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31
(in thousands of Canadian dollars)

	Notes	2018 \$	2017 \$
Operating activities			
Profit for the year		17,994	27,356
Items not affecting cash and cash equivalents	28	43,823	43,899
Cash generated from operations		61,817	71,255
Dividends received from equity accounted investments	16	4,596	3,637
Contributions to defined benefit retirement plans	20	(1,049)	(1,036)
Settlement of provisions	25	(359)	(154)
Changes in non-cash working capital items	28	4,119	(23,885)
Income taxes paid		(10,037)	(6,021)
		59,087	43,796
Financing activities			
Net change in short-term bank loans		3,747	1,579
Issuance of long-term debt, net of transaction costs	24, 28	134,653	90,014
Repayment of long-term debt	24, 28	(62,382)	(70,829)
Interest paid		(7,241)	(2,822)
Issuance of Class B shares	27	562	201
Repurchase of Class A shares	27	(177)	(248)
Repurchase of Class B shares	27	(1,349)	(1,043)
Dividends paid on Class A shares	27	(2,505)	(2,279)
Dividends paid on Class B shares	27	(1,947)	(1,638)
		63,361	12,935
Investing activities			
Customer repayment of an investment in a service contract		—	865
Interest received		539	403
Cash acquired in a business combination	5	2,501	—
Business combinations	5	(97,998)	(48,038)
Repurchase of a non-controlling interest		—	(2,880)
Investment in joint venture		(157)	—
Acquisition of property, plant and equipment	17	(16,131)	(21,965)
Proceeds from disposal of property, plant and equipment	17	1,416	2,473
Acquisition of intangible assets	19	(208)	(45)
Repayment of non-current financial assets		211	104
Increase of other non-current assets		(286)	(805)
Disposal of other non-current assets		215	191
		(109,898)	(69,697)
Net change in cash and cash equivalents		12,550	(12,966)
Cash and cash equivalents, beginning of year		3,963	15,971
Effect of exchange rate on balances held in foreign currencies of foreign operations		(1,120)	958
Cash and cash equivalents, end of year		15,393	3,963
Non-cash transactions and supplemental information	28		

See accompanying notes to the consolidated financial statements.

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2018 and 2017

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

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 37 ports across North America, 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 services segment where it provides services for the trenchless structural rehabilitation of underground water mains, 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 15, 2019.

2. Summary of Significant Accounting Policies

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

Statement of Compliance

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

Accounting Standards Issued and Adopted

On January 1, 2018, the Company adopted the following standards:

IFRS 9 *FINANCIAL INSTRUMENTS*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The consolidated financial statements have been prepared in accordance with IFRS 9. The Company adopted IFRS 9 using the retrospective approach and chose not to restate prior year comparatives where permitted.

The Company reviewed and assessed its existing financial assets and liabilities as at January 1, 2018 based on the facts and circumstances that existed at that date, and concluded that the initial application of IFRS 9 has had the following impact regarding its classification and measurement:

- Cash and cash equivalents, trade and other receivables, and non-current financial assets that were classified as loans and receivables under IAS 39 have been classified as amortized cost under IFRS 9.

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2018 and 2017

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

- Trade and other payables, dividends payable, short-term bank loans, long-term debt, liabilities due to shareholders and long-term incentive plans that were classified as other financial liabilities under IAS 39 have been classified as amortized cost under IFRS 9.

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost and debt investments at fair value through other comprehensive income (“FVOCI”), but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company has elected to measure loss allowances for trade receivables and non-current financial assets at an amount equal to lifetime ECLs.

This standard also incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. The requirements for hedge accounting in IFRS 9 were applied prospectively on January 1, 2018. All hedging relationships designated under IAS 39 at December 31, 2017 met the criteria for hedge accounting under IFRS 9 at January 1, 2018 and are therefore regarded as continuing hedging relationships.

The Company completed its assessment of the impact of this new standard and the adoption of the standard does not have a material impact on the consolidated financial statements other than as discussed above.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 *Revenues*, IAS 11 *Construction Contracts* and related interpretations.

The Company has adopted IFRS 15 using the modified retrospective approach and elected to apply the requirements only to contracts that were not completed at the date of initial application, January 1, 2018. The adoption of the standard did not have a material impact on the consolidated financial statements, other than for the additional disclosures related to the new standard, which are provided in Note 6.

The Company has updated its significant accounting policies in the section below.

Preparation

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

Basis of Consolidation

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

SUBSIDIARIES

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

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

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

All intra-group transactions, balances, revenue expenses, and cash flows are eliminated on consolidation until they are realized with a third party. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), 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., GSM Intermediate Holdings, Inc., GSM Maritime Holdings, LLC, Gulf Stream Marine, Inc., 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 May 25, 2018, the Company acquired 100% ownership of Pate Stevedore Company, Inc. ("Pate"), and on March 1, 2018, the Company acquired 100% ownership of GSM Maritime Holdings, LLC, the ultimate owner of Gulf Stream Marine, Inc. ("GSM").

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.

Please refer to Note 5 for further details.

BUSINESS COMBINATIONS

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

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

NON-CONTROLLING INTERESTS

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

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EQUITY ACCOUNTED INVESTMENTS

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

JOINT VENTURES

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

ASSOCIATES

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

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

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

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

Revenue Recognition

In accordance with IFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a service or product to a customer. Determining the timing of the transfer of control ("at a point in time" or "over time") requires judgment. The Company recognizes revenue from the following major sources:

MARINE SERVICES SEGMENT

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

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

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

ENVIRONMENTAL SERVICES SEGMENT

The Company earns revenue in the environmental services segment, where it provides services to industrial, municipal and other governmental customers for the trenchless structural rehabilitation of underground water mains, regulated materials management, site remediation, risk assessment, and manufacturing of woven hoses.

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

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

ENVIRONMENTAL GOODS

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

Foreign Currencies

FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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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.

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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 or deferred revenue

Work in progress primarily relate to the gross unbilled amount for a given project that is expected to be collected from customers for contract work performed to date. It is measured at costs 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 a deferred revenue.

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

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.

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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 using the effective interest method 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.

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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 15 years
Computer software	3 to 5 years
Dredging costs	2 years
Lease rights and location	21 years

Following the FER-PAL acquisition in 2017, the Company recorded an intangible asset related to contract backlog, which was 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.

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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

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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 variation 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

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

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

FINANCIAL ASSETS

CLASSIFICATION

All financial assets that do not meet a "solely payment of principal and interest" ("SPPI") condition shall be classified at FVTPL. For those that meet the SPPI condition, classification at initial recognition will be determined based on the business model under which these assets are managed. Financial assets that are being managed on a "held for trading" or fair value basis are classified at FVTPL. Financial

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assets that are being managed on a “hold to collect and for sale” basis are classified at FVOCI. Finally, financial assets that are being managed on a “hold to collect” basis are classified at amortized cost.

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

The Company recognizes a loss allowance for ECL on financial assets that are measured at amortized cost.

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

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

DERECOGNITION OF FINANCIAL ASSETS

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

FINANCIAL LIABILITIES

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

CLASSIFICATION

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

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

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DERECOGNITION OF FINANCIAL LIABILITIES

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

HEDGE OF A NET INVESTMENT IN FOREIGN OPERATIONS

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

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.

Accounting Standards and Interpretations issued but not yet applied

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*. The standard is effective for accounting periods beginning on or after January 1, 2019.

Given that the Company has significant contractual obligations accounted for as operating leases under IAS 17, the Company concludes that there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the presentation of expenses associated with the lease arrangements between equipment and supplies expense, depreciation and amortization, and finance expense.

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The Company intends to adopt IFRS 16 using the modified retrospective approach, and to use the exemptions for short-term leases and leases for which the underlying asset is of low value. Based on the information currently available, the Company estimated that it will recognize additional liabilities and right of use of assets of between approximately \$80,000 and \$85,000 as at January 1, 2019.

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. This interpretation is not expected to have a significant impact on the Company's Financial Statements.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

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

Trade Receivables

The Company recognizes a loss allowance for ECL on financial assets that are measured at amortized cost. ECL are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money when appropriate. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligation in full.

Business Combinations

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

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

Income Taxes

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

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

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), demographic compensation growth and mortality 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 20 for further details on the significant actuarial assumptions used in the measurement of the Company's net benefit liability.

Long-term Liabilities due to Shareholders

The determination of the liability resulting from the written put options granted to 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 Company's control. Refer to Note 5 for further details.

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Long-Term Incentive Plans

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

4. Financial Risk Management

Capital Management

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

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

The Company includes the following in its capital:

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

The Company's financial strategy is formulated and adapted according to market conditions 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.

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, 2018 \$	As at December 31, 2017 \$
Cash and cash equivalents	15,393	3,963
Short-term bank loans	13,577	9,829
Long-term debt, including the current portion	163,297	83,404
Non-current liabilities	46,190	61,641
Equity attributable to owners of the Company	262,198	228,574

The Company monitors the debt/capitalization ratio on a quarterly basis. 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. As at December 31, 2018, the ratio is 38.4% based on debt of \$163,297 divided by a capitalization of \$425,495 (26.7% as at December 31, 2017, based on debt of \$83,404 divided by capitalization of \$311,978), which is within the Company's objective.

Note that an amount of \$46,190 is presented as non-current liabilities in the consolidated statements of financial position. Of this amount, \$40,947 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 liabilities of \$40,947 in our debt/capitalization ratio, the calculation becomes a debt of \$204,244 over a capitalization of \$466,442, resulting in a ratio of 43.8%.

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As at December 31, 2018, 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's exposure to credit risk is primarily attributable to its cash and cash equivalents and trade and other receivables. Management believes the credit risk is limited for its cash and cash equivalents as the Company deals with major North American financial institutions.

The Company conducts a thorough assessment of credit issues prior to committing to the investment and actively monitors the financial health of its investees on an ongoing basis. In addition, the Company is exposed to credit risk from customers. On the one hand, the Company does business mostly with large industrial municipalities and well-established customers, thus reducing its credit risk. On the other hand, the number of customers served by the Company is limited, which increases the risk of business concentration and economic dependency.

Overall, the Company serves some 2,200 customers. In 2018, the 20 largest customers account for 35.9% (51.7% in 2017) of consolidated revenue, and not a single customer accounts for more than 10% of consolidated revenue and trade receivables (10.9% for revenue and 19.5% for trade receivables in 2017).

Allowance for doubtful accounts and past due receivables are reviewed by management on a monthly basis. Allowance for doubtful accounts and past due receivables are presented in further detail in Note 14.

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

LIQUIDITY RISK

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

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The following are the contractual maturities of financial obligations:

As at December 31, 2018 <i>(in thousands of dollars)</i>	Carrying amount \$	Contractual cash flows ⁽¹⁾ \$	Less than 1 year \$	1-3 years \$	More than 3 years \$
Short-term bank loans	13,577	13,577	13,577	—	—
Trade and other payables	97,845	97,845	97,845	—	—
Long-term debt	163,297	180,691	11,331	113,851	55,509
Non-current liabilities	46,190	46,190	1,270	19,317	25,603
	320,909	338,303	124,023	133,168	81,112

As at December 31, 2017 <i>(in thousands of dollars)</i>	Carrying amount \$	Contractual cash flows ⁽¹⁾ \$	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	83,404	92,396	6,848	6,597	78,951
Non-current liabilities, excluding the derivative	61,637	61,637	—	18,299	43,338
	240,044	249,036	101,851	24,896	122,289

⁽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 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, 2018, the floating rate portion of the Company's long-term debt is 64.7% (61.4% in 2017). Taking into account the interest rate swap contracts mentioned above, the floating rate portion is 53.3% as at December 31, 2018 (24.9% in 2017). 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, 2018, excluding the floating rate debt for which the floating rate has been swapped to fixed, would have had a negative impact of \$870 (\$202 in 2017) 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 the Company's 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, 2018, the degressive notional principal amount of the outstanding interest rate swap contract was \$18,750 (\$23,750 in 2017). The floating interest rate on the interest rate swap is CDOR and the fixed interest rate is 1.80%.

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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 financial instruments to reduce its exposure.

During 2018, 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 \$2,194 (\$2,329 in 2017) on profit for the year and a positive impact of \$12,189 (\$2,853 in 2017) 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, 2018, a total of \$78,058 or US\$57,121 and €85 (\$41,368 or US\$32,628 and €290 in 2017) of cash and cash equivalents and trade and other receivables is denominated in foreign currencies. As at December 31, 2018, a total of \$46,313 or US\$33,889 and €52 (\$30,118 or US\$23,707 and €251 in 2017) of trade and other payables is denominated in foreign currencies.

Fair Value of Financial Instruments

As at December 31, 2018 and 2017, the estimated fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in non-current financial assets, was not significantly different from their carrying value as at December 31, 2018 and 2017, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of long-term debt was not significantly different from its carrying value as at December 31, 2018 and 2017, since it had financing conditions similar to those then available to the Company.

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

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

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

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

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

For the year ended December 31, 2018, no financial instruments were transferred between levels 1, 2 and 3.

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Sensitivity analysis

On December 31, 2018, all other things being equal, a 10.0% increase of pre-established financial performance threshold of acquired businesses related to the written put option would have resulted in a decrease of \$3,250 in retained earnings for the year ended December 31, 2018 and an increase of the same amount in total liabilities. A 10.0% decrease of pre-established financial performance threshold would have had the opposite estimated impacts.

5. Business Combinations

Business Combinations for the Year Ended December 31, 2018

GSM

On March 1, 2018, the Company acquired 100% ownership of GSM Maritime Holdings, LLC, the ultimate owner of GSM, which performs cargo handling operations in the U.S. Gulf Coast for a diverse mix of customers, for a purchase price of US\$67,600 (CA\$85,634), subject to certain adjustments.

This acquisition expands the Company's network of marine terminals and provides LOGISTEC with a strategic position in that region.

Prior to the acquisition, a note receivable of US\$4,000 (CA\$5,067) was issued to an associate to acquire excluded assets from the transaction. On August 31, the Company completed the sale of its associate for a minimal cash consideration. Prior to the sale, the Company received a cash consideration of US\$4,000 (CA\$5,067) as reimbursement of the note receivable.

PATE

On May 25, 2018, the Company acquired 100% ownership of Pate for a purchase price of US\$9,599 (CA\$12,364), subject to certain adjustments.

Pate provides cargo handling and distribution services at its Florida operations. This acquisition continues to expand the Company's network of marine terminals and strategically positions LOGISTEC in the U.S. Gulf Coast region.

The purchase price has been allocated on a preliminary basis and will be finalized as soon as the Company has obtained all the information it considers necessary. As at December 31, 2018, we are currently evaluating intangible assets.

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

	GSM \$	Pate \$	Total \$
Cash and cash equivalents	2,377	124	2,501
Current assets	23,815	1,270	25,085
Property, plant and equipment	18,410	4,094	22,504
Goodwill	30,229	10,788	41,017
Intangible assets	34,170	47	34,217
Current liabilities	(15,074)	(201)	(15,275)
Long-term debt	–	(3,758)	(3,758)
Deferred income tax liabilities	(8,293)	–	(8,293)
	85,634	12,364	97,998
Purchase consideration			
Cash	85,634	12,364	97,998
	85,634	12,364	97,998

The fair value of receivables acquired of \$22,530, which includes a negligible amount deemed uncollectible as at the acquisition date, is included in the current assets.

The purchase price allocation of GSM is final.

The acquisition transition costs for GSM, included in the caption other expenses, amounted to \$1,100.

The purchase price allocation of Pate is preliminary and is subject to change once final valuations of the assets acquired and liabilities assumed are completed.

Impact of the Business Combinations on the Results of the Company

The Company's results for the year ended December 31, 2018, include \$98,531 in revenue, and an additional profit of \$614 generated by GSM. They also include \$3,913 in revenue and a profit of \$842 generated by additional business at Pate for the year ended December 31, 2018.

If these business combinations had been completed on January 1, 2018, the Company's consolidated revenue and profit for the year ended December 31, 2018 would have totalled \$598,735 and \$18,718, respectively.

In determining these estimated amounts, the Company assumes that the fair value adjustments that arose on the acquisition dates would have been the same had the acquisitions occurred on January 1, 2018.

2017 Business Combinations

LGC

On February 16, 2017, the Company also invested US\$4,429 (CA\$5,805) in 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.

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

	LGC \$	FER-PAL \$	Total \$
Current assets	194	29,624	29,818
Property, plant and equipment	8,457	12,060	20,517
Goodwill	564	80,408	80,972
Intangible assets	—	16,750	16,750
Non-current financial assets	—	317	317
Bank overdraft	—	(8,251)	(8,251)
Current liabilities	—	(23,791)	(23,791)
Long-term debt	(866)	(1,648)	(2,514)
Deferred income tax liabilities	—	(7,385)	(7,385)
Non-current liabilities	—	(1,058)	(1,058)
	8,349	97,026	105,375
Purchase consideration			
Cash	5,805	41,483	47,288
230,747 Class B shares issued	—	8,000	8,000
Non-controlling interests ⁽¹⁾	2,544	47,543	50,087
	8,349	97,026	105,375

⁽¹⁾ Non-controlling interest shareholders hold 30% and 49% interest in LGC and in FER-PAL, respectively. Non-controlling interests are measured at fair value as at the acquisition date.

The purchase price allocation is final for both business combinations.

FER-PAL

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 water main rehabilitation solutions, for an aggregate purchase price of \$49,483.

The cash portion of the purchase consideration includes an amount of \$5,000 paid in escrow, which was 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, an equivalent amount was recorded as a receivable. During the third quarter of 2018, the Company reached an agreement on the final post-closing adjustment for an amount of \$5,760. An additional gain of \$500 was recorded in the caption other gains and losses. As at December 31, 2018, the Company received an amount of \$5,000 with a balance receivable of \$760.

During the year ended December 31, 2018, the Company finalized estimates of the fair value of assets acquired and liabilities assumed. As a result, changes were made by increasing property, plant and equipment of \$4,026 with offsetting adjustments to goodwill and deferred income tax liabilities by the same amount. Comparative figures of the consolidated statements of financial position have been changed accordingly.

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Repurchase of the Non-Controlling Interests

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 \$2,544, representing the estimated present value of the purchase price of the non-controlling interest. As at December 31, 2018, a liability of \$2,399 is included in non-current liabilities in the consolidated statements of financial position.

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.

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 three fiscal years 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, 2018, following the accretion of interest and the reevaluation of the put option, a liability of \$32,783 has been included in non-current liabilities in the consolidated statements of financial position.

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.

Impact of the Business Combinations 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 profit of \$1,741 generated by FER-PAL. They also include \$11,582 in revenue and a loss of \$1,256 generated by additional business at LGC for the year ended December 31, 2017.

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

Goodwill

Goodwill mainly arose in the acquisitions as a result of synergies attributable to the expected future growth potential from the expanded locations and intangible assets not qualifying for separate recognition. Goodwill related to the acquisitions of GSM, FER-PAL and LGC is not deductible for tax purposes.

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6. Revenue

	2018 \$	2017 \$
Revenue from cargo handling services	338,790	203,762
Revenue from services relating to the rehabilitation of underground water mains	134,554	135,659
Revenue from site remediation and regulated materials management services	71,042	93,925
Revenue from the sale of goods	40,492	42,397
	584,878	475,743

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 \$606 (\$711 in 2017). 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 \$503 in 2019, therefore this amount is presented in current assets. An amount of \$292 (\$217 in 2017) is recorded in trade and other receivables, including consumption taxes, and an amount of \$211 (\$968 in 2017) is recorded in other financial assets. In addition, an amount of \$3,547 (\$3,758 in 2017), which bears interest at a rate of 5.0%, is included in non-current financial assets (Note 21).

7. Employee Benefits Expense

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

	2018 \$	2017 \$
Wages, salaries and fringe benefits	290,600	227,602
Defined benefit retirement plans (Note 20)	1,745	1,697
Defined contribution retirement plans (Note 20)	2,706	2,323
Government pension plans	2,331	2,104
Perigovernmental organization pension plan	818	681
Other long-term benefits	1,482	840
	299,682	235,247

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

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8. Other Gains and Losses

	2018	2017
	\$	\$
Net foreign exchange gains (losses)	2,258	(2,151)
Gain on post-closing adjustment for a purchase consideration related to a business combination (Note 5)	500	5,260
Gain on disposal of property, plant and equipment	838	1,766
	3,596	4,875

9. Finance Expense

	2018	2017
	\$	\$
Interest on short-term bank loans	345	86
Interest on long-term debt	7,642	3,835
Amortization of transaction costs and other interest expense	59	16
	8,046	3,937

10. Income Taxes

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

	2018	2017
	\$	\$
Profit before income taxes	21,302	33,567
Less: share of profit of equity accounted investments	(8,111)	(6,952)
Parent company's and subsidiaries' profit before income taxes	13,191	26,615
Income tax expense calculated at the statutory income tax rate of 26.70% (27.32% in 2017)	3,522	7,272
Non-deductible items and other	1,443	2,692
Non-taxable income	(341)	(1,394)
Change in deferred tax assets or tax losses not previously recognized	(943)	—
Effect of deferred U.S. tax rate decrease	—	(2,220)
Adjustments in respect of the prior year	(373)	(139)
Income tax expense recognized in profit or loss	3,308	6,211
Effective income tax rate	25.08%	23.34%

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

	2018	2017
	\$	\$
Current income taxes		
Current income tax expense in respect of the current year	8,697	12,320
Adjustments in respect of the prior year	18	60
Deferred income taxes		
Deferred income tax expense recognized in the year	(5,016)	(5,970)
Adjustments in respect of the prior year	(391)	(199)
Income tax expense recognized in profit or loss	3,308	6,211

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Deferred Income Tax Balances

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

	As at December 31, 2018 \$	As at December 31, 2017 \$
Deferred income tax assets	11,319	9,218
Deferred income tax liabilities	(21,465)	(15,575)
	(10,146)	(6,357)

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 \$	Intangible assets \$	Other \$	Total \$
As at January 1, 2017	1,706	4,215	3,266	75	3,654	12,916
Acquisitions through business combinations (Note 5)	—	980	—	—	—	980
Expense (benefit) to statement of earnings	(1,423)	5	123	(65)	(644)	(2,004)
Expense (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
Acquisitions through business combinations (Note 5)	—	1,665	—	—	932	2,597
Expense to statement of earnings	358	1,272	179	61	2,309	4,179
Expense (benefit) to statement of comprehensive income	—	—	(41)	—	2	(39)
Effect of foreign currency exchange differences	—	158	—	—	260	418
As at December 31, 2018	844	8,219	3,678	71	6,472	19,284

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Deferred income tax liabilities	Property, plant and equipment \$	Investment in a service contract \$	Contract holdbacks and backlog \$	Intangible assets \$	Other \$	Total \$
As at January 1, 2017	(7,790)	(21)	(3,653)	(6,862)	(257)	(18,583)
Acquisitions through business combinations (Note 5)	(1,787)	—	—	(4,557)	(2,021)	(8,365)
Benefit (expense) to statement of earnings	729	27	(2,393)	7,729	2,081	8,173
Effect of foreign currency exchange differences	—	—	—	289	—	289
As at December 31, 2017	(8,848)	6	(6,046)	(3,401)	(197)	(18,486)
Acquisitions through business combinations (Note 5)	(3,358)	—	—	(7,532)	—	(10,890)
Benefit (expense) to statement of earnings	31	(6)	2,627	2,312	(3,894)	1,070
Effect of foreign currency exchange differences	(545)	—	—	(579)	—	(1,124)
As at December 31, 2018	(12,720)	—	(3,419)	(9,200)	(4,091)	(29,430)

Unused Tax Losses

The Company has unused non-capital tax losses in the amount of \$40,009 (\$22,276 in 2017) of which \$4,681 has not been recognized (\$8,667 in 2017). These losses are expiring in the following years:

Year	As at December 31, 2018 \$	As at December 31, 2017 \$
2027 to 2030	240	243
2031	1,080	94
2032	1,221	588
2033	2,583	1,084
2034	6,397	3,482
2035	5,587	8,292
2036	3,691	1,874
2037	13,157	6,619
2038	6,053	—

Tax benefits of \$8,219 (\$5,124 in 2017) have been recorded related to unused non-capital tax losses, including \$5,552 (\$2,031 in 2017) from foreign subsidiaries. The Company also has \$5,755 (\$1,342 in 2017) of unrecognized capital losses and deductible temporary differences that may be carried forward indefinitely. As at December 31, 2018, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries and joint ventures because the Company controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

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11. 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.

Payments recognized are as follows:

	2018	2017
	\$	\$
Minimum lease payments	18,032	14,303
Contingent rentals	16,920	10,300
Sublease payments received	—	(2,061)
	34,952	22,542

The Company's commitments under operating lease arrangements are further discussed in Note 31.

12. 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:

	2018	2017
Profit attributable to owners of Class A shares (\$)	10,145	15,859
Profit attributable to owners of Class B shares (\$)	7,915	11,567
	18,060	27,426
Weighted average number of Class A shares outstanding, basic	7,402,697	7,410,139
Weighted average number of Class B shares outstanding, basic	5,250,558	4,913,685
	12,653,255	12,323,824
Weighted average number of Class A shares outstanding, diluted	7,402,697	7,410,139
Weighted average number of Class B shares outstanding, diluted	5,732,050	5,605,701
	13,134,747	13,015,840

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13. Financial Instruments

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

Carrying amount	As at December 31, 2018 \$	As at December 31, 2017 \$
Financial assets classified at amortized cost		
Cash and cash equivalents	15,393	3,963
Trade and other receivables	160,252	153,342
Other financial assets	416	1,055
Non-current financial assets, excluding the derivative	6,177	7,834
	182,238	166,194
Financial liabilities classified at amortized cost		
Short-term bank loans	13,577	9,829
Trade and other payables	97,845	85,174
Dividends payable	1,973	1,075
Current portion of long-term debt	3,294	5,447
Long-term debt	160,003	77,957
Non-current liabilities, excluding the derivative	46,190	61,637
	322,882	241,119

The fair value of the Company's financial instruments is disclosed in Note 4.

14. Trade and Other Receivables

	As at December 31, 2018 \$	As at December 31, 2017 \$
Trade receivables	125,550	116,824
Allowance for doubtful accounts	(2,364)	(4,053)
Contract holdbacks	18,956	17,121
Net trade receivables	142,142	129,892
Accrued revenue	10,720	10,737
Commodity taxes	1,566	2,199
Insurance reimbursement receivable related to claims	1,055	1,022
Other ⁽¹⁾	4,769	9,492
	160,252	153,342

⁽¹⁾ 2017 includes a preliminary estimated gain on post-closing adjustment for a purchase consideration related to a business combination (Note 5) amounting to \$5,260.

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

	As at December 31, 2018 \$	As at December 31, 2017 \$
Current	39,393	37,455
31-60 days	39,183	34,779
Past due 1-30 days	26,305	27,907
Past due 31-60 days	12,073	8,281
Past due 61-120 days	8,421	5,549
Past due over 121 days ⁽¹⁾	16,767	15,921
	142,142	129,892

⁽¹⁾ Includes contract holdbacks amounting to \$9,290 (\$2,822 in 2017).

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

	2018 \$	2017 \$
Balance, beginning of year	4,053	2,848
Bad debt expense	1,126	2,309
Write offs	(2,815)	(1,104)
Balance, end of year	2,364	4,053

Credit risk exposure and mitigation are further discussed in Note 4.

15. Inventories

	As at December 31, 2018 \$	As at December 31, 2017 \$
Consumables	5,274	6,155
Raw materials	1,932	2,194
Work in progress	3,098	2,793
Finished goods	407	408
	10,711	11,550

The cost of inventories recognized as an expense during the year is \$51,795 (\$45,404 in 2017).

16. Equity Accounted Investments

Investments in Joint Ventures

The Company's results include its share of operations in joint ventures, which are accounted for using the equity method. The Company's 50%-equity interests are in the following joint ventures: 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.

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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.

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

	2018	2017
	\$	\$
Statement of financial position		
Current assets (including cash and cash equivalents of \$1,973 (\$2,076 in 2017))	3,432	3,111
Non-current assets	44,786	40,379
Current liabilities	(543)	(298)
Net assets	47,675	43,192
The Company's share of net assets presented as an equity accounted investment	23,841	21,599
Results		
Revenue	3,714	3,137
Share of profit of an equity accounted investment	6,907	6,154
Interest income	29	17
Income taxes	(760)	(688)
Profit and total comprehensive income for the year	8,984	8,042
The Company's share of profit and total comprehensive income for the year	4,492	4,021
Dividend received by the Company	2,250	1,000

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:

	2018	2017
	\$	\$
Carrying amount of interests in individually immaterial joint ventures	14,164	12,751
Profit for the year	3,619	2,931
Other comprehensive income (loss)	114	(100)
Total comprehensive income for the year	3,733	2,831
Dividends received by the Company	2,346	2,600

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17. 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, 2017	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 combinations (Note 5)	—	13,589	344	6,584	—	20,517
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)	(3,343)	(38)	(488)	(1,029)	(5,812)
As at December 31, 2017	66,747	174,384	3,873	11,101	9,955	266,060
Additions	131	5,433	291	1,206	7,820	14,881
Addition through business combinations (Note 5)	3,347	18,189	615	353	—	22,504
Disposals and write offs	(379)	(5,056)	129	(308)	—	(5,614)
Transfers	3,513	8,633	—	2,054	(14,200)	—
Effect of foreign currency exchange differences	258	6,555	(328)	(464)	(619)	5,402
As at December 31, 2018	73,617	208,138	4,580	13,942	2,956	303,233

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, 2017	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
Depreciation expense	2,022	19,441	1,136	823	—	23,422
Elimination on disposal of assets and write offs	(357)	(6,913)	7	(229)	—	(7,492)
Effect of foreign currency exchange differences	1,219	1,934	(446)	28	—	2,735
As at December 31, 2018	12,966	101,910	3,735	5,397	—	124,008

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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, 2017	56,665	86,936	835	6,326	9,955	160,717
As at December 31, 2018	60,651	106,228	845	8,545	2,956	179,225

18. Goodwill

Cost

	2018 \$	2017 \$
Balance, beginning of year	106,918	26,199
Business combinations (Note 5)	41,017	80,972
Effect of foreign currency exchange differences	3,863	(253)
Balance, end of year	151,798	106,918

Accumulated Impairment Losses

	2018 \$	2017 \$
Balance, beginning and end of year	1,300	1,300

Carrying Amount

	As at December 31, 2018 \$	As at December 31, 2017 \$
Cost	151,798	106,918
Accumulated impairment losses	(1,300)	(1,300)
	150,498	105,618

Impairment Testing

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

Carrying amount	As at December 31, 2018 \$	As at December 31, 2017 \$
Stevedoring	58,187	13,307
Aqua-Pipe	86,445	86,445
Environment	5,681	5,681
Agencies	185	185
	150,498	105,618

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

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future expectations of financial performance. A growth rate of 3.0% (3.0% in 2017) has been used to extrapolate cash flow projections beyond that one-year period.

The discount rates, before income taxes, used to calculate value in use are based on market data and were 12.80% (9.10% in 2017) for Stevedoring, 12.46% (12.70% in 2017) for Aqua-Pipe and 12.46% (12.70% in 2017) for Environment.

19. Intangible Assets

Cost	Lease rights and location \$	Client relationships and backlog \$	Dredging costs \$	Computer software \$	Total \$
As at January 1, 2017	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 combinations (Note 5)	—	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
Additions	—	62	—	146	208
Addition through business combinations (Note 5)	—	33,109	—	1,108	34,217
Impairment charge and disposal	(6,821)	—	—	—	(6,821)
Effect of foreign currency exchange differences	1,483	2,827	—	451	4,761
As at December 31, 2018	11,642	56,386	—	3,666	71,694

Accumulated amortization	Lease rights and location \$	Client relationships and backlog \$	Dredging costs \$	Computer software \$	Total \$
As at January 1, 2017	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
Amortization expense	987	3,739	—	432	5,158
Effect of foreign currency exchange differences	465	214	—	377	1,056
As at December 31, 2018	6,206	21,777	—	2,657	30,640

Carrying amount	Lease rights and location \$	Client relationships and backlog \$	Dredging costs \$	Computer software \$	Total \$
As at December 31, 2017	12,226	2,564	—	113	14,903
As at December 31, 2018	5,436	34,609	—	1,009	41,054

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Accumulated Impairment Losses

	2018	2017
	\$	\$
Balance, beginning of year	2,917	—
Impairment charge on lease rights and location of the Company's marine services segment	6,821	2,917
Balance, end of year	9,738	2,917

During the year, the Company has submitted to impairment testing for a CGU which it had reason to believe that the carrying value might not be recoverable and has recorded an impairment of \$6,821 (2,917 in 2017). The depreciation related to intangible asset as recorded in 2018 is explained by a decrease in profitability of port logistics activities in Virginia, the CGU. When calculating the value in use of these activities, the Company updates the projected cash flows according to the remaining useful life of the main assets of the CGU. The sales forecasts are based on actual operating results, expected growth rates of the sector and experience of management. The recoverable amounts of CGUs subject to impairment tests were based on the highest value between the fair value less costs to sell value and value in use. The recoverable amount was determined to be its value in use using a discount rate before income tax of 13,4% (13,8% in 2017).

Research and Development Expenditures

Research and development expenditures of \$1,361 (\$1,313 in 2017) were recognized as an expense during the year.

20. 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, 2018, has been extrapolated using the projected benefit obligation based on the latest actuarial valuations.

The last actuarial Valuation for the Supplemental Retirement Plan for Senior Executives of LOGISTEC Corporation is dated December 31, 2017.

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

The weighted average duration of the defined benefit obligation is 15.25 years.

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

	2018 \$	2017 \$
Benefit obligation, beginning of year	(33,913)	(30,383)
Current service cost	(1,346)	(1,273)
Interest cost	(1,215)	(1,251)
Employees' contributions	(126)	(143)
Actuarial gain (loss) arising from experience adjustments	2,046	(2,054)
Benefits paid	1,477	1,191
Benefit obligation, end of year	(33,077)	(33,913)
Fair value of plan assets, beginning of year	20,606	18,690
Interest income	717	751
Variation on plan assets, excluding amounts included in interest income	(1,736)	1,062
Administrative fees	(13)	(15)
Employer's contributions ⁽¹⁾	1,148	1,166
Employees' contributions	126	143
Benefits paid	(1,477)	(1,191)
Fair value of plan assets, end of year	19,371	20,606
Net benefit liability, end of year	(13,706)	(13,307)
Net benefit liability is comprised of:		
Post-employment benefit assets	—	606
Post-employment benefit obligations ⁽²⁾	(13,706)	(13,913)
Net benefit liability, end of year	(13,706)	(13,307)

⁽¹⁾ Employer's contributions include contributions made by an equity accounted investment of the Company of \$96 (\$130 in 2017).

⁽²⁾ Post-employment benefit obligations in the consolidated statements of financial position include \$1,010 (\$865 in 2017) 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	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Benefit obligation	(20,377)	(21,596)	(12,700)	(12,317)	(33,077)	(33,913)
Fair value of plan assets	19,371	20,606	—	—	19,371	20,606
Plan deficit	(1,006)	(990)	(12,700)	(12,317)	(13,706)	(13,307)

Plan assets consist of:

	As at December 31, 2018 \$	As at December 31, 2017 \$
Cash	147	81
Bonds	7,263	7,307
Annuity contracts	3,087	3,336
Canadian & Foreign stock	8,874	9,882
	19,371	20,606

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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:

	2018 \$	2017 \$
Current service cost	1,346	1,273
Net interest expense	499	500
Administrative fees	13	15
	1,858	1,788
Less: net expense assumed by an equity accounted investment of the Company	(113)	(91)
Defined benefit cost recognized	1,745	1,697
Net expense on defined contribution retirement plans	2,706	2,323
Net expense for all defined benefit and defined contribution retirement plans	4,451	4,020

Significant Actuarial Assumptions

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

	2018 %	2017 %
Accrued benefit liability		
Discount rate, end of year	4.0	3.5
Expected rate of compensation increase	3.8	3.5 to 4.0
Benefit cost		
Discount rate	3.5	4.0
Expected rate of compensation increase	3.8	3.5 to 4.0

SENSITIVITY ANALYSIS

As at December 31, 2018, all else being equal, a hypothetical variation of +1.0% in the discount rate would have a positive impact of \$4,535 (\$4,821 in 2017), whereas a hypothetical variation of -1.0% would have a negative impact of \$5,698 (\$6,111 in 2017) on the benefit obligation.

As at December 31, 2018, all else being equal, a hypothetical variation of +1.0% in the expected rate of compensation increase would have a negative impact of \$1,155 (\$1,285 in 2017), whereas a hypothetical variation of -1.0% would have a positive impact of \$1,075 (\$1,190 in 2017) on the benefit obligation.

Contributions to Retirement Plans

Total cash payments for post-employment benefits for 2018, 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 \$3,207 (\$2,962 in 2017).

The Company expects to make a contribution of \$1,171 to the defined benefit retirement plans in 2019.

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21. Non-Current Financial Assets

	As at December 31, 2018 \$	As at December 31, 2017 \$
Non-current financial assets (Note 6)	3,547	3,758
Contract holdbacks	2,627	4,068
Other	154	158
	6,328	7,984

22. Short-Term Bank Loans

FER-PAL has an overdraft lending facility of up to \$15,000 available secured by all existing property of the business of FER-PAL, including equipment, 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%. As at December 31, 2018, the bank's lending rate was 2.70% and the overdraft facility was drawn at \$13,577.

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.

23. Trade and Other Payables

	As at December 31, 2018 \$	As at December 31, 2017 \$
Trade payables	36,938	50,414
Accruals	44,456	25,550
Other	16,451	9,210
	97,845	85,174

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24. Long-Term Debt

	As at December 31, 2018 \$	As at December 31, 2017 \$
Revolving credit facility, bearing interest at banker's prime rate and or bankers' acceptances and LIBOR loans, with no principal repayment required until September 2021. The weighted average interest rate was 4.21% at December 31, 2018 ⁽¹⁾	104,527	47,962
Unsecured long-term debt, bearing interest at 4.82% and 4.64%, without any principal repayment due before December 2022, to be paid in 20 equal consecutive quarterly payments, maturing in 2027 ⁽²⁾	50,000	25,000
Term credit facilities, bearing interest from prime rate plus 0.75% to 1.50%, with maturities ranging from October 2018 to up to 5 years from the advance date ⁽³⁾	574	1,861
Non-interest bearing government loan, maturing in 2022	1,600	2,000
Loan for equipment purchases, maturing from 2018 to 2022, bearing interest from 0.50% to 6.20%	3,932	3,686
Balance of sale from business combinations, bearing no interest, maturing in 2018	—	650
Other	2,664	2,245
	163,297	83,404
Less:		
Current portion	3,294	5,447
	160,003	77,957

⁽¹⁾ As of November 7, 2018, the Company and its wholly owned subsidiary, LOGISTEC USA Inc., solidarily entered into a \$175,000 credit agreement following an amendment to the initial credit agreement.

The credit facility details are as follows:

- A \$175,000 34-month 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 revolving credit facility matures in September 2021. As at December 31, 2018, US\$62,877 was drawn from the credit facility.
- The interest rate charged on the borrowings made under this agreement depends on the form of the borrowing, to which is added a margin that varies according to the level of funded debt to EBITDA⁽ⁱ⁾ ratio achieved by the Company.

⁽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 September 2027, and bears interest at 4.82%, paid quarterly. The repayment schedule begins in December 2022 and is to be paid in 20 equal consecutive quarterly instalments of \$1,250.
- A \$25,000 unsecured loan issued on February 27, 2018 for the acquisition of a subsidiary. The loan matures in September 2027, and bears interest at 4.64%, paid quarterly. The repayment schedule begins in December 2022 and is to be paid in 20 equal consecutive quarterly instalments of \$1,250.

⁽³⁾ As of May 1, 2018, the Company and its subsidiary, FER-PAL, extended their credit agreement to \$18,325.

The credit facility details are as follows:

- A \$15,000 overdraft facility due on demand, to be used for operating requirements. The facility can be used in the form of overdrafts, bankers' acceptances and letters of credit. The advances are based on accounts receivable's estimated worth of good quality.

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2018 and 2017

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

- A demand loan for an amount of \$1,575 due over 60 months in equal principal repayments plus monthly interests, bearing interest at prime rate plus 0.75%.
- A \$750 corporate credit card credit facility.
- A risk management facility for an amount of \$1,000 to be used in the form of foreign exchange forward contracts.

The facility is secured by a general security agreement on all current and future assets.

- (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

Long-term debt matures as follows:

	As at December 31, 2018 \$	As at December 31, 2017 \$
Total principal repayments required		
Less than 1 year	3,294	5,447
Between 1 and 5 years	121,339	54,207
More than 5 years	38,664	23,750
	163,297	83,404

Hedging instruments

During the year ended December 31, 2018, an average amount of US\$62,000 (CA\$84,580) of the credit facility denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investment in foreign operations. As there was no hedge ineffectiveness during the year ended December 31, 2018, there was no impact on the consolidated statements of earnings. Consequently, a foreign exchange loss of \$4,377 was reclassified to other comprehensive income.

25. Provisions

	Claims and litigation \$	Share of losses of certain joint ventures \$	Other \$	Total \$
As at December 31, 2017	650	480	453	1,583
Additional provisions	956	—	46	1,002
Settlement of provisions	(367)	—	4	(363)
Reversal of provisions	(616)	—	7	(609)
As at December 31, 2018	623	480	510	1,613
Less: current provisions	623	—	200	823
Non-current provisions	—	480	310	790

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 2031.

Reimbursements

An amount of \$1,055 (\$1,022 in 2017) 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.

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

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26. Non-Current Liabilities

	As at December 31, 2018 \$	As at December 31, 2017 \$
Long-term liabilities due to shareholders (Notes 5 and 27) ⁽¹⁾	40,947	59,168
Long-term incentive plans	4,197	2,469
Other	1,046	4
	46,190	61,641

⁽¹⁾ Long-term liabilities due to FER-PAL, Sanexen and LGC shareholders amount to respectively \$32,783, \$5,765 and \$2,399 as at December 31, 2018 (\$48,427, \$8,585 and \$2,156 as at December 31, 2017).

27. 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.

	As at December 31, 2018 \$	As at December 31, 2017 \$
Issued and outstanding ⁽¹⁾		
7,392,722 Class A shares (7,406,222 in 2017)	4,885	4,895
5,273,334 Class B shares (5,113,255 in 2017)	30,131	24,124
	35,016	29,019

⁽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.

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

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2018 and 2017

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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.

During 2018, 154,529 Class B shares were issued to acquire Class H shares of Sanexen. As at December 31, 2018, there are 445,702 Class B shares to be issued, and the related amount recorded in the Company's financial statements as share capital to be issued is \$14,717.

The balances are as follows:

	As at December 31, 2018 \$	As at December 31, 2017 \$
Non-current liabilities	5,765	8,585
Share capital to be issued	14,717	19,820

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, 2018 and 2017.

Employee Stock Purchase Plan ("ESPP")

Pursuant to the ESPP, 600,000 Class B shares were reserved for future issuance. As at January 1, 2018, there remained an unallocated balance of 231,750 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 (or 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 said shares. The loans are reimbursed over a two-year period by way of payroll deductions. As at December 31, 2018, following the issuance of 23,250 (15,850 in 2017) Class B shares under this ESPP, there remains an unallocated balance of 208,500 Class B shares reserved for issuance pursuant to this ESPP. Those 23,250 (15,850 in 2017) Class B shares were issued for cash consideration of \$562 (\$201 in 2017) and for non-interest bearing loans of \$489 (\$334 in 2017), repayable over two years with a carrying value of \$482 as at December 31, 2018 (\$423 in 2017).

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, 2018, and will terminate on October 25, 2019, LOGISTEC intends to repurchase for cancellation purposes, up to 370,251 Class A shares and 264,186 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 22, 2018.

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

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Class A shares	Class B shares	Class A shares Average price \$	Class B shares Average price \$
Shares repurchased by bid				
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
Repurchase in 2018	700	7,800	46.48	48.73
Total NCIB 2017	4,400	14,500	42.59	46.40
NCIB 2018 (October 26, 2018 to October 25, 2019)				
Repurchase in 2018	3,000	19,700	48.34	49.15
Total NCIB 2018	3,000	19,700	48.34	49.15

	Class A shares	Class B shares
Shares repurchased by year		
2017		
NCIB 2016	2,500	21,300
NCIB 2017	3,700	6,700
Total 2017	6,200	28,000
2018		
NCIB 2017	700	7,800
NCIB 2018	3,000	19,700
Total 2018	3,700	27,500

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, 2017	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 the FER-PAL acquisition (Note 5)	—	230,747	—	8,000
As at December 31, 2017	7,406,222	5,113,255	4,895	24,124
Repurchased under the NCIBs	(3,700)	(27,500)	(3)	(154)
ESPP	—	23,250	—	1,051
Conversion	(9,800)	9,800	(7)	7
Exercise of option pursuant to the Sanexen Transaction	—	154,529	—	5,103
As at December 31, 2018	7,392,722	5,273,334	4,885	30,131

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2018 and 2017

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

Dividends

Details of dividends declared per share are as follows:

	2018	2017
	\$	\$
Class A shares	0.35	0.32
Class B shares	0.38	0.35

Details of dividends paid per share are as follows:

	2018	2017
	\$	\$
Class A shares	0.34	0.31
Class B shares	0.37	0.34

On March 15, 2019, the Board of Directors declared a dividend of \$0.09075 per Class A share and \$0.099825 per Class B share, which will be paid on April 18, 2019, to all shareholders of record as of April 4, 2019. The estimated dividend to be paid is \$671 on Class A shares and \$541 on Class B shares.

28. Consolidated Statements of Cash Flows

Items not Affecting Cash and Cash Equivalents

	2018	2017
	\$	\$
Defined benefit and contribution retirement plan expense	1,922	1,878
Depreciation and amortization expense	28,580	33,859
Share of profit of equity accounted investments	(8,111)	(6,952)
Finance expense	8,046	3,937
Finance income	(572)	(404)
Current income taxes	8,715	12,380
Deferred income taxes	(5,407)	(6,169)
Non-current assets	173	2,775
Deferred revenue	(400)	(400)
Non-current liabilities	1,727	(193)
Impairment charge (Note 19)	6,821	2,917
Other	2,329	271
	43,823	43,899

Changes in Non-Cash Working Capital Items

	2018	2017
	\$	\$
Decrease (increase) in:		
Trade and other receivables	9,881	(42,370)
Income taxes	(1,323)	1,269
Prepaid expenses	340	1,393
Inventories	1,297	(1,188)
Other financial assets	639	(40)
Increase (decrease) in:		
Trade and other payables	(8,528)	17,727
Deferred revenue	1,813	(676)
	4,119	(23,885)

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2018 and 2017

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

Non-Cash Transactions

During 2018, the Company acquired property, plant and equipment, of which \$817 (\$2,067 in 2017) is unpaid at the end of the year.

Reconciliation of liabilities arising from financing activities

The following table provides a reconciliation between the opening and closing balances for financing activities, including cash and non-cash flow changes for the year 2018:

	Opening		Cash Changes		Non-cash changes		Ending
	December 31, 2017	Repayments	Borrowings	Debt from acquisitions/ adjustments	Foreign exchange	December 31, 2018	
	\$	\$	\$	\$	\$	\$	\$
Revolving credit facility	47,962	(56,188)	107,921	—	4,832	104,527	
Unsecured loan debt	25,000	—	25,000	—	—	50,000	
Term credit facility	1,861	(2,787)	1,500	—	—	574	
Government loan	2,000	(400)	—	—	—	1,600	
Equipment loan	3,686	(1,543)	222	1,379	188	3,932	
Balance of sale	650	(650)	—	—	—	—	
Other	2,245	(814)	10	1,066	157	2,664	
Total	83,404	(62,382)	134,653	2,445	5,177	163,297	

The following table provide a reconciliation between the opening and closing balances for financing activities, including cash and non-cash flows changes for the year 2017:

	Opening		Cash Changes		Non-cash changes		Ending
	December 31, 2016	Repayments	Borrowings	Debt from acquisitions/ adjustments	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	

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2018 and 2017

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29. Related Party Transactions

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

Trading Transactions

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

	2018	2017
	\$	\$
Sale of services	3,910	2,392
Purchase of services	845	592

	As at December 31, 2018	As at December 31, 2017
	\$	\$
Amounts owed to joint ventures	3,249	1,404
Amounts owed from joint ventures	975	830

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

Transaction with Shareholders

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

	2018	2017
	\$	\$
Dividends paid to Sumanic Investments Inc.	1,963	1,787

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:

	2018	2017
	\$	\$
Short-term benefits	7,966	5,365
Post-employment benefits	758	331
Other long-term benefits	1,030	1,039
	9,754	6,735

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

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2018 and 2017

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30. 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:

Industry Segments

REVENUE, RESULTS AND OTHER INFORMATION

	Marine services \$	Environmental services \$	Total \$
2018			
Revenue	340,759	244,119	584,878
Depreciation and amortization expense	18,167	10,413	28,580
Share of profit of equity accounted investments	7,588	523	8,111
Impairment charge	6,821	—	6,821
Finance expense	5,904	2,142	8,046
Finance income	260	312	572
Profit before income taxes	21,713	(411)	21,302
Acquisition of property, plant and equipment, including business combinations	26,529	10,856	37,385
	Marine services \$	Environmental services \$	Total \$
2017			
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
Impairment charge	2,917	—	2,917
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 combinations	22,807	20,003	42,810

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ASSETS AND LIABILITIES

	Marine services \$	Environmental services \$	Total \$
2018			
Total assets	377,876	259,227	637,103
Equity accounted investments	36,524	1,481	38,005
Total liabilities	242,708	130,006	372,714
2017			
Total assets	236,173	277,366	513,539
Equity accounted investments	33,197	1,153	34,350
Total liabilities	124,764	157,980	282,744

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 \$
2018	327,236	257,642	584,878
2017	355,151	120,592	475,743
Non-current assets ⁽¹⁾			
As at December 31, 2018	231,466	179,489	410,955
As at December 31, 2017	246,300	70,946	317,246

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

31. 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:

	2018 \$	2017 \$
No later than 1 year	19,693	17,219
Later than 1 year and no later than 5 years	53,640	52,238
Later than 5 years	11,896	12,097
	85,229	81,554

As at December 31, 2018, the Company has \$1,601 (\$1,892 in 2017) of property, plant and equipment under order, not yet delivered. Delivery and payment are expected to occur in 2019.

32. Contingent Liabilities and Guarantees

As at December 31, 2018, the Company has outstanding letters of guarantee for an amount of \$3,820 (\$3,149 in 2017) 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 22 and 24, a subsidiary of the Company has granted a \$30,000 (\$30,000 in 2017) 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.

NOTES TO 2018 CONSOLIDATED FINANCIAL STATEMENTS

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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 \$4,319.

As at December 31, 2018, the Company has contingent liabilities totalling \$1,879 (\$534 in 2017) 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.

DIRECTORS AND OFFICERS

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

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.

Luc Villeneuve, FCPA, FCA ⁽¹⁾⁽⁴⁾
Corporate Director

⁽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

Marie-Chantal Savoy
Vice-President, Strategy and Communications

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

Mathieu Brunet, CPA, CGA
Treasurer

Carl Delisle, CPA, CA
Corporate Controller

Kevin M. Bourbonnais
Vice-President, Special Projects

CORPORATE INFORMATION

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.
Pate Stevedore Company, 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

St-Lawrence Mooring Inc.

Joint Ventures / Partnerships

Avataani Environmental Services Inc.
Flexiport Mobile Docking Structures Inc.
Mooring (Trois-Rivières) Ltd.
NEAS Inc.
NEAS Group Inc.
Northern Bear Shipping B.V.
Northern Fox Shipping B.V.
Northern Hare Shipping B.V.
Northern Loon Shipping B.V.
Northern Wolf 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 Aujaq Inc.
Transport Inukshuk Inc.
Transport Mitiq Inc.
Transport Nanuk Inc.
Transport Nunalik Inc.
Transport Qamutik Inc.
Transport Sinaaq Inc.
Transport Umialarik Inc.
9260-0873 Québec Inc.

Banks

Bank of America
Bank of Montréal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Hancock Bank
Harris Trust and Savings Bank
HSBC Bank Canada
National Bank of Canada
The Toronto-Dominion Bank

Independent Auditor

KPMG LLP

Transfer Agent and Registrar

Computershare Investor Services Inc.
1500 Robert-Bourassa Blvd. 7th Floor
Montréal (QC) H3A 3S8

Shares Listed

Toronto Stock Exchange

Head Office

LOGISTEC Corporation
360 St. Jacques Street
Suite 1500
Montréal (QC) H2Y 1P5

Tel.: (514) 844-9381

Fax: (514) 844-9650

E-mail addresses:

info@logistec.com

ir@logistec.com

Internet: www.logistec.com

Annual Meeting of Shareholders

Thursday, May 9, 2019 at 11:30 a.m.

BMO Bank of Montréal, Hochelaga Room, 129 St-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

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