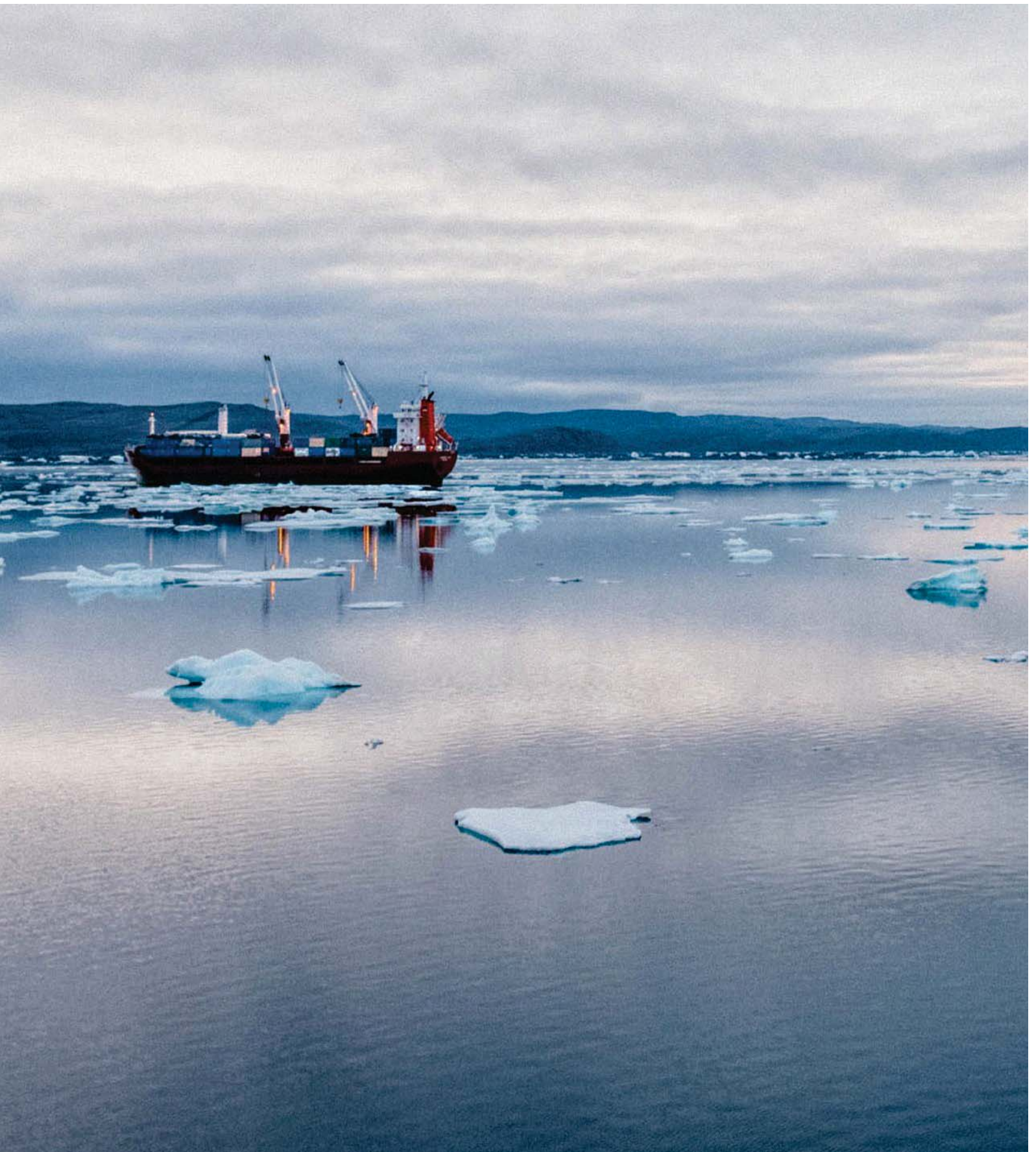


Always Ready To Go Beyond

2019 ANNUAL REPORT



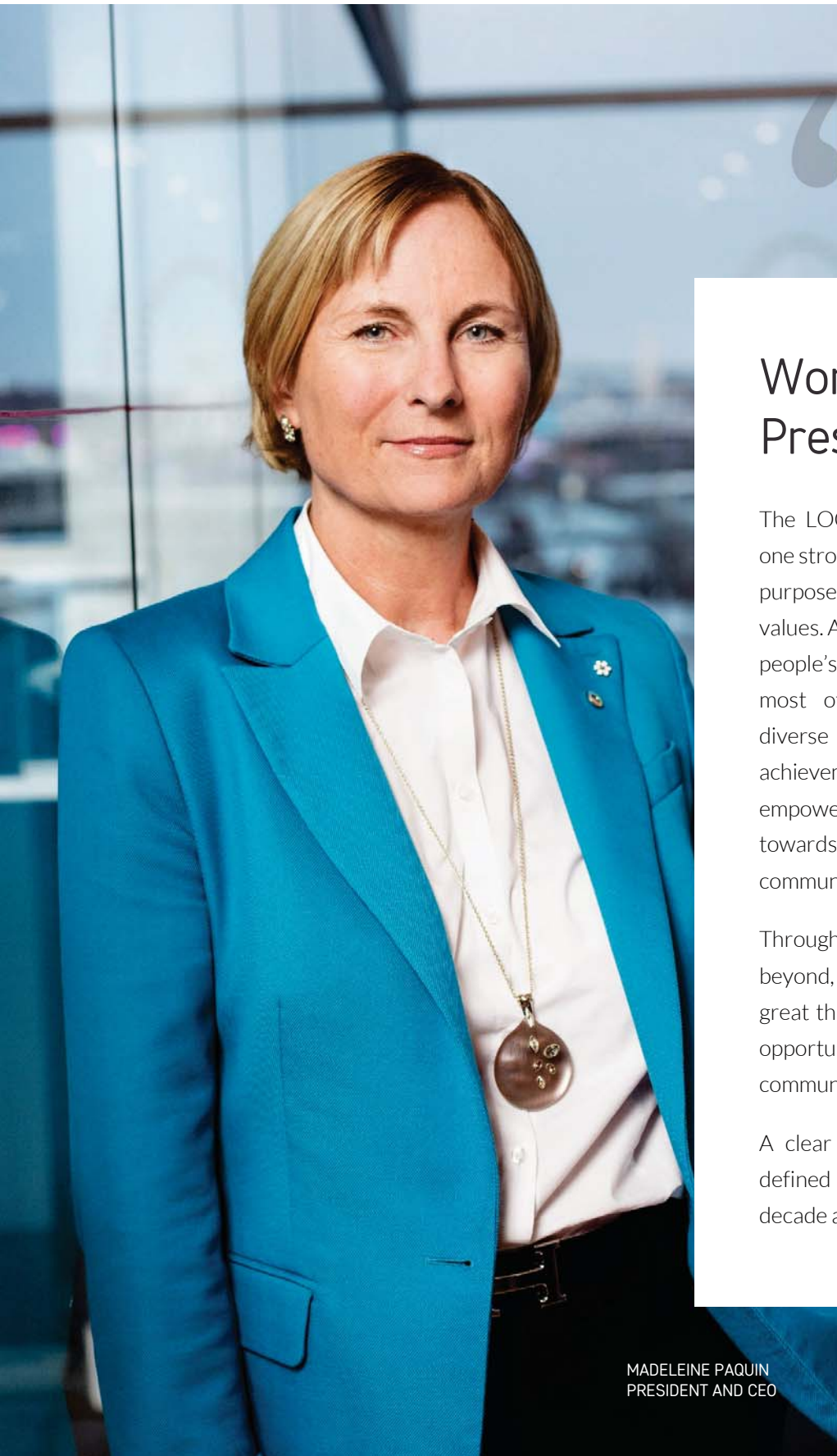
LOGISTEC





Our Mission and Purpose

LOGISTEC's strategy towards 2023 is guided by our mission and purpose: We pride ourselves on building and sharing our expertise in order to contribute to the success of our customers and our communities. Our people are dedicated to finding solutions that support reliable supply chains and protect our environment and our water resources.



“IT STARTS WITH
OUR PURPOSE.”

Words from our President and CEO

The LOGISTEC family is today unified under one strong brand, all working towards the same purpose, which is anchored by our shared values. At the core of LOGISTEC's success is our people's pride, ingenuity, resourcefulness and, most of all, trusted expertise. The result: a diverse and agile team where great achievements come from true collaboration, empowerment, integrity, and accountability towards each other, our customers, and our communities.

Through our relentless drive to always go beyond, our people go the extra mile to make great things happen, enabling us to seize new opportunities for our customers and our communities.

A clear purpose, common goals and a well-defined strategic plan guide us all in this new decade ahead.

MADELEINE PAQUIN
PRESIDENT AND CEO

Our Financial Results in 2019

RESULTS FUELED BY PASSION

We are pleased to report that 2019 was definitely a comeback year for the LOGISTEC family. This is a testament to the expertise of our leaders in the field, and our unwavering passion and determination to strive to continuously push boundaries and seek new ways to improve our operations. Our focus in 2019 was to return to an upward momentum of growth and more importantly, profitability. This starts with adopting the right strategy in each of our businesses and, even more important, ensuring we have the right leaders in the right places.

Highlights for the year include revenue of \$639.9 million, \$55.1 million or 9.4% more than in 2018. The overall consolidated profitability considerably improved in 2019 with profit before income taxes reaching \$35.1 million, a \$13.8 million or 64.9% improvement over 2018. This translates into a profit for the year attributable to owners of the Company of \$26.2 million and diluted earnings per share ("EPS") of \$2.00, bolstered up over the 2018 EPS level of \$1.38. Adjusted EBITDA ⁽¹⁾ reached a new record, closing at \$89.6 million ⁽²⁾, up 39.6% versus \$64.2 million the previous year.

Overall, the marine services segment performed well when compared to its 2018 results, with a positive upswing of \$44.5 million or 13.1% to \$385.3 million in revenue, not including our joint ventures, TERMONT Montréal Inc. ("TERMONT") and Transport Nanuk Inc. The environmental services segment, despite a slow start and some challenges during the year, rallied and delivered a solid fourth quarter, allowing them to close the year with revenue of \$254.6 million, up 4.3% as compared to 2018.

⁽¹⁾ Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measure section on page 27.

⁽²⁾ The 2019 figures reflect the application of IFRS 16 Leases ("IFRS 16") which had a favourable impact of \$13.7 million on the adjusted EBITDA and for which the comparative figures have not been restated. Please refer to Notes 2 and 16 of the notes to 2019 consolidated financial statements for further details.

The profitability of both marine and environmental services improved, and we are pleased to show significantly better results for FER-PAL Construction Ltd. ("FER-PAL"), whose results were very disappointing in 2018.



"We are pleased that the LOGISTEC family rallied and delivered a solid financial performance in 2019."

Jean-Claude Dugas, CPA, CA
CHIEF FINANCIAL OFFICER

MARINE SERVICES

Despite continuous market uncertainty and volatility, customers still rely on their products being shipped and carried across the globe every day. With this industry so crucial to global trade, LOGISTEC works very closely with shippers and carriers, and leverages its network of terminals to support their specific needs across North America.

The diversity of cargo types we handled and our extensive geographic network helped the performance of our cargo-handling activities. Despite a marked slowdown in the volume of steel products flowing through various terminals in our network, and this stemming largely from trade tariffs and sanctions, we were pleased to see increased bulk and wind cargo. Project cargo volumes improved over last year, and more than made up for the reduced activity in Montréal (QC) related to the build-out of the Samuel De Champlain Bridge. We also saw increased activity from our new break-bulk terminal in Cleveland (OH) as well as overall bulk activity in the St. Lawrence Seaway. Other terminals also showed ups and downs, but overall, volumes increased as did results for our break-bulk and bulk terminals.

Our port logistics business also performed well. These are composed of three facilities located in Québec and Virginia, which provide logistics services such as transloading of cargoes into containers from/to rail/truck, and local drayage to port terminals.

Our joint venture container terminals in Montréal did well, albeit volumes remained flat. Unfortunately, additional costs were absorbed from the extension of our Viau terminal, as we get ready for increased capacity. Phase 2 of our Viau container terminal entails investments of some \$35.0 million, which are being made by all TERMONT partners, and will add some 250,000 twenty-foot equivalent unit's ("TEUs") of capacity to our container terminals on the island of Montréal. This will bring our total capacity to 1.1 million TEUs, or slightly over 50% of the port's total capacity. As volumes continue to grow at the port, we are in discussions with the Montréal Port Authority to develop further capacity at Contrecoeur (QC).

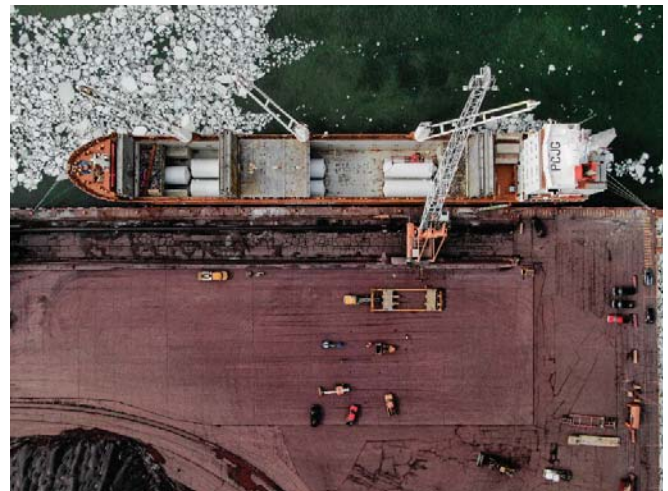


A COMPELLING VISION FOR OUR CUSTOMERS

“Recognized for our people’s trusted expertise, we aim to be the go-to terminal partner, with unique technology to create comprehensive solutions for our customers.”

Rodney Corrigan

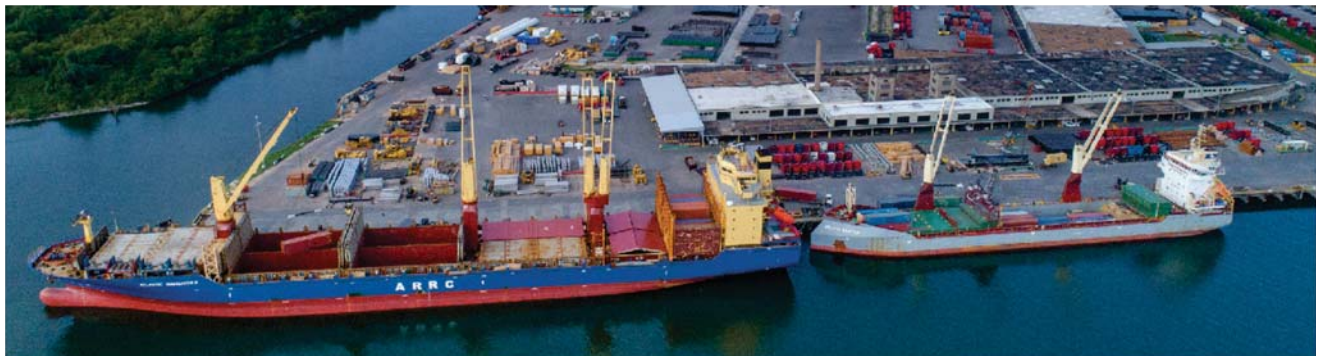
PRESIDENT, LOGISTEC STEVEDORING



We are pleased with the results of acquisitions made in 2018. The integration of Gulf Stream Marine, Inc. and Pate Stevedore Company, Inc. proceeds into a last phase, as we believe we can continue to strengthen our services through the integration of our information and cargo-tracking systems throughout our network. These strategic acquisitions further enable us to provide our talent with more development opportunities, foster greater collaboration and leverage best practices and tools, which in turn improves our service offering to our customers and our ability to respond to their specific needs.

COASTAL SHIPPING

Our arctic marine transportation business, which operates as a joint venture with our partners The North West Company and Makivik Corporation, carried record volumes in 2019. This was led by the renewal of our contract with the Government of Nunavut and resulted in 17 voyages with 107 stops to over 40 communities and mines. The weather conditions were stable and navigation was quite fluid, with no major incidents.



“We strongly believe that our business diversification will be a key enabler of our ongoing growth over the next decade.”

Carl Delisle, CPA, CA

VICE-PRESIDENT
CORPORATE CONTROLLER



A COMPELLING VISION FOR OUR CUSTOMERS

“At the heart of LOGISTEC Environmental is the unparalleled energy and creativity necessary to develop truly innovative and tailored solutions for our customers. Our capacity to leverage these competencies and to bring them to market is key to growing.”

Kevin Bourbonnais

PRESIDENT, LOGISTEC ENVIRONMENTAL AND SANEXEN

ENVIRONMENTAL SERVICES

For more than 30 years, SANEXEN Environmental Services Inc. (“SANEXEN”) has been providing municipalities and industries with soil management and environmental assessments as well as customized and efficient solutions to complex environmental problems. Our team of engineers, scientists, and project managers are adept at transforming spent resources that have traditionally been discarded, into valuable resources – helping to solve their customers’ most difficult problems and contributing to the sustainable development of communities and industries.

The financial performance of our environmental business improved considerably in 2019 with profit before income taxes of \$9.8 million on revenue of \$254.6 million. This improvement was primarily led by sustainable improvements in FER-PAL, as well as strong activity in our traditional environmental services, namely site remediation and management of soils and materials. This is in part due to Montréal’s continued strong economy in real estate and industrial development. We also realized a number of projects of varying sizes and complexities in other communities across Canada. These projects have allowed us to continue to build on and implement our technical capabilities and demonstrate to our customers our ability to execute large complex projects.

Unfortunately, this strong activity was negatively affected by reduced rehabilitation contracts in Montréal and lower-than-expected revenue coming from our woven hose manufacturing business. The latter was affected by lower sales of firehoses, due to fewer fires in Western North America as compared to previous years.

We are pleased with the continued improvement of FER-PAL and are very focused on continuing to invest in improving our operation through the implementation of best practices and project management tools. We are optimistic that the business will continue to evolve over the coming years.



Leading Safety Together

Safety and security are paramount to the LOGISTEC family. Our ambition is clear: all our people and partners must return home safely at the end of each day. As our most precious asset, our people are encouraged to make safety their mission every day and strive to find innovative ways to instill a safe mindset in everything we do. In the last year, we have strengthened our safety team and implemented a comprehensive safety management system across our network of terminals. We are also pleased that, in 2019, total OSHA recordable incidents were down when compared to 2018. For 2020 onwards, our leaders in the field will continue to elevate safety to the next level and we will recognize those who go above and beyond in the drive for safety excellence.

The LOGISTEC family in our communities

From day one, the LOGISTEC family has encouraged all of our teams to make a meaningful contribution to the social and economic progress of our communities by getting involved at the local level, by suggesting how to make things better, and by inspiring innovation. In 2019, we offered our support to organizations active in communities where our people work through our program The LOGISTEC Family in Our Communities. We are happy to back the efforts of our team members who volunteer their time to various causes related to social solidarity and mutual assistance. In addition, we launched the Partners in Planting initiative, in conjunction with Tree Canada, to introduce more trees into our communities in a sustainable, environmentally friendly way.





Driving Innovation for a Sustainable Future

When we are recognized by experts in the industry for our innovative approach and for going above and beyond in what we do, it strongly confirms that we are on the right path as a leader in marine and environmental services. We are driven to do even better and push even harder, whether it is for an award-winning enviro-project with our customers and partners, or for being the first in the world to address important sustainability challenges at ports and terminals, or for pushing our products almost to the breaking point to find ways to protect communities around the world in case of earthquakes, floods and other extreme weather events. We are continuously looking for ways to improve the lives of our communities and protect our environment through our passion, hard work, solid collaboration, and research and development. We are pleased to present a selection of honours conferred on some of our major projects last year.



TRACES QUÉBEC PROJECT WINNING AN ENVIROLYS AWARD

In November 2019, SANEXEN and Avatek Immobilier, along with Traces Québec, were honoured with the “Innovation et protection de l’environnement – Projet” Award at the 10th Edition of ENVIROLYS for their innovative project focused on the traceability of residual materials in Québec, a first in the industry. Turning a landfill into safe and usable land, and tracking each piece of residual material (construction, renovation and demolition) to ensure proper disposal or recycling.



“We are proud to have led this important project. Waste from materials recovery facilities, including screened debris, are complicated types of waste for which there are few solutions today. Our team of scientists have been working on the responsible management of such waste for several years. We have developed advanced knowledge with our partners allowing us to optimize management of such waste and make a difference for our communities.”

Eric Sauvageau

EXECUTIVE VICE-PRESIDENT, SANEXEN

HYBRID FLEET WITH EFFENCO TECHNOLOGY

Our TERMONT joint venture was recognized in September 2019 as the first port operator in the world to use a fully hybrid vehicle fleet. Leveraging government funding and a collaboration with Effenco, who converted 57 terminal tractors into diesel-electric hybrid vehicles equipped with automatic stop-start technology, we are thereby significantly reducing green-house gas emissions at our terminals in the Port of Montréal.



“Thanks to our innovative mindset and perseverance, our team will have new equipment to ensure better management of our environmental footprint. And that’s just the beginning. Electrification is a key project of the future for TERMONT and our industry.”

Julien Dubreuil

GENERAL MANAGER
TERMONT MONTRÉAL



TERMONT TEAM WITH FRANÇOIS BONNARDEL,
QUÉBEC MINISTER OF TRANSPORT



SANEXEN PETROMONT PROJECT, VARENNES (QC)

“Our people are perfectionists. Resilient. Relentless. Always ready to go beyond and challenge the status quo. Continuously pushing the boundaries to find new creative solutions. Whether they work at our corporate office, a port terminal, or on a remediation site, their role at LOGISTEC will always be challenging and they continuously find a way to rise to the occasion.”

Madeleine Paquin, C.M.
PRESIDENT AND CEO

WINNER OF THE BROWNIE AWARD

The SANEXEN team was recognized at the 2019 Canadian Brownfields Network’s Brownie Awards as great innovators and visionaries in the Sustainable Remediation & Technological Innovation category, dedicated to the rehabilitation of contaminated land across Canada. SANEXEN demonstrated leadership and innovation in environmental soil remediation, promoted solutions that avoided broader environmental impact and incorporated ecological principles and cost-effective technologies in their brownfield projects.



A LEADER IN RESILIENCE

Aqua-Pipe, SANEXEN's unique seamless structural technology, was recognized as an industry-changing product to protect water infrastructure in the case of extreme seismic activity and flooding events following two in-depth tests performed at Cornell University's Geotechnical Lifelines Large-Scale Testing Facility in Ithaca (NY) last December. SANEXEN's Innovation team partnered with Cornell's Lifelines group to advance its unique seamless structural water technology through funding provided by Sustainable Development Technology Canada and Transition énergétique Québec. With water, utility and environmental engineers from major cities in the USA present for the testing, Aqua-Pipe was subjected to real-scale simulated extreme seismic activity to test the resilience of the product in case of earthquakes or floods, and the results far surpassed expectations. Aqua-Pipe maintained its integrity and did not rupture, protecting water flowing through it, and demonstrating its superior functionality for protecting lifelines beyond water such as liquid and gas fuel conduits.



CORNELL'S ENGINEERING TEAM AND SANEXEN AT CORNELL UNIVERSITY



“These exceptional results far exceed what we had expected for Aqua-Pipe resilience through this testing and, most importantly, communities and cities now have a clear and proven solution that can protect and secure their underground infrastructure with certainty for everyday use and in cases of extreme seismic activity.”

Benoit Côté

PRESIDENT, SANEXEN WATER



Ready for 2020 and beyond

Last November, our leadership team presented the ACTION2023 Strategic Plan to our Board of Directors, which outlined how we will be expanding our horizons to become the partner of choice for safe, sustainable and creative solutions in the marine and environmental services segments. This exercise drove home the profound sense of pride that unites us all, not only with regard to our purpose and our values, but also through our shared objectives.

We have and continue to benefit from our diversity of services offered, of customers we serve, and of our geographic network. This solid platform of services which focuses on customer needs is the base on which we will continue to grow.

In cargo handling, we will continue to expand our network of terminals and services, while maximizing cargo volumes in each facility. Through market intelligence, we always seek to position our services in line with the growth of imports and exports. Our growth will come from both organic and acquisition opportunities.

We also have ambitious plans for our environmental business. The rapid pace of development in urbanization, demographic shifts, climate changes and technology

has required that we anticipate our customers' future challenges and deliver creative solutions that bring value not only today, but more importantly for tomorrow. We have and are developing technologies to address many of these challenges. In our suite of water technologies, we can rehabilitate aqueducts with minimal excavation, and with our next generation of Aqua-Pipe, we further differentiate ourselves by safeguarding water resources in seismic and flood zones. We have also been pro-active to develop technologies for the removal of lead in drinking water, a challenge for many large municipalities today. Furthermore, we are developing technologies to deal with per- and polyfluoroalkyl substances ("PFAS") and other emerging contaminants.

Our business development team is being strengthened to ensure increased penetration in not only the Canadian market, but also in the USA. We are also confident that our subsidiary FER-PAL is also well-positioned to grow in its markets, particularly Ontario, Western Canada and the U.S. Midwest.

In the end, with our new strategic plan, we are not breaking with our past commitments; we are simply kickstarting these efforts with renewed impetus and engaging new stakeholders to make them happen.

Powered by Talent

To accomplish this vision, our team will continue to focus on providing our people with a healthy, sound and agile work environment in which they can go above and beyond.

It's also about great leadership. Leaders are people who make things happen. The most talented people aspire to work for passionate leaders that guide them with a clear purpose, and where they have the opportunity to work on the most captivating projects and learn from the best. Our 3,000 trusted experts are primed to blaze new trails and make great things happen. They are steadfast in their determination to grow our organization profitably.

I would like to take this opportunity to thank them for their unwavering passion and commitment. I recognize that their role is essential to realizing our vision and to continue to grow earnings sustainably. I look forward to working with them to pursue this journey together.

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



“I am proud to lead this family. We have a great opportunity to contribute. With our people’s ingenuity and trusted expertise, we can be a catalyst for a new path. We will work closely with our communities for a more sustainable future. The LOGISTEC family is definitely ready for this new decade!”

— MADELEINE PAQUIN



Financial Highlights

SOLID TRACK RECORD

\$639.9M

IN REVENUE

78.8%

INCREASE FROM 2015's \$358M

\$89.6M

ADJUSTED EBITDA ⁽¹⁾

\$26.2M

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

45.0%

INCREASE OVER LAST YEAR'S \$18M

 KITIMAT

 REGINA

 LOS ANGELES

⁽¹⁾ Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measure section on page 27.



- MARINE SERVICES
- ENVIRONMENTAL SERVICES
- WATER TECHNOLOGY SERVICES

2019 FINANCIAL HIGHLIGHTS

<i>(in thousands of dollars, except where indicated)</i>	2019 ⁽⁵⁾	2018	2017	2016	2015	Variation 19-18 %	Variation 19-15 %
Financial Results							
Revenue	639,942	584,878	475,743	343,326	358,008	9.4	78.8
Adjusted EBITDA ⁽¹⁾⁽⁶⁾	89,611	64,177	74,741	42,034	56,321	39.6	59.1
Profit for the year ⁽²⁾	26,194	18,060	27,426	18,858	29,142	45.0	(10.1)
Financial Position							
Total assets	734,738	637,103	513,539	355,860	328,415	15.3	123.7
Working capital	97,996	82,099	70,196	75,745	71,717	19.4	36.6
Long-term debt (including the current portion)	177,900	163,297	83,404	60,325	32,079	8.9	454.6
Equity ⁽²⁾	280,371	262,198	228,574	201,383	189,413	6.9	48.0
Per Share Information ⁽³⁾							
Profit for the year ⁽²⁾ (\$)	2.00	1.38	2.11	1.48	2.34		
Equity ⁽²⁾ (\$)	21.40	19.96	17.56	15.77	15.20		
Outstanding shares, diluted (weighted average in thousands)	13,103	13,135	13,016	12,768	12,458		
Share price as at December 31							
Class A Common Shares (\$)	39.60	40.86	44.04	38.00	44.01		
Class B Subordinate Voting Shares (\$)	40.00	43.27	44.75	35.10	38.00		
Dividends declared per share							
Class A Common Shares (\$)	0.3685	0.3465	0.3150	0.3000	0.2750		
Class B Subordinate Voting Shares (\$)	0.4054	0.3812	0.3465	0.3300	0.3025		
Financial Ratios							
Return on average equity ⁽²⁾	9.66%	7.36%	12.76%	9.65%	16.52%		
Profit for the year ⁽²⁾ / revenue	4.09%	3.09%	5.76%	5.49%	8.14%		
Net indebtedness/capitalization ⁽⁴⁾	36%	38%	28%	18%	4%		
Price/earnings ratio (Class B Subordinate Voting Shares)	20.00	31.36	21.24	23.76	16.24		

⁽¹⁾ Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measure section on page 27.

⁽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 41

⁽⁴⁾ Net indebtedness and capitalization are non-IFRS measures, please refer to the liquidity and capital resources section on page 32.

⁽⁵⁾ The 2019 figures reflect the application of IFRS 16 Leases ("IFRS 16") which the comparative figures have not been restated. Please refer to Notes 2 and 16 of the notes to 2019 consolidated financial statements for further details.

⁽⁶⁾ The application of IFRS 16 had a favourable impact of \$13.7 million on the adjusted EBITDA of 2019.

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, 2019 and 2018. All financial information contained in this MD&A and the attached audited consolidated financial statements ("financial statements") has been prepared in accordance with International Financial Reporting Standards ("IFRS").

In this report, unless indicated otherwise, all dollar amounts are expressed in Canadian dollars. This MD&A should be read in conjunction with LOGISTEC's financial statements and the notes ("2019 Notes") thereon.

Our Business

The Company is incorporated in the Province of Québec and its shares are listed on the Toronto Stock Exchange ("TSX") under the ticker symbols LGT.A and LGT.B. The Company's largest shareholder is Sumanic Investments Inc.

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

Marine Services

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. Our services also include marine transportation and marine agency services.

CARGO HANDLING

With a presence in 34 ports and 60 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 the go-to terminal partner with unique technology to create comprehensive solutions and value-added port services.

2019 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 Group Inc. ("NEAS"), in partnership with an Inuit shareholder. NEAS owns five ice-class vessels and performed 17 voyages to the Arctic in 2019. 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 from pilots 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. We deliver creative and customized solutions to industrial, municipal and governmental clients and partners. SANEXEN's expert environmental engineers and scientists, combined with its in-house research and development teams, utilizes, amongst others, innovative water technologies and offers key environmental services such as the rehabilitation of underground water mains, site remediation, soils and materials management, risk assessment, and manufacturing of woven hoses.

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 certified field installers. 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 a certified field installer of the Aqua-Pipe technology. 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 2,000 kilometres of water mains have been rehabilitated to date, directly or via licensees.

SANEXEN received \$1.0 million from Sustainable Development Technology Canada in 2018 and directed the funding to test the resiliency of the next generation of our technology under extreme environmental conditions. In December 2019, SANEXEN confirmed that its trenchless structural cured in-place pipe technology was capable of withstanding extreme seismic and flooding conditions following tests performed at Cornell University in a large-scale lifelines testing facility.

2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

OTHER ENVIRONMENTAL SERVICES

The Company provides services for the characterization and remediation of sites as well as for risk assessment and for soils and 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's strategy towards 2023 is guided by our mission and purpose: we pride ourselves on building and sharing our expertise in order to contribute to the success of our customers and our communities. Our people are dedicated to finding solutions that support reliable supply chains and protect our environment and our water resources.

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 2018 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 (soils and materials management, site remediation and risk assessment), relies extensively on the development of Aqua-Pipe and the large potential of the North American 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. Through FER-PAL, the Company consolidates its 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, the use of innovative technologies and access to port facilities.

Talent

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 project sites. 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 some 3,000 people across North America, from the Arctic to Brownsville (TX). This number is based on the full-time equivalent based on a regular 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 \$313.1 million or 48.9% of revenue in 2019 (\$299.7 million or 51.2% of revenue in 2018). Please refer to Notes 5, 22 and 28 of the 2019 Notes and to page 29 of this MD&A for further details on employee compensation and benefits.

Innovative Technologies

Technology is not only shaping our customers' needs, but also how our people work together to deliver our services. To create an increasingly compelling value proposition for our customers, we are constantly looking at how we can leverage the depth and breadth of our capabilities across our organization. In 2019, we worked with our experts across our marine and environmental services to identify how to enhance our processes to enable our professionals to consistently bring our best expertise to bear across all our projects.

On the marine services front, across our growing network, our terminal operators leverage technology to optimize our operations, monitor our extensive fleet of equipment, and provide accurate and timely information to customers. In addition, our leaders in the field are recognized for their ability to develop unique cargo-handling solutions, addressing the specific challenges each supply chain brings.

As one of Canada's leading environmental services companies, our team combines deep expertise with innovation to develop technological solutions suited to meet our industrial customers', public utilities' and municipalities' challenges, including the next generation of proven water technologies, lead-free solutions, and per- and polyfluoroalkyl substances ("PFAS") treatment and removal solutions.

In 2019, our consolidated capital expenditures were at \$34.6 million. Equipment and supplies constitute the second largest expense incurred by the Company as shown in the consolidated statements of earnings, and, totalled \$169.6 million in 2019, which represents 26.5% of revenue (\$156.9 million or 26.8% of revenue in 2018).

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 34 ports and 60 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, allowing 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, operating expense, which includes variable rent on leased properties, municipal taxes and maintenance costs of our sites, is the third largest expense at \$43.2 million or 6.7% of revenue in 2019 (\$46.0 million or 7.9% of revenue in 2018).⁽¹⁾

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.

⁽¹⁾ The 2019 figures reflect the application of IFRS 16, which had a favourable impact of \$13.7 million and for which the comparative figures have not been restated. Please refer to Notes 2 and 16 of the 2019 Notes for further details.

2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

In the environmental services segment, we have positioned ourselves as a leader in our traditional markets, and we are counting on geographic expansion of our environmental services as well as the commercialization of our unique water technologies across the North American markets. These technologies include rehabilitation of underground water pipes, protecting water from lead service lines using an inner liner, and technologies to deal with emerging contaminants such as PFAS.

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 characteristics 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 35 active collective agreements. We signed two agreements in 2019, while seven were still being negotiated at the end of 2019 and four will expire in 2020.

Borrowing Capacity

LOGISTEC generates positive cash flows from operating activities. These reached \$71.3 million and \$59.1 million in 2019 and 2018, respectively, which is more than sufficient to cover our usual investing and financing activities.

At the end of 2019, our net indebtedness, defined as long-term debt (including the current portion) and short-term bank loans net of cash and cash equivalents, was \$155.3 million, whereas our equity attributable to owners of the Company totalled \$280.4 million, giving us a net indebtedness/capitalization ratio of 35.6%.

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

LOGISTEC has a committed line of credit provided by a banking syndicate. 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.

In October 2019, to increase its financial flexibility, the Company and its wholly owned subsidiary, LOGISTEC USA Inc., renegotiated their credit agreement leading to an amendment to the existing credit agreement. The unsecured revolving credit facility was increased from \$175.0 million to \$300.0 million or the U.S. dollar equivalent, with maturity in October 2023.

The total amount available through this committed credit facility as at December 31, 2019 was \$300.0 million (\$175.0 million in 2018). There was an equivalent of \$115.0 million drawn under the facility (\$104.5 million in 2018), and an additional \$3.7 million was used for letters of credit (\$3.8 million in 2018). The applicable interest rate on this revolving credit facility is variable, and depends on the form of borrowing, to which is added a margin that varies according to the level of leverage ratio achieved by the Company.

Non-IFRS Measure

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

The following table provides a reconciliation of profit for the period to adjusted EBITDA.

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

	2019 ⁽¹⁾	2018	2017	2016	2015
	\$	\$	\$	\$	\$
Profit for the period	26,437	17,994	27,356	18,486	32,873
PLUS:					
Depreciation and amortization expense	42,122	28,580	33,859	14,288	12,328
Impairment charge	—	6,821	2,917	—	—
Net finance expense	12,353	7,474	3,533	1,700	623
Income taxes	8,699	3,308	6,211	7,268	10,288
Customer repayment of an investment in a service contract	—	—	865	292	209
Adjusted EBITDA	89,611	64,177	74,741	42,034	56,321

⁽¹⁾ The 2019 figures reflect the application of IFRS 16 which had a favourable impact of \$13.7 million on the adjusted EBITDA and for which the comparative figures have not been restated. Please refer to Notes 2 and 16 of the 2019 Notes for further details.

Selected Annual Financial Information

Years ended December 31

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

	2019 ⁽¹⁾	2018	2017	Variation 19-18	
	\$	\$	\$	\$	%
Revenue	639,942	584,878	475,743	55,064	9.4
Profit attributable to owners of the Company	26,194	18,060	27,426	8,134	45.0
Total basic earnings per share ⁽²⁾	2.05	1.43	2.23	0.62	43.4
Total diluted earnings per share ⁽²⁾	2.00	1.38	2.11	0.62	44.9
Total assets	734,738	637,103	513,539	97,635	15.3
Total non-current liabilities	338,565	246,497	174,455	92,068	37.4
Cash dividends per share:					
— Class A shares ⁽³⁾	0.3658	0.3383	0.3075		
— Class B shares ⁽⁴⁾	0.4023	0.3721	0.3383		
Total cash dividends	4,864	4,452	3,917		

⁽¹⁾ The 2019 figures reflect the application of IFRS 16 for which the comparative figures have not been restated. Please refer to Notes 2 and 16 of the 2019 Notes for further details.

⁽²⁾ Combined for both classes of shares.

⁽³⁾ Class A Common Shares ("Class A shares").

⁽⁴⁾ Class B Subordinate Voting Shares ("Class B shares").

2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

2019 versus 2018

Revenue was up by 9.4% in 2019, an increase of \$55.1 million over 2018. Revenue in the marine services segment totalled \$385.3 million in 2019, up by \$44.5 million from \$340.8 million last year. The environmental services segment delivered revenue totalling \$254.6 million, an increase of \$10.5 million or 4.3% over revenue of \$244.1 million in 2018.

Profit attributable to owners of the Company increased by \$8.1 million or 45.0% in 2019. Most of the variation came from an increase in our environmental services segment, mainly due to the improved results of FER-PAL when compared to last year.

Total assets amounted to \$734.7 million at the end of 2019, up by \$97.6 million over 2018. This increase stems mainly from right-of-use assets following the application of IFRS 16, as fully described in Notes 2 and 16 of the 2019 Notes. Our cash position increased by \$7.2 million, this variation was essentially due to \$71.3 million of positive cash flows from operating activities, which was more than enough to cover our \$42.0 million cash outflows from investing and \$23.6 million cash outflows from financing activities.

Total non-current liabilities increased to \$338.6 million in 2019, compared with \$246.5 million in 2018. This is due mainly from lease liabilities following the application of IFRS 16, as fully described in Notes 2 and 16 of the 2019 Notes.

Cash dividends paid in 2019 increased by 9.3% to \$4.9 million, compared with \$4.5 million in 2018.

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 the business combinations section 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.

Business Combinations

2018 Business Combinations

GSM

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

PATE

On May 25, 2018, the Company acquired 100% ownership of Pate for a purchase price of US\$9.6 million (\$12.4 million), subject to certain adjustments. Pate provides cargo handling and distribution services at its Florida operations.

As at March 30, 2019, the Company finalized estimates of the fair value of assets acquired and liabilities assumed. Consequently, intangible assets were increased by \$5.6 million, property, plant and equipment was increased by \$1.9 million, and current assets were decreased by \$0.2 million with an offsetting adjustment to goodwill in the amount of \$7.4 million. The comparative figures of the consolidated statements of financial position have been changed accordingly.

Please refer to Note 27 of the 2019 Notes for further details.

Results

Significant accounting policies applied in the 2019 financial statements are described in Note 2 of the 2019 Notes.

Revenue

Consolidated revenue totalled \$639.9 million in 2019, an increase of \$55.1 million or 9.4% over 2018. Consolidated revenue was positively affected by \$4.2 million this year due to a strengthening of the U.S. dollar against the Canadian dollar.

The marine services segment posted revenue of \$385.3 million in 2019, representing higher sales compared with \$340.8 million in 2018. This increase stems from two factors: the business combinations of GSM and Pate, which contributed an additional \$40.8 million in sales during the year and, to a lesser extent, a general volume increase in our bulk and break-bulk terminals, which saw more activity this year than in 2018.

Revenue from the environmental services segment totalled \$254.6 million, compared with \$244.1 million in 2018, an increase of \$10.5 million. This is mainly due to higher revenue from the rehabilitation of underground water mains, site remediation and decontamination services than last year, which was partially offset by lower revenue from woven hose manufacturing.

Employee Benefits Expense

For 2019, the employee benefits expense reached \$313.1 million, an increase of \$13.4 million or 4.5% over the \$299.7 million recorded for the same period last year. The ratio of employee benefits expense to revenue was 48.9%, slightly down from 51.2% for the same period last year. This decrease stemmed from the environmental services segment where employee benefits expenses, as a percentage of revenue from rehabilitation of underground water mains, were more favourable when compared to last year, mainly following the cost control improvements implemented at FER-PAL in 2019.

Equipment and Supplies Expense

Equipment and supplies expense amounted to \$169.6 million, an increase of \$12.8 million or 8.1% over the same period in 2018. This variation reflects the overall increase in activity in 2019, as the overall ratio of equipment and supplies expense to revenue was 26.5%, in line with the 26.8% for the same period in 2018.

Operating Expense

Operating expense stood at \$43.2 million, or \$56.9 million when we exclude the impact of the application of IFRS 16 for 2019. The ratio of operating expense to consolidated revenue, excluding the impact of IFRS 16, was 8.9%, which is in the same range as 7.9% for the same period last year.

IFRS 16 requires the recognition of an asset and a related liability for all contractual obligations previously accounted for as operating leases under IAS 17 *Leases* ("IAS 17"), unless the contract term is 12 months or less or the underlying asset has a low value. Lease payments falling under the scope of IFRS 16 amounted to \$13.7 million during 2019. Lease payments are presented in the consolidated statements of cash flows as repayment of lease liabilities and interest paid, instead of as an operating expense. Please refer to Notes 2 and 16 of the 2019 Notes for further details.

Other Expenses

Other expenses stood at \$31.9 million, representing a variation of \$2.1 million or 7.0% compared with the same period in 2018. This increase stems from two factors: the integration costs of the two new business combinations made last year, and the professional fees incurred to analyze business development opportunities.

Depreciation and Amortization Expense

Depreciation and amortization expense amounted to \$42.1 million in 2019, up \$13.5 million from \$28.6 million last year. Of this increase, \$11.6 million relates to depreciation of the additional right of use of assets created under IFRS 16.

The increased depreciation expense related to IFRS 16 should be analyzed in conjunction with the reduced operating expense and increased finance expense. Please refer to Notes 2 and 16 of the 2019 Notes for further details.

Other Gains and Losses

Other gains and losses varied by \$4.8 million, from a \$3.6 million gain in 2018 to a \$1.2 million loss in 2019. This variance is mainly related to unrealized exchange losses incurred in 2019 on translating net working capital denominated in U.S. dollars, given the stronger Canadian dollar.

Impairment charge

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 of \$6.8 million. No impairment charge was recorded in 2019.

Finance Expense

Finance expense amounted to \$12.9 million in 2019, an increase of \$4.9 million over the \$8.0 million reported last year. Of this increase, \$4.0 million relates to the accretion expense of the additional liabilities created under IFRS 16. The remaining variance relates to a higher borrowing base following financing of the business combinations of GSM and Pate that occurred during the first half of 2018.

The increased finance expense related to IFRS 16 should be analyzed in conjunction with the reduced operating expense and increased depreciation expense. Please refer to Notes 2 and 16 of the 2019 Notes for further details.

Income Taxes

Income taxes stood at \$8.7 million for 2019. When the profit before income taxes is adjusted to exclude the effect of the share of the profit of equity accounted investments, the 2019 tax rate computes to 32.9% compared with 25.1% in 2018. This variation is within normal parameters, and relates primarily to the \$1.3 million non-tax-deductible items and the adjustment in respect to the return to the provision. Please refer to Note 8 of the 2019 Notes for a full reconciliation of the effective income tax rate and other relevant income tax information.

Segmented Profit Before Income Taxes

The 2019 profit before income taxes from the marine services segment amounted to \$25.3 million, up \$3.6 million from the \$21.7 million profit in 2018. From an operational point of view, cargo handling performance was positive in 2019. The profitability, expressed as the overall ratio of profit before income taxes to revenue, was 6.6%, in line with the 6.4% last year. These figures reflect the higher finance expense following financing of the business combinations of GSM and Pate, the incremental expenses related to the transition to IFRS 16 and the unrealized exchange losses incurred on translating net working capital denominated in U.S. dollars, partially offset by no impairment charge in 2019.

The 2019 profit before income taxes from the environmental services segment amounted to \$9.8 million, a significant improvement over the \$0.4 million loss incurred last year. This increase stems from higher revenue from the segment combined with a more favourable employee benefits expense as a percentage of revenue following notably the cost control improvements implemented at FER-PAL in 2019.

Profit for the Year and Earnings per Share

In 2019, the Company reported a profit of \$26.4 million, of which \$0.2 million was attributable to non-controlling interest, amounting to a \$26.2 million profit attributable to owners of the Company. This translated into total diluted earnings per share of \$2.00 of which \$1.92 per share was attributable to Class A shares and \$2.11 per share was attributable to Class B shares.

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

Dividends

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

On August 7, 2019, the Company's Board of Directors elected to increase the dividend payment by 3.0%.

The following table describes the dividend payments schedule since January 2019, which are all eligible dividends for Canada Revenue Agency purposes.

(in millions of dollars, except per share amounts)

Declaration date	Record date	Payment date	Per Class A share \$	Per Class B share \$	Total \$
December 6, 2018	January 4, 2019	January 18, 2019	0.09075	0.099825	1.2
March 15, 2019	April 4, 2019	April 18, 2019	0.09075	0.099825	1.2
May 9, 2019	June 21, 2019	July 5, 2019	0.09075	0.099825	1.2
August 7, 2019	September 27, 2019	October 11, 2019	0.09350	0.102850	1.2
December 4, 2019	January 3, 2020	January 17, 2020	0.09350	0.102850	1.2
March 17, 2020	April 3, 2020	April 17, 2020	0.09350	0.102850	1.2

Liquidity and Capital Resources

Capital Management

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

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

The Company includes the following in its capital:

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

The capital is calculated as follows:

<i>(in thousands of dollars)</i>	As at December 31, 2019 \$	As at December 31, 2018 \$
Short-term bank loans	–	13,577
Long-term debt, including the current portion	177,900	163,297
Total indebtedness	177,900	176,874
Less:		
Cash and cash equivalents	22,608	15,393
Total net indebtedness	155,292	161,481
Equity attributable to owners of the Company	280,371	262,198
Capitalization	435,663	423,679
Ratio of net indebtedness/capitalization	35.6%	38.1%

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.

2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Resources

Total assets amounted to \$734.7 million as at December 31, 2019, up by \$97.6 million over the closing balance of \$637.1 million as at December 31, 2018. As mentioned earlier, this increase is mainly due to the application of IFRS 16, as fully described in Notes 2 and 16 of the 2019 Notes.

Cash and cash equivalents totalled \$22.6 million at the end of 2019, up by \$7.2 million from \$15.4 million as at December 31, 2018. The main items behind this increase were as follows:

(in thousands of dollars)

Sources:

Cash generated from operations	82,349
Issuance of long-term debt, net of repayment	18,619
	100,968

Uses:

Acquisition of property, plant and equipment, net of proceeds from disposal	(33,142)
Net change in short-term bank loans	(13,577)
Interest paid	(12,269)
Income taxes paid	(11,947)
Repayment of lease liabilities	(9,726)
Cash paid to non-controlling interests	(7,972)
Changes in non-cash working capital items	(2,049)
Dividends paid on Class A and Class B shares	(4,864)
	(95,546)

Working Capital

As at December 31, 2019, current assets totalled \$213.2 million and current liabilities totalled \$115.2 million, computing into working capital of \$98.0 million for a current ratio of 1.85:1. This compares with working capital of \$82.1 million and a 1.65:1 ratio as at December 31, 2018. The increase is due to the repayment of the short-term bank loans and trade and other payables, partly offset by the current portion of lease liabilities recorded in 2019 following the application of IFRS 16, as fully described in Notes 2 and 16 of the 2019 Notes.

Long-Term Debt

Total net indebtedness amounted to \$161.5 million as at December 31, 2018, down by \$6.2 million to \$155.3 million as at December 31, 2019. This decrease is mainly attributable to positive cash flows from operating activities, which was more than sufficient to cover the usual investing and financing activities including the repayment of \$13.6 million in short-term bank loans outstanding as at December 31, 2018.

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, 2019, LOGISTEC Corporation complied with such covenants. In some cases, financing covenants may limit the ability of some subsidiaries or joint ventures to pay dividends to LOGISTEC. However, LOGISTEC generates sufficient cash flows from its wholly owned subsidiaries to meet its financial obligations.

Payments Due by Period

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

Contractual Obligations					
<i>as at December 31, 2019</i>					
<i>(in thousands of dollars)</i>					
	Total \$	Less than 1 year \$	1 - 3 years \$	4 - 5 years \$	More than 5 years \$
Long-term debt ⁽¹⁾	190,744	11,842	10,758	138,691	29,453
Lease liabilities					
– Equipment	6,550	2,518	2,861	967	204
– Occupancy	117,209	11,075	20,292	17,285	68,557
Long-term liabilities due to non-controlling interest	41,553	738	16,633	24,182	–
Non-current liabilities ⁽²⁾	11,012	935	2,896	6,168	1,013
Total contractual obligations	367,068	27,108	53,440	187,293	99,227

⁽¹⁾ Includes capital and interest.

⁽²⁾ Excluding long-term liabilities to shareholders.

The reader is referred to Notes 10, 16, 21, 22, 23, and 30 of the 2019 Notes for further details about financial risk management, lease arrangements, long-term debt, post-employment benefit assets and obligations, non-current liabilities, and contingent liabilities and guarantees.

Equity Attributable to Owners of the Company

Equity attributable to owners of the Company amounted to \$280.4 million as at December 31, 2019. Adding total net indebtedness yields a capitalization of \$435.7 million, which computes to a net indebtedness/capitalization ratio of 35.6%. This means that the Company has financial leverage available should the need arise. The net indebtedness/capitalization ratio is a non-IFRS measure and is reconciled above in the liquidity and capital resources section.

As at March 17, 2020, 7,382,422 Class A shares and 5,388,701 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 24 of the 2019 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 28, 2019, and will terminate on October 27, 2020, LOGISTEC intends to repurchase, for cancellation purposes, up to 369,296 Class A shares and 270,195 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 15, 2019.

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

During 2019, under the NCIB programs, 9,100 Class A shares and 39,800 Class B shares were repurchased at average prices per share of \$42.47 and \$41.05, respectively. Please refer to Note 24 of the 2019 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 \$42.3 million at the end of 2019 is mainly the result of the 2018 closing balance of \$38.0 million, plus the 2019 share of profit of equity accounted investments of \$8.7 million, less \$4.1 million in dividends received, and our share of losses of a joint venture of \$0.2 million.

As at December 31, 2019, the Company's 50%-equity interests are in the following joint ventures: TERMONT Terminal Inc., Transport Nanuk Inc., Québec Mooring Inc., Moorings (Trois-Rivières) Ltd., Québec 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 14 of the 2019 Notes.

Post-Employment Benefits

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

Considering that a majority of beneficiaries from the defined benefit retirement plans were pensioners already, the Company elaborated a derisking strategy with regard to these plans.

A summary of the fair value of plan assets, benefit obligation, funded status of the retirement plans, and significant assumptions can be found in Note 22 of the 2019 Notes.

Calculations on the retirement plans' funded statuses have been performed by the Company's independent actuaries as of December 31, 2019. They calculated a benefit obligation of \$39.4 million, compared with a fair value of plan assets of \$21.4 million, which computed into a funded status deficit of \$18.0 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 \$16.8 million is included in the above numbers. Excluding the SERP obligation, the funded status deficit amounts to \$1.2 million.

Management's assumption for the discount rate was 4.0% in 2018 and 3.3% in 2019. 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 last actuarial valuation for the Senior Management Pension Plan of LOGISTEC Corporation is dated December 31, 2016 and the last actuarial valuation for the Employee Pension Plan of LOGISTEC Corporation is dated December 31, 2018. 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, 2019 \$	December 31, 2018 \$	Var. \$	Var. %	Explanation of variation
Contract assets	10.6	14.3	(3.7)	(25.8)	Contract assets represent the gross unbilled amount that will be collected from customers for contract work performed in our environmental services segment. The decrease is mainly due to a greater number of contracts completed and invoiced prior to the year end in 2019, compared with the same period of 2018.
Current income tax assets	6.0	3.0	3.0	100	The increase is due to 2019 tax instalments made which were higher than the current income taxes.
Property, plant and equipment	184.3	181.3	3.0	1.7	This increase stems mainly from capital expenditures of \$34.5 million, which exceeded the depreciation expense of \$26.3 million.
Right-of-use assets	89.6	–	89.6	n.m.	This increase stems from the application of IFRS 16, as fully described in Notes 2 and 16 of the 2019 Notes.
Intangible assets	40.7	47.0	(6.3)	(13.3)	This decrease stems mainly from the amortization expense of \$4.3 million.
Short-term bank loans	–	13.6	(13.6)	n.m.	The decrease is due to the repayment in short-term bank loans in 2019.
Trade and other payables	86.2	98.7	(12.5)	(12.6)	The decrease is in line with the reduction of contract assets as at December 31, 2019 and stems mainly from a greater number of contracts completed prior to the year end in 2019.
Current portion of lease liabilities	9.8	–	9.8	n.m.	This increase stems from the application of IFRS 16, as fully described in Notes 2 and 16 of the 2019 Notes.
Non-current lease liabilities	81.5	–	81.5	n.m.	
Current portion of long-term debt	9.4	3.3	6.1	n.m.	This variance stems from the \$84.6 million issuance of long-term debt, partly offset by repayment of long-term debt of \$66.0 million.
Long-term debt	168.5	160.0	8.5	5.3	
Share capital	40.2	35.0	5.2	14.9	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	9.8	14.7	(4.9)	(33.3)	

n.m.: not meaningful

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

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

Overall, the Company serves some 2,200 customers. In 2019, the 20 largest customers account for 39.7% (35.9% in 2018) of consolidated revenue, and not a single customer accounts for more than 10% of consolidated revenue and trade receivables in 2019 and 2018.

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

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

<i>(in thousands of dollars)</i>	As at December 31, 2019 \$	As at December 31, 2018 \$
0-30 days	56,528	39,393
31-60 days	32,379	39,183
61-90 days	16,635	26,305
Over 90 days ⁽¹⁾	33,042	37,076
	138,584	141,957

⁽¹⁾ Includes contract holdbacks amounting to \$11,200 (\$12,428 in 2018).

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

<i>(in thousands of dollars)</i>	2019 \$	2018 \$
Balance, beginning of year	2,364	4,053
Bad debt expense	1,410	1,126
Write offs	(721)	(2,815)
Balance, end of year	3,053	2,364

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.

2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

The following are the contractual maturities of financial obligations:

As at December 31, 2019 <i>(in thousands of dollars)</i>	Carrying amount \$	Contractual cash flows ⁽¹⁾ \$	Less than 1 year \$	1-3 years \$	More than 3 years \$
Trade and other payables	86,217	86,217	86,217	—	—
Dividends payable	1,245	1,245	1,245	—	—
Lease liabilities	91,315	123,759	13,593	23,153	87,013
Long-term debt	177,900	190,744	11,842	10,758	168,144
Non-current liabilities	46,088	52,565	1,673	19,529	31,363
	402,765	454,530	114,570	53,440	286,520

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	98,668	98,668	98,668	—	—
Dividends payable	1,973	1,973	1,973	—	—
Long-term debt	163,297	180,691	11,331	113,851	55,509
Non-current liabilities	46,980	53,969	1,046	19,989	32,934
	324,495	348,878	126,595	133,840	88,443

⁽¹⁾ Includes principal and interest.

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

Market Risk

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

INTEREST RATE RISK

The Company is exposed to market risk related to interest rate fluctuations because a portion of its long-term debt bear interest at floating rates. The Company manages this risk by maintaining a mix of fixed and floating rate borrowings in accordance with the Company's policies. The Company had an interest rate swap contract with the Company's main bank for an original principal notional amount of \$25.0 million which was settled on October 31, 2019, following the renegotiation of the credit agreement. The interest rate swap contract was designated as a cash flow hedge to swap the floating rate of its debts to a fixed rate, thus decreasing the Company's sensitivity to interest rate fluctuations. As at December 31, 2018, the degressive notional principal amount of the outstanding interest rate swap contract was \$18.8 million. The floating interest rate on the interest rate swap was CDOR and the fixed interest rate was 1.80%. The Company continues to monitor opportunities to reduce interest rate risk.

SENSITIVITY ANALYSIS

As at December 31, 2019, the floating rate portion of the Company's long-term debt is 70.5% (64.7% in 2018). 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, 2019, would have had a negative impact of \$1.3 million (\$0.9 million in 2018) 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.

2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

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

During 2019, 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 \$2.6 million (\$2.2 million in 2018) on profit for the year and a positive impact of \$12.0 million (\$12.2 million in 2018) 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, 2019, a total of \$95.2 million or US\$73.3 million (\$78.1 million or US\$57.1 million in 2018) of cash and cash equivalents and trade and other receivables is denominated in foreign currencies. As at December 31, 2019, a total of \$61.7 million or US\$47.5 million (\$46.3 million or US\$33.9 million in 2018) of trade and other payables is denominated in foreign currencies.

Fair Value of Financial Instruments

As at December 31, 2019 and 2018, the estimated fair values of cash and cash equivalents, trade and other receivables, short-term bank loans, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in non-current financial assets, was not significantly different from their carrying value as at December 31, 2019 and 2018, 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 \$0.9 million higher than its carrying value as at December 31, 2019 (\$0.3 million higher in 2018) as a result of a change in financial conditions of similar instruments available to the company. The fair value of long-term debt is determined using the discounted future cash flows method and management's estimates for market interest rates for identical or similar issuances.

Please refer to Note 10 of the 2019 Notes for further information related to the Company's fair value hierarchy.

Business Risks

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

Market Risk — The Company handles a wide variety of commodities and, although our geographical and product diversification strategy should protect us 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, to a large extent, fixed 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 entitled financial risk management, the Company is mainly exposed to fluctuations in the U.S. dollar versus the Canadian dollar, particularly for its consolidated statements of financial position items held in U.S. dollars. However, the Company considers this risk to be relatively limited.

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

Other external factors — Our marine services segment may be influenced by factors touching global trade and the movement of goods such as: extreme weather conditions, climate changes, political instability or pandemic outbreak. Such factors could impact supply and demand of goods, affect the availability of labor, reduce volume, and change or create new customer trends which could impact our performance.

Related Party Transactions

In addition to compensation to key management personnel and dividends to shareholders that occur in the normal course of business and that are quantified in Note 28 of 2019 Notes, services rendered to or by related parties are essentially professional services, rent, management fees, and operational costs charged to or by joint ventures. These transactions are also in the normal course of business, and their consideration is established and agreed to by the related parties. Included in the amounts owed from joint ventures is Nanuk's share of the post-employment benefit obligation of one of the Company's sponsored retirement plans.

Selected Quarterly Information

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

	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$
2019 ⁽¹⁾					
Revenue	114,748	156,175	195,293	173,726	639,942
Profit (loss) attributable to owners of the Company	(8,890)	5,927	17,393	11,764	26,194
Basic earnings (loss) per Class A share	(0.67)	0.44	1.31	0.89	1.97
Basic earnings (loss) per Class B Share	(0.74)	0.49	1.44	0.97	2.16
Total basic earnings (loss) per share	(0.70)	0.46	1.37	0.92	2.05
Diluted earnings (loss) per Class A share	(0.67)	0.43	1.27	0.86	1.92
Diluted earnings (loss) per Class B share	(0.74)	0.48	1.40	0.95	2.11
Total diluted earnings (loss) per share	(0.70)	0.45	1.33	0.90	2.00
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 (loss) per Class A share	(0.72)	0.14	1.68	0.26	1.37
Basic earnings (loss) per Class B share	(0.80)	0.16	1.85	0.28	1.51
Total basic earnings (loss) per share	(0.75)	0.15	1.75	0.27	1.43
Diluted earnings (loss) per Class A share	(0.72)	0.14	1.62	0.25	1.32
Diluted earnings (loss) per Class B share	(0.80)	0.15	1.78	0.27	1.45
Total diluted earnings (loss) per share	(0.75)	0.14	1.69	0.26	1.38

⁽¹⁾ The 2019 figures reflect the application of IFRS 16 for which the comparative figures have not been restated. Please refer to Notes 2 and 16 of the 2019 Notes for further details.

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 offered involve 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 2019 Results and Comparative Figures

<i>(in thousands of dollars, except per share amounts)</i>	Q4 2019 \$	Q4 2018 \$
Revenue	173,726	168,717
Employee benefits expense	(80,738)	(88,313)
Equipment and supplies expense	(45,266)	(46,026)
Operating expense	(12,295)	(12,405)
Other expenses	(8,200)	(8,023)
Depreciation and amortization expense	(10,063)	(8,627)
Share of profit of equity accounted investments	3,075	2,505
Other gains and losses	357	2,841
Impairment charge	—	(6,821)
Operating profit	20,596	3,848
Finance expense	(4,480)	(2,128)
Finance income	145	60
Profit before income taxes	16,261	1,780
Income taxes	(4,477)	1,658
Profit for the period	11,784	3,438
Profit attributable to:		
Owners of the Company	11,764	3,413
Non-controlling interest	20	25
Profit for the period	11,784	3,438
Basic earnings per Class A share	0.89	0.26
Basic earnings per Class B share	0.97	0.28
Diluted earnings per Class A share	0.86	0.25
Diluted earnings per Class B share	0.95	0.27

Revenue

Consolidated revenue totalled \$173.7 million in the fourth quarter of 2019, an increase of \$5.0 million or 3.0% over 2018. Consolidated revenue was negatively affected by \$1.3 million this quarter due to a strengthening of the Canadian dollar against the U.S. dollar.

Revenue from the environmental services segment grew by 2.2% while revenue from the marine services segment increased by 3.6% quarter over quarter. This increase stems from a general volume increase in our bulk and break-bulk terminals, which saw more activity this quarter than in 2018.

Employee Benefits Expense

Employee benefits expense to revenue ratio for the fourth quarter of 2019 was lower at 46.5% compared with 52.3% for the same period in 2018. The lower ratio is mainly derived from the environmental services segment where employee benefits expense, as a percentage of revenue from rehabilitation of underground water mains, was more favourable when compared to the same period of last year, mainly following the cost control improvements implemented at FER-PAL in 2019.

Other Gains and Losses

Other gains and losses for the fourth quarter of 2019 was \$0.4 million, a decrease of \$2.5 million compared with the fourth quarter of 2018. This variance is mainly related to lower unrealized exchange gains incurred in 2019 on translating net working capital denominated in U.S. dollars, given the stronger Canadian dollar.

Impairment Charge

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 of \$6.8 million. No impairment charge was recorded in 2019.

Finance Expense

Finance expense amounted to \$4.5 million in the fourth quarter of 2019, an increase of \$2.4 million over the \$2.1 million reported for the same quarter of 2018. Of this increase, \$1.1 million relates to the accretion expense of the additional liabilities created under IFRS 16.

The increased finance expense related to IFRS 16 should be analyzed in conjunction with the reduced operating expense and increased depreciation expense. Please refer to Notes 2 and 16 of the 2019 Notes for further details.

Profit for the Quarter and Earnings per Share

In the fourth quarter of 2019, the Company reported a profit of \$11.8 million, which was mainly attributable to owners of the Company. This translated into total diluted earnings per share of \$0.90 of which \$0.86 per share was attributable to Class A shares and \$0.95 per share was attributable to Class B shares. The primary driver of these excellent fourth quarter results came from SANEXEN, where site remediation and soils and materials management were extremely strong, following a very slow start of the year. Marine services also performed well.

All other items of the fourth quarter of the consolidated statements of earnings varied according to normal business parameters and were comparable to 2018 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 2019 Notes. Further details on judgments, estimates and assumptions can be found in the 2019 Notes, particularly regarding trade receivables (Notes 10 and 12), equity accounted investments (Note 14), lease arrangements (Note 16) goodwill (Note 17), finite-life intangible assets (Note 18), impairment of long-lived assets including goodwill (Note 17), deferred income taxes (Note 8), post-employment benefits (Note 22), and non-current liabilities (Note 23). The Company's significant accounting policies are applied consistently to all its reportable industry segments (Note 29).

Application of New and Revised IFRS

Accounting Standard and Interpretation Issued and Adopted

On January 1, 2019, the Company adopted the following standard and interpretation:

IFRS 16 LEASES

The financial statements have been prepared in accordance with IFRS 16. The Company adopted this standard using the modified retrospective approach, therefore the comparative information has not been restated and continues to be reported under IAS 17. The Company used the practical expedients exemptions for short-term leases, leases for which the underlying asset is of low value and applied a single discount rate to a portfolio of leases with similar remaining lease terms and relied on assessment of the onerous lease provisions, instead of performing an impairment review.

The Company used the practical expedients exemptions not to reassess whether a contract is, or contains, a lease as at January 1, 2019. Instead, the Company reviewed and assessed its existing lease arrangements that were previously identified as leases under IAS 17 and, based on the facts and circumstances that existed at that date, concluded that the initial application of IFRS 16 has had the following impact regarding its recognition, measurement and disclosures:

- Record of right-of-use assets of \$76.5 million, representing the Company's right to use the underlying assets included in lease arrangements;
- Record of lease liabilities (including the current portion) of \$76.5 million, representing the present value of lease payments, discounted using the interest rate implicit in these lease arrangements;
- Right of use of assets are depreciated in accordance with IAS 16 *Property, Plant and Equipment*. The expenses for the year ended December 31, 2019, amount to \$11.6 million and is recorded in depreciation and amortization in the consolidated statements of earnings;
- Accretion interest expenses on the lease liability amount to \$4.0 million for the year ended December 31, 2019 and is recorded in finance expense in the consolidated statements of earnings.

Please refer to Notes 2 and 16 of the 2019 Notes for further details.

IFRIC 23 ACCOUNTING FOR UNCERTAINTIES IN INCOME TAXES ("IFRIC 23")

The financial statements have been prepared in accordance with IFRIC 23. The Company completed its assessment of the impact of this interpretation and the adoption does not have a material impact on the 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 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;
- Reduce our possible impacts on the environment by adopting protective and preventive measures;
- Promote the installation and use of new technologies that consume less energy and are more environmentally friendly;
- Adopt and apply an Environmental Management Program aimed at continuous improvement, as measured through the monitoring of the environmental impact of our activities;
- Implement and maintain Emergency Preparedness Plans designed to allow an immediate response to incidents and situations that may have an impact on the environment;
- Implement an Environmental Training Program to inform our people of existing environmental laws and regulations, to communicate to them the corporate Environmental Policy and to make them aware of the importance of their participation in attaining the environmental protection objectives adopted by LOGISTEC;
- Regularly communicate the environmental performance results of our operations to the Board of Directors;
- We are also committed to reviewing our Policy periodically and revising it in light of new information regarding the types and locations 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.

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 Seaway 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, four 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 Chief Financial Officer are responsible for the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). They are assisted in these tasks by a Certification Steering Committee, which is comprised of members of the Company's senior management including the two previously mentioned executives.

They have reviewed this MD&A, the annual financial statements, the annual information form and the information circular, which includes a compensation disclosure and analysis (the "Annual Filings"). Based on their knowledge, the Annual Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the Annual Filings. Based on their knowledge, the annual financial statements, together with the other financial information included in the Annual Filings, fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date and for the periods presented in the Annual Filings.

Under the supervision of the Certification Steering Committee, the effectiveness of DC&P was evaluated. Based upon this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the DC&P were effective as at the end of the fiscal period ended December 31, 2019, and that the design of these DC&P provided reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was communicated to them in a timely manner for the preparation of the Annual Filings, and that information required to be disclosed in its Annual Filings was recorded, processed, summarized and reported within the required time periods.

The President and Chief Executive Officer and the Chief Financial Officer have also designed such ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Under the supervision of the Certification Steering Committee, the effectiveness of ICFR was evaluated.

2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

Based upon this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that ICFR is adequate and effective to provide such assurance as at December 31, 2019.

There has been no change in the Company's ICFR that occurred during the fourth quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

We can qualify 2019 as a good recovery year. Total consolidated revenue closed at \$639.9 million, a 9.4% increase over 2018, while the profit before income taxes jumped back to \$35.1 million in 2019 from some \$21.3 million in 2018, a 64.9% improvement. As a comparison, in 2017, the profit before income taxes was \$33.6 million. The progression of the Company's consolidated adjusted EBITDA⁽¹⁾ was even more impressive with a final \$89.6 million⁽²⁾ for 2019, compared to \$64.2 million in 2018 and \$74.7 million in 2017.

The improvement of our results came from both business segments, but more particularly from our environmental business where the financial improvement of FER-PAL had a positive impact on earnings. With respect to the marine services segment, it benefited from a full-year of activity from the 2018 business combinations.

We actually started 2019 with a few uncertainties: U.S. tariffs and increasing trade tensions with China and Canada, together with the uncertainty related to Brexit, all elements that could influence the flow of cargo and the economy in general. Fortunately, these situations did not create a recession in 2019.

The marine services industry often feels the trends of the economy sooner than other industries. Indeed, the cargo transported will be either transformed or sold, so if the owners of such cargo were to foresee trends ahead, they would adjust their procurement, affecting demand in the marine industry. In this regard, although global container volumes are still growing, the pace has decreased considerably: container growth volumes at the Port of Montréal reached 3.9% in 2019, slower than the 2018 and 2017 rates of 9.2% and 6.2%, respectively. Another indicator of cargo movement is the Baltic Exchange Dry Index, which tracks freight rates for the world's largest cargo ships. In early February 2020, this index dropped to the lowest level since March 2016, apparently influenced, amongst other things, by the outbreak of the coronavirus in China, leading to lower activity from that country. The outbreak which is now spreading to other countries may also lead to lower global trade. These statistics and indices could be early indicators of a slowdown in the global economy. Furthermore, rail barricades in Canada and continued U.S. tariffs could also impact our economy.

Nevertheless, we are cautiously optimistic about our business for 2020. The marine services segment should stay the course and remain stable. Our environmental services segment is also expected to perform well. As mentioned, FER-PAL's financial performance has improved considerably, and we expect even better returns following last year's corrective efforts.

We are particularly proud of the outstanding performance of our Aqua-Pipe technology in its seismic resistance tests. SANEXEN, together with a group of North America's leading environmental public and municipal utility services and the world-renowned research team at Cornell University's School of Civil and Environmental Engineering, subjected the Aqua-Pipe technology to a series of extreme seismic force testing at the university's Geotechnical Lifelines Large-Scale Testing Facility in Ithaca (NY). The resilience achieved by the Aqua-Pipe technology surpassed the facility's maximum testing capacity. Needless to say, many of our targeted customers in the USA were positively impressed by these results, which bodes well for future business.

⁽¹⁾ Adjusted EBITDA is a non-IFRS measure, please refer to the Non-IFRS Measure section on page 27.

⁽²⁾ The 2019 figures reflect the application of IFRS 16 which had a favourable impact of \$13.7 million on the adjusted EBITDA and for which the comparative figures have not been restated. Please refer to Notes 2 and 16 of the 2019 Notes to 2019 for further details.

2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

Our consolidated balance sheet is very sound which positions LOGISTEC favourably for growth opportunities. With this in mind, we have renegotiated our banking facilities in 2019. We are now equipped with a four-year \$300.0 million credit facility, providing us the resources we need to serve our growth ambitions. Indeed, we are still in acquisition mode and are continuing to look at opportunities in both business segments, in order to create value for our 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.

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
Chief Financial Officer

March 17, 2020

Independent Auditors' Report

To the Shareholders of Logistec Corporation

Opinion

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

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Emphasis of Matter – Change in Accounting Policy

We draw attention to Note 2 to the consolidated financial statements which indicates that the Entity has changed its accounting policy for leases and has applied that change using a modified retrospective transition approach.

Our opinion is not modified in respect of this matter.

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 2019.

2019 CONSOLIDATED FINANCIAL STATEMENTS

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditors' report thereon, included in the Annual report 2019 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.

2019 CONSOLIDATED FINANCIAL STATEMENTS

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The logo for KPMG LLP, featuring the letters 'KPMG' in a bold, sans-serif font, followed by 'LLP' in a smaller, similar font. A horizontal line is drawn underneath the text.

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

Montréal, Canada
March 17, 2020

*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	2019 \$	2018 \$
Revenue	4	639,942	584,878
Employee benefits expense	5	(313,091)	(299,682)
Equipment and supplies expense		(169,640)	(156,859)
Operating expense		(43,173)	(46,028)
Other expenses		(31,936)	(29,839)
Depreciation and amortization expense	15, 16, 18	(42,122)	(28,580)
Share of profit of equity accounted investments	14	8,729	8,111
Other gains and losses	6	(1,220)	3,596
Impairment charge	18	—	(6,821)
Operating profit		47,489	28,776
Finance expense	7	(12,854)	(8,046)
Finance income		501	572
Profit before income taxes		35,136	21,302
Income taxes	8	(8,699)	(3,308)
Profit for the year		26,437	17,994
Profit attributable to:			
Owners of the Company		26,194	18,060
Non-controlling interest		243	(66)
Profit for the year		26,437	17,994
Basic earnings per Class A Common Share ⁽¹⁾	9, 24	1.97	1.37
Basic earnings per Class B Subordinate Voting Share ⁽²⁾	9, 24	2.16	1.51
Diluted earnings per Class A share	9, 24	1.92	1.32
Diluted earnings per Class B share	9, 24	2.11	1.45

⁽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	2019 \$	2018 \$
Profit for the year		26,437	17,994
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		(5,916)	9,871
Unrealized gain (loss) on translating debt designated as hedging item of the net investment in foreign operations		3,653	(4,377)
Loss on derivatives designated as cash flow hedges		(174)	(5)
Income taxes relating to derivatives designated as cash flow hedges		47	2
Total items that are or may be reclassified to the consolidated statements of earnings		(2,390)	5,491
Items that will not be reclassified to the consolidated statements of earnings			
Remeasurement (losses) gains on benefit obligation	22	(4,384)	1,850
Variation on retirement plan assets excluding amounts included in profit for the year	22	1,680	(1,637)
Income taxes on remeasurement loss (gain) on benefit obligation and variation on retirement plan assets excluding amounts included in profit for the year	8	719	(41)
Total items that will not be reclassified to the consolidated statements of earnings		(1,985)	172
Share of other comprehensive (loss) income of equity accounted investments, net of income taxes			
Items that will not be reclassified to the consolidated statements of earnings		(26)	118
Total share of other comprehensive (loss) income of equity accounted investments, net of income taxes		(26)	118
Other comprehensive (loss) income for the year, net of income taxes		(4,401)	5,781
Total comprehensive income for the year		22,036	23,775
Total comprehensive income (loss) attributable to:			
Owners of the Company		21,819	23,805
Non-controlling interest		217	(30)
Total comprehensive income for the year		22,036	23,775

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Notes	As at December 31, 2019 \$	As at December 31, 2018 \$
Assets			
Current assets			
Cash and cash equivalents		22,608	15,393
Trade and other receivables	12	156,228	160,067
Contract assets		10,593	14,282
Current income tax assets	8	6,028	2,964
Inventories	13	12,569	10,711
Prepaid expenses and other		5,129	4,899
		213,155	208,316
Non-current assets			
Equity accounted investments	14	42,349	38,005
Property, plant and equipment	15	184,304	181,284
Right-of-use assets	16	89,581	—
Goodwill	17	140,617	142,672
Intangible assets	18	40,735	47,006
Non-current assets		2,417	2,173
Non-current financial assets	19	8,829	6,328
Deferred income tax assets	8	12,751	11,319
Total assets		734,738	637,103
Liabilities			
Current liabilities			
Short-term bank loans	21	—	13,577
Trade and other payables	20	86,217	98,668
Contract liabilities		5,356	5,225
Current income tax liabilities	8	3,131	3,480
Dividends payable	24	1,245	1,973
Current portion of lease liabilities	16	9,820	—
Current portion of long-term debt	21	9,390	3,294
		115,159	126,217
Non-current liabilities			
Lease liabilities	16	81,495	—
Long-term debt	21	168,510	160,003
Deferred income tax liabilities	8	21,156	21,465
Post-employment benefit obligations	22	18,383	14,716
Contract liabilities		2,933	3,333
Non-current liabilities	23	46,088	46,980
Total liabilities		453,724	372,714
Equity			
Share capital	24	40,222	35,016
Share capital to be issued	24	9,811	14,717
Retained earnings		220,641	200,404
Accumulated other comprehensive income	25	9,697	12,061
Equity attributable to owners of the Company		280,371	262,198
Non-controlling interest		643	2,191
Total equity		281,014	264,389
Total liabilities and equity		734,738	637,103

Commitments, contingent liabilities and guarantees

16, 30

See accompanying notes to the consolidated financial statements.

On behalf of the Board

(signed) James C. Cherry
James C. Cherry, FCPA, FCA
Director

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

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Notes	Attributable to owners of the Company						
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income (Note 25) \$	Retained earnings \$	Total \$	Non-controlling interest \$	Total equity \$
Balance as at January 1, 2019		35,016	14,717	12,061	200,404	262,198	2,191	264,389
Profit for the year		—	—	—	26,194	26,194	243	26,437
Other comprehensive (loss) income								
Currency translation differences arising on translation of foreign operations		—	—	(5,890)	—	(5,890)	(26)	(5,916)
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations		—	—	3,653	—	3,653	—	3,653
Remeasurement losses on benefit obligation and return on retirement plan assets, net of income taxes	22	—	—	—	(1,985)	(1,985)	—	(1,985)
Cash flow hedges, net of income taxes		—	—	(127)	—	(127)	—	(127)
Share of other comprehensive income of equity accounted investments, net of income taxes		—	—	—	(26)	(26)	—	(26)
Total comprehensive income (loss) for the year		—	—	(2,364)	24,183	21,819	217	22,036
Remeasurement of written put option liability	23	—	—	—	2,766	2,766	—	2,766
Repurchase of non-controlling interests	23, 28	—	—	—	(35)	(35)	(1,765)	(1,800)
Repurchase of Class A shares	24	(6)	—	—	(381)	(387)	—	(387)
Issuance and repurchase of Class B shares	24	306	—	—	(1,384)	(1,078)	—	(1,078)
Issuance of Class B share capital to a subsidiary shareholder	24	4,906	(4,906)	—	—	—	—	—
Dividends on Class A shares	24	—	—	—	(2,722)	(2,722)	—	(2,722)
Dividends on Class B shares	24	—	—	—	(2,190)	(2,190)	—	(2,190)
Balance as at December 31, 2019		40,222	9,811	9,697	220,641	280,371	643	281,014

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 (Note 25)	Retained earnings	Total	Non-controlling interest	Total equity
		\$	\$	\$	\$	\$	\$	\$
Balance as at January 1, 2018		29,019	19,820	6,606	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	22	—	—	—	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		—	—	5,455	18,350	23,805	(30)	23,775
Remeasurement of written put option liability	23	—	—	—	15,644	15,644	—	15,644
Repurchase of Class A shares	24	(10)	—	—	(174)	(184)	—	(184)
Issuance and repurchase of Class B shares	24	904	—	—	(1,195)	(291)	—	(291)
Issuance of Class B share capital to a subsidiary shareholder	24	5,103	(5,103)	—	—	—	—	—
Other dividend		—	—	—	(776)	(776)	—	(776)
Dividends on Class A shares	24	—	—	—	(2,565)	(2,565)	—	(2,565)
Dividends on Class B shares	24	—	—	—	(2,009)	(2,009)	—	(2,009)
Balance as at December 31, 2018		35,016	14,717	12,061	200,404	262,198	2,191	264,389

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31
(in thousands of Canadian dollars)

	Notes	2019 \$	2018 \$
Operating activities			
Profit for the year		26,437	17,994
Items not affecting cash and cash equivalents	26	55,912	43,823
Cash generated from operations		82,349	61,817
Dividends received from equity accounted investments	14	4,113	4,596
Contributions to defined benefit retirement plans	22	(991)	(1,049)
Settlement of provisions	23	(194)	(359)
Changes in non-cash working capital items	26	(2,049)	4,119
Income taxes paid		(11,947)	(10,037)
		71,281	59,087
Financing activities			
Net change in short-term bank loans		(13,577)	3,747
Issuance of long-term debt, net of transaction costs	21, 26	84,649	134,653
Repayment of long-term debt	21, 26	(66,030)	(62,382)
Repayment of lease liabilities		(9,726)	—
Interest paid		(12,269)	(7,241)
Issuance of Class B shares	24	258	562
Repurchase of Class A shares	24	(387)	(177)
Repurchase of Class B shares	24	(1,635)	(1,349)
Dividends paid on Class A shares	24	(2,703)	(2,505)
Dividends paid on Class B shares	24	(2,161)	(1,947)
		(23,581)	63,361
Investing activities			
Acquisition of property, plant and equipment	15	(34,974)	(16,131)
Acquisition of intangible assets	18	(122)	(208)
Acquisition of other non-current assets		(944)	(286)
Proceeds from disposal of property, plant and equipment	15	1,832	1,416
Proceeds from disposal of other non-current assets		151	215
Business combinations		—	(97,998)
Cash acquired in a business combination		—	2,501
Interest received		439	539
Cash paid to non-controlling interests		(7,972)	(157)
Cash received on other non-current financial assets		211	211
Repayment of other non-current liabilities		(571)	—
		(41,950)	(109,898)
Net change in cash and cash equivalents		5,750	12,550
Cash and cash equivalents, beginning of year		15,393	3,963
Effect of exchange rate on balances held in foreign currencies of foreign operations		1,465	(1,120)
Cash and cash equivalents, end of year		22,608	15,393
Non-cash transactions and supplemental information	26		

See accompanying notes to the consolidated financial statements.

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

(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 34 ports across North America, and offers 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 rehabilitation of underground water mains, soils and materials management, site remediation, risk assessment and manufacturing of woven hoses.

The Company is incorporated in the Province of Québec and is governed by the Québec *Business Corporations Act*. Its shares are listed on the Toronto Stock Exchange (“TSX”) under the ticker symbols LGT.A and LGT.B. The address of its registered office is 360 Saint-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 17, 2020.

2. Summary of Significant Accounting Policies

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

Statement of Compliance

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

Accounting Standard and Interpretation Issued and Adopted

On January 1, 2019, the Company adopted the following standard and interpretation:

IFRS 16 LEASES

IFRS 16 *Leases* (“IFRS 16”) 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. This standard replaces IAS 17 *Leases* (“IAS 17”), IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the substance of transactions in the legal form of a lease*.

The consolidated financial statements have been prepared in accordance with IFRS 16. The Company adopted this standard using the modified retrospective approach, therefore the comparative information has not been restated and continues to be reported under IAS 17. The Company used the practical expedients exemptions for short-term leases, leases for which the underlying asset is of low value and applied a single discount rate to a portfolio of leases with similar remaining lease terms and relied on assessment of the onerous lease provisions, instead of performing an impairment review.

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

The Company used the practical expedients exemptions not to reassess whether a contract is, or contains, a lease as at January 1, 2019. Instead, the Company reviewed and assessed its existing lease arrangements that were previously identified as leases under IAS 17 and, based on the facts and circumstances that existed at that date, concluded that the initial application of IFRS 16 has had the following impact regarding its recognition, measurement and disclosures:

- Record of right-of-use assets of \$76,517 representing the Company's right to use the underlying assets included in lease arrangements;
- Record of lease liabilities (including the current portion) of \$76,517 representing the present value of lease payments, discounted using the interest rate implicit in these lease arrangements;
- Additional disclosures related to IFRS 16 are provided in Note 16.

The following table reconciles the operating lease commitments disclosed under IAS 17 as at December 31, 2018 and the lease liabilities recognized on January 1, 2019:

	January 1, 2019 \$
Operating lease commitment as at December 31, 2018, as disclosed in the Company's consolidated financial statements	85,229
Recognition exemption for short-term and low-value asset leases	(1,587)
Extension and termination options reasonably certain to be exercised	24,322
Variable lease payments based on an index or a rate	(23,672)
Discounted using the incremental weighted average borrowing rate of 4.70%	(7,775)
Lease liabilities recognized as at January 1, 2019	76,517

IFRIC 23 UNCERTAINTIES OVER INCOME TAX TREATMENTS

IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23"), clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes*, when there is uncertainty over income tax treatments.

The consolidated financial statements have been prepared in accordance with IFRIC 23. The Company completed its assessment of the impact of this interpretation and the adoption does not have a material impact on the consolidated financial statements.

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.

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

Basis of Consolidation

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

SUBSIDIARIES

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

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

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

All intra-group transactions, balances, revenue, expenses, and cash flows are eliminated on consolidation until they are realized with a third party. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), 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. ("GSM"), 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., MtiLINK Multimodal Solutions Inc. (85.82% in 2018), Niedner Inc., Pate Stevedore Company, Inc. ("Pate"), 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 a 51.03% investment in FER-PAL (51% in 2018) and a 77.91% investment in LOGISTEC Gulf Coast LLC ("LGC") (70% in 2018). Refer to Note 23 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.

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NON-CONTROLLING INTERESTS

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

EQUITY ACCOUNTED INVESTMENTS

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

JOINT VENTURES

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

ASSOCIATES

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

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

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

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

Revenue Recognition

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

MARINE SERVICES

The Company earns revenue from stevedoring, cargo loading and unloading, container stuffing and destuffing, ship dockage, road transportation, storage and tailgating (truck loading and discharging).

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Revenue from these services is recognized over time as the services are performed during the period between the arrival and departure of the cargo to or from the terminal.

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

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

ENVIRONMENTAL SERVICES

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

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

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

ENVIRONMENTAL GOODS

Revenue from the manufacturing of 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. In contracts under which the Company provides custom products or services and for which it has an enforceable right to payment for performance completed, the criteria for revenue recognition over time are met and, consequently, revenue is recognized under that method.

Foreign Currencies

FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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TRANSACTIONS AND BALANCES

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

Income Taxes

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

CURRENT INCOME TAXES

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

DEFERRED INCOME TAXES

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

DEFERRED INCOME TAX ASSETS

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

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

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

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

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DEFERRED INCOME TAX LIABILITIES

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

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

Cash and Cash Equivalents

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

Trade and Other Receivables

Trade receivables are amounts due from customers for the rendering of services or sale of goods in the normal course of business. Invoices are issued according to contractual terms and are usually payable upon receipt. The period between performance and payments for the performance is generally less than one year. Uninvoiced amounts are presented as contract assets. Trade and other receivables are classified as current assets if payment is due within one year or less. Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost, less impairment. The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within other expenses in the consolidated statements of earnings.

Contract Assets or Contract Liabilities

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

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

The Company used the practical expedients exemptions as allowed by IFRS 15 *Revenue from Contracts with Customers*, therefore no information is provided about the remaining performance obligations as at December 31, 2019 and 2018 that have an original expected duration of one year or less.

Inventories

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

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Property, Plant and Equipment

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

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

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

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

LEASE ARRANGEMENTS – ACCOUNTING POLICY APPLICABLE BEFORE JANUARY 1, 2019

Leases were 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 were retained by the lessor were classified as operating leases. Expenses under an operating lease were recognized in operating expenses 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 were transferred to the Company were classified as finance leases.

Assets held under finance leases were 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 was included in the consolidated statements of financial position as a finance lease obligation and was classified in long-term debt.

Lease payments were 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 was charged directly to the consolidated statements of earnings, unless it was directly attributable to qualifying assets, in which case it was capitalized.

LEASE ARRANGEMENTS – ACCOUNTING POLICY APPLICABLE AFTER JANUARY 1, 2019

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

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SHORT-TERM OR LOW VALUE LEASES

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

ALL OTHER LEASES

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

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

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

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

Government Grants

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

Goodwill

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

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

CGUs to which goodwill has been allocated are tested for impairment annually, except when certain criteria are met, or more frequently when there is an indication that the unit may be impaired. Recoverable amount is the higher of fair value less cost 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

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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
Lease rights and location	15 to 21 years

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

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

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

Impairment of Non-Financial Assets Other Than Goodwill

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

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

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

Post-Employment Benefits

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

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

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

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

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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 FVTPL are recognized immediately in profit or loss.

FINANCIAL ASSETS

CLASSIFICATION

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

The Company elected to apply the simplified impairment approach. Therefore, the Company recognizes lifetime ECL for financial assets that are measured at amortized cost. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected

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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

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

Long-term liabilities due to non-controlling interests included in 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.

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 they are 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.

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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 Amendments issued but not yet applied

A number of new amendments are effective for annual periods beginning on or after January 1, 2020 and earlier application is permitted. The Company has not early adopted these amended standards in preparing these consolidated financial statements:

- Amendments to Hedge Accounting Requirements - IBOR Reform and its Effects on Financial Reporting (Phase 1);
- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8).

These amendments should not 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:

Lease Term and Incremental Borrowing Rate

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

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

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

Business Combinations

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

Impairment of Long-Lived Assets, Including Goodwill

At each reporting date, if any indication of impairment exists for long-lived assets, including goodwill, and at least annually for the goodwill, the Company performs an impairment test to determine if the carrying amounts are recoverable. The impairment review process is subjective and requires significant estimates throughout the analysis. Refer to Note 17 for a discussion on the Company's goodwill impairment test.

Income Taxes

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

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

Contract Assets

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

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Post-Employment Benefits

The actuarial techniques used to assess the value of defined benefit retirement plans involve significant financial (discount rate) and demographic (compensation growth and mortality rates) 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 22 for further details on the significant actuarial assumptions used in the measurement of the Company's net benefit liability.

Long-term Liabilities due to Non-Controlling Interests

The determination of the liability resulting from the written put options granted to FER-PAL's and the liability related to LGC's 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 23 for further details.

Long-Term Incentive Plans

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

4. Revenue

	2019	2018
	\$	\$
Revenue from cargo handling services	382,651	338,790
Revenue from services relating to the rehabilitation of underground water mains	145,660	134,554
Revenue from site remediation and soils and materials management services	81,614	71,042
Revenue from the sale of goods	30,017	40,492
	639,942	584,878

Contract in the scope of IFRIC 12 *Service Concession Arrangements*

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

The contract is for a period of 15 years and the construction of the System was completed in 2016.

Management, maintenance and operating services are spread over a 15-year period and revenues are recognized over that period. They are subject to annual indexation, which will be based on the Consumer Price Index. These services are payable quarterly. In connection with the management, maintenance and operating services, the Company recorded revenue of \$603 (\$606 in 2018).

An amount of \$335 (\$292 in 2018) is recorded in trade and other receivables and an amount of \$222 (\$211 in 2018) is recorded in other financial assets. In addition, an amount of \$3,325 (\$3,547 in 2018), which bears interest at a rate of 5.00%, is included in non-current financial assets.

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5. Employee Benefits Expense

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

	2019	2018
	\$	\$
Wages, salaries and fringe benefits	302,825	290,448
Defined benefit retirement plans (Note 22)	2,060	1,897
Defined contribution retirement plans (Note 22)	3,140	2,706
Government pension plans	3,373	3,149
Other long-term benefits	1,693	1,482
	313,091	299,682

The compensation of key management personnel is further disclosed in Note 28.

6. Other Gains and Losses

	2019	2018
	\$	\$
Net foreign exchange (losses) gains	(2,994)	2,258
Gain on disposal of property, plant and equipment	1,166	838
Gain on remeasurement of a long-term liability due to a non-controlling interest	608	—
Gain on post-closing adjustment for a purchase consideration related to a business combination	—	500
	(1,220)	3,596

7. Finance Expense

	2019	2018
	\$	\$
Interest on short-term bank loans and other interest expense	33	404
Interest on long-term debt	8,861	7,642
Interest on lease liabilities	3,960	—
	12,854	8,046

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8. Income Taxes

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

	2019 \$	2018 \$
Profit before income taxes	35,136	21,302
Less: share of profit of equity accounted investments	(8,729)	(8,111)
Parent company's and subsidiaries' profit before income taxes	26,407	13,191
Income tax expense calculated at the statutory income tax rate of 26.60% (26.70% in 2018)	7,024	3,522
Non-deductible items and other	1,314	1,443
Non-taxable income	—	(341)
Change in deferred tax assets or tax losses not previously recognized	(540)	(943)
Effect of foreign tax differences	177	—
Adjustments in respect of the prior year	724	(373)
Income tax expense recognized in profit or loss	8,699	3,308
Effective income tax rate	32.94%	25.08%

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

	2019 \$	2018 \$
Current income taxes		
Current income tax expense in respect of the current year	8,751	8,697
Adjustments in respect of the prior year	324	18
Deferred income taxes		
Deferred income tax expense recognized in the year	(776)	(5,016)
Adjustments in respect of the prior year	400	(391)
Income tax expense recognized in profit or loss	8,699	3,308

Deferred Income Tax Balances

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

	As at December 31, 2019 \$	As at December 31, 2018 \$
Deferred income tax assets	12,751	11,319
Deferred income tax liabilities	(21,156)	(21,465)
	(8,405)	(10,146)

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

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

Deferred income tax assets	Property, plant and equipment \$	Unused tax losses \$	Post- employment benefits \$	Lease liabilities \$	Other \$	Total \$
As at January 1, 2018	486	5,124	3,540	—	2,979	12,129
Acquisitions through business combinations	—	1,665	—	—	932	2,597
Expense to statement of earnings	358	1,272	179	—	2,370	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	—	6,543	19,284
Expense (benefit) to statement of earnings	158	(190)	(4,397)	20,085	3,600	19,256
Expense (benefit) to statement of comprehensive income	—	—	719	—	47	766
Effect of foreign currency exchange differences	—	222	—	(244)	(295)	(317)
As at December 31, 2019	1,002	8,251	—	19,841	9,895	38,989

Deferred income tax liabilities	Property, plant and equipment \$	Right-of- use assets \$	Contract holdbacks and backlog \$	Intangible assets \$	Other \$	Total \$
As at January 1, 2018	(8,848)	—	(6,046)	(3,401)	(191)	(18,486)
Acquisitions through business combinations	(3,358)	—	—	(7,532)	—	(10,890)
Benefit (expense) to statement of earnings	31	—	2,627	2,312	(3,900)	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)
Benefit (expense) to statement of earnings	(3,490)	(19,634)	708	2,482	1,454	(18,480)
Effect of foreign currency exchange differences	171	239	—	106	—	516
As at December 31, 2019	(16,039)	(19,395)	(2,711)	(6,612)	(2,637)	(47,394)

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Unused Tax Losses

The Company has unused non-capital tax losses in the amount of \$33,570 (\$40,009 in 2018) of which \$3,738 has not been recognized (\$4,681 in 2018). These losses are expiring in the following years:

Year	As at December 31, 2019 \$	As at December 31, 2018 \$
2028 to 2031	558	1,320
2032	1,096	1,221
2033	950	2,583
2034	3,071	6,397
2035	3,321	5,587
2036	1,841	3,691
2037	6,975	13,157
2038	662	6,053
2039	3,296	—
Indefinite	11,800	—

Tax benefits of \$8,251 (\$8,219 in 2018) have been recorded related to unused non-capital tax losses, including \$4,489 (\$5,552 in 2018) from foreign subsidiaries. The Company also has \$1,935 (\$5,755 in 2018) of unrecognized capital losses and deductible temporary differences that may be carried forward indefinitely. As at December 31, 2019, 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.

9. 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:

	2019	2018
Profit attributable to owners of Class A shares, basic (\$)	14,540	10,145
Profit attributable to owners of Class B shares, basic (\$)	11,654	7,915
	26,194	18,060
Weighted average number of Class A shares outstanding, basic	7,388,122	7,402,697
Weighted average number of Class B shares outstanding, basic	5,383,398	5,250,558
	12,771,520	12,653,255
Basic earnings per Class A share	1.97	1.37
Basic earnings per Class B share	2.16	1.51
Profit attributable to owners of Class A shares, diluted (\$)	14,152	9,753
Profit attributable to owners of Class B shares, diluted (\$)	12,042	8,307
	26,194	18,060
Weighted average number of Class A shares outstanding, diluted	7,388,122	7,402,697
Weighted average number of Class B shares outstanding, diluted	5,715,329	5,732,050
	13,103,451	13,134,747
Diluted earnings per Class A share	1.92	1.32
Diluted earnings per Class B share	2.11	1.45

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10. 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 is calculated as follows:

	As at December 31, 2019 \$	As at December 31, 2018 \$
Short-term bank loans	—	13,577
Long-term debt, including the current portion	177,900	163,297
Total indebtedness	177,900	176,874
Less:		
Cash and cash equivalents	22,608	15,393
Total net indebtedness	155,292	161,481
Equity attributable to owners of the Company	280,371	262,198
Capitalization	435,663	423,679
Ratio of net indebtedness/capitalization	35.6%	38.1%

As at December 31, 2019, 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, trade and other receivables and non-current financial assets. Management believes the credit risk is limited for its cash and cash equivalents as the Company deals with major North American financial institutions.

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

Overall, the Company serves some 2,200 customers. In 2019, the 20 largest customers account for 39.7% (35.9% in 2018) of consolidated revenue, and not a single customer accounts for more than 10% of consolidated revenue and trade receivables in 2019 and 2018.

Allowance for doubtful accounts and past due receivables are reviewed by management on a monthly basis. Refer to Note 12 for further details.

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

LIQUIDITY RISK

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

The following are the contractual maturities of financial obligations:

As at December 31, 2019	Carrying amount \$	Contractual cash flows ⁽¹⁾ \$	Less than 1 year \$	1-3 years \$	More than 3 years \$
Trade and other payables	86,217	86,217	86,217	—	—
Dividends payable	1,245	1,245	1,245	—	—
Lease liabilities	91,315	123,759	13,593	23,153	87,013
Long-term debt	177,900	190,744	11,842	10,758	168,144
Non-current liabilities	46,088	52,565	1,673	19,529	31,363
	402,765	454,530	114,570	53,440	286,520
As at December 31, 2018	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	98,668	98,668	98,668	—	—
Dividends payable	1,973	1,973	1,973	—	—
Long-term debt	163,297	180,691	11,331	113,851	55,509
Non-current liabilities	46,980	53,969	1,046	19,989	32,934
	324,495	348,878	126,595	133,840	88,443

⁽¹⁾ Includes principal and interest.

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

MARKET RISK

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

INTEREST RATE RISK

The Company is exposed to market risk related to interest rate fluctuations because a portion of its long-term debt bear interest at floating rates. The Company manages this risk by maintaining a mix of

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fixed and floating rate borrowings in accordance with the Company's policies. The Company had an interest rate swap contract with the Company's main bank for an original principal notional amount of \$25,000 which was settled on October 31, 2019, following the renegotiation of the credit agreement. The interest rate swap contract was designated as a cash flow hedge to swap the floating rate of its debts to a fixed rate, thus decreasing the Company's sensitivity to interest rate fluctuations. As at December 31, 2018, the degressive notional principal amount of the outstanding interest rate swap contract was \$18,750. The floating interest rate on the interest rate swap was CDOR and the fixed interest rate was 1.80%. The Company continues to monitor opportunities to reduce interest rate risk.

SENSITIVITY ANALYSIS

As at December 31, 2019, the floating rate portion of the Company's long-term debt is 70.5% (64.7% in 2018). 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, 2019 would have had a negative impact of \$1,253 (\$870 in 2018) on profit for the year. A hypothetical variation of -1.0% in the prime interest rate would have had the opposite impact on profit for the year.

FOREIGN EXCHANGE RISK

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

During 2019, 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 \$2,649 (\$2,194 in 2018) on profit for the year and a positive impact of \$11,991 (\$12,189 in 2018) 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, 2019, a total of \$95,209 or US\$73,306 (\$78,058 or US\$57,121 in 2018) of cash and cash equivalents and trade and other receivables is denominated in foreign currencies. As at December 31, 2019, a total of \$61,711 or US\$47,514 (\$46,313 or US\$33,889 in 2018) of trade and other payables is denominated in foreign currencies.

Fair Value of Financial Instruments

As at December 31, 2019 and 2018, the estimated fair values of cash and cash equivalents, trade and other receivables, short-term bank loans, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in non-current financial assets, was not significantly different from their carrying value as at December 31, 2019 and 2018, 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 \$921 higher than its carrying value as at December 31, 2019 (\$300 higher in 2018) as a result of a change in financial conditions of similar instruments available to the Company. The fair value of long-term debt is determined using the discounted future cash flows method and management's estimates for market interest rates for identical or similar issuances.

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

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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, 2019, no financial instruments were recorded at fair value and transferred between levels 1, 2 and 3.

Sensitivity analysis

On December 31, 2019, 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 \$2,923 in retained earnings for the year ended December 31, 2019 and an increase of the same amount in total liabilities. A 10.0% decrease of pre-established financial performance threshold would have had the opposite estimated impact.

11. Financial Instruments

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

Carrying amount	As at December 31, 2019 \$	As at December 31, 2018 \$
Financial assets classified at amortized cost		
Cash and cash equivalents	22,608	15,393
Trade and other receivables	156,228	160,067
Non-current financial assets	8,829	6,177
	187,665	181,637
Financial liabilities classified at amortized cost		
Short-term bank loans	—	13,577
Trade and other payables	86,217	98,668
Dividends payable	1,245	1,973
Long-term debt, including current portion	177,900	163,297
Non-current liabilities	46,088	46,980
	311,450	324,495

The fair value of the Company's financial instruments is disclosed in Note 10.

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12. Trade and Other Receivables

	As at December 31, 2019 \$	As at December 31, 2018 \$
Trade receivables	125,389	125,365
Allowance for doubtful accounts	(3,053)	(2,364)
Contract holdbacks	16,248	18,956
Net trade receivables	138,584	141,957
Accrued revenue	11,985	10,720
Commodity taxes	1,664	1,566
Insurance reimbursement receivable related to claims	1,633	1,055
Other	2,362	4,769
	156,228	160,067

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

	As at December 31, 2019 \$	As at December 31, 2018 \$
0-30 days	56,528	39,393
31-60 days	32,379	39,183
61-90 days	16,635	26,305
Over 90 days ⁽¹⁾	33,042	37,076
	138,584	141,957

⁽¹⁾ Includes contract holdbacks amounting to \$11,200 (\$12,428 in 2018).

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

	2019 \$	2018 \$
Balance, beginning of year	2,364	4,053
Bad debt expense	1,410	1,126
Write offs	(721)	(2,815)
Balance, end of year	3,053	2,364

Credit risk exposure and mitigation are further discussed in Note 10.

13. Inventories

	As at December 31, 2019 \$	As at December 31, 2018 \$
Consumables	6,251	5,274
Raw materials	2,412	1,932
Work in progress	3,332	3,098
Finished goods	574	407
	12,569	10,711

The cost of inventories recognized as an expense during the year is \$45,935 (\$51,795 in 2018) and was recorded in equipment and supplies expense in the consolidated statements of earnings.

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14. 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., Québec Mooring Inc., Moorings (Trois-Rivières) Ltd., Québec Maritime Services Inc., 9260-0873 Québec Inc. and Flexiport Mobile Docking Structures Inc. The Company also owns 49%-equity interests in Qikiqtaaluk Environmental Inc. and Avataani Environmental Services Inc.

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

The Company has one significant joint venture, TERMONT Terminal Inc., specialized in handling containers, which is aligned with the Company's core business. The address of TERMONT Terminal Inc.'s registered office is Port of Montréal, Section 68, P.O. Box 36, Station K, Montréal (QC) H1N 3K9, Canada.

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

	2019	2018
	\$	\$
Statement of financial position		
Current assets (including cash and cash equivalents of \$2,455 (\$1,973 in 2018))	3,870	3,432
Non-current assets ⁽¹⁾	85,108	44,786
Current liabilities	(787)	(543)
Non-current liabilities ⁽¹⁾	(36,816)	—
Net assets	51,375	47,675
The Company's share of net assets presented as an equity accounted investment	25,694	23,841
Results		
Revenue	3,914	3,714
Share of profit of an equity accounted investment	6,006	6,907
Interest expense ⁽¹⁾	(1,749)	—
Interest income ⁽¹⁾	1,783	29
Income taxes	(797)	(760)
Profit and total comprehensive income for the year	8,204	8,984
The Company's share of profit and total comprehensive income for the year	4,102	4,492
Dividend received by the Company	2,250	2,250

⁽¹⁾ Increases in non-current assets, non-current liabilities, interest expense and interest income are related to the application of IFRS 16.

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

	2019	2018
	\$	\$
Carrying amount of interests in individually immaterial joint ventures	16,655	14,164
Profit for the year	4,627	3,619
Other comprehensive (loss) income	(43)	114
Total comprehensive income for the year	4,584	3,733
Dividends received by the Company	1,863	2,346

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15. Property, Plant and Equipment

Cost	Land and buildings \$	Machinery and automotive equipment \$	Computer equipment, furniture and fixtures \$	Leasehold improvements \$	Construction in progress \$	Total \$
As at January 1, 2018	66,747	174,384	3,873	11,101	9,955	266,060
Additions	131	5,433	291	1,206	7,820	14,881
Additions through business combinations	3,347	20,248	615	353	—	24,563
Disposals	(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	210,197	4,580	13,942	2,956	305,292
Additions	36	24,121	85	20	10,295	34,557
Disposals	(803)	(9,468)	(18)	(10)	—	(10,299)
Transfers	2,003	7,978	271	792	(11,044)	—
Effect of foreign currency exchange differences	(971)	(4,108)	(83)	(519)	(41)	(5,722)
As at December 31, 2019	73,882	228,720	4,835	14,225	2,166	323,828

Accumulated depreciation	Land and buildings \$	Machinery and automotive equipment \$	Computer equipment, furniture and fixtures \$	Leasehold improvements \$	Construction in progress \$	Total \$
As at January 1, 2018	10,082	87,448	3,038	4,775	—	105,343
Depreciation expense	2,022	19,441	1,136	823	—	23,422
Disposals	(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
Depreciation expense	2,734	22,075	364	1,102	—	26,275
Disposals	(795)	(7,969)	(2)	(56)	—	(8,822)
Effect of foreign currency exchange differences	(156)	(1,498)	(78)	(205)	—	(1,937)
As at December 31, 2019	14,749	114,518	4,019	6,238	—	139,524

Carrying amount	Land and buildings \$	Machinery and automotive equipment \$	Computer equipment, furniture and fixtures \$	Leasehold improvements \$	Construction in progress \$	Total \$
As at December 31, 2018	60,651	108,287	845	8,545	2,956	181,284
As at December 31, 2019	59,133	114,202	816	7,987	2,166	184,304

As at December 31, 2019, the Company has no property, plant and equipment under order, not yet delivered (\$1,601 in 2018).

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16. Lease Arrangements

Leases relate to lease agreements to rent offices, port facilities, and equipment that expire until 2039. 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.

Right-of-use assets

Carrying amount	Land and buildings \$	Machinery and automotive equipment \$	Computer equipment, furniture and fixtures \$	Total \$
As at January 1, 2019	69,102	7,201	214	76,517
Additions	28,479	892	339	29,710
Derecognition	(2,336)	(45)	(11)	(2,392)
Depreciation expense	(9,190)	(2,290)	(88)	(11,568)
Effect of foreign currency exchange differences	(2,413)	(265)	(8)	(2,686)
As at December 31, 2019	83,642	5,493	446	89,581

Lease liabilities

	As at December 31, 2019 \$
Contractual undiscounted cash flows	
Less than 1 year	13,593
Between 1 and 5 years	41,405
More than 5 years	68,761
Total undiscounted lease liabilities	123,759
Lease liabilities as at December 31, 2019	
Current	9,820
Non-current	81,495

Amount recognized in the consolidated statements of earnings

Leases under IFRS 16	2019 \$
Interest on lease liabilities	3,960
Expense related to variable lease payments, short-term and low-value assets not included in the measurement of lease liabilities	34,312
	38,272
Operating leases under IAS 17	2018 \$
Minimum lease payments	18,032
Variable payments	16,920
	34,952

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17. Goodwill

	As at December 31, 2019 \$	As at December 31, 2018 \$
Cost, beginning of year	143,972	106,918
Business combinations (Note 27)	—	33,629
Effect of foreign currency exchange differences	(2,055)	3,425
Cost, end of year	141,917	143,972
Accumulated impairment losses	(1,300)	(1,300)
Net carrying amount	140,617	142,672

Impairment Testing

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

	As at December 31, 2019 \$	As at December 31, 2018 \$
Carrying amount		
Stevedoring	48,306	50,361
Aqua-Pipe	86,445	86,445
Environment	5,681	5,681
Agencies	185	185
	140,617	142,672

The recoverable amount of all CGUs or groups of CGUs has been determined based on value in use, which is calculated by discounting five-year cash flow projections from the budget approved by the Board of Directors covering a one-year period. These cash flow projections reflect past experience and future expectations of financial performance. A growth rate of 3.0% (3.0% in 2018) 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 8.95% (12.80% in 2018) for Stevedoring and 8.95% (12.46% in 2018) for Aqua-Pipe and Environment. The decrease in the discount rate is mainly attributable to the adoption of IFRS 16, which has modified the debt/capitalization ratio used in this calculation.

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18. Intangible Assets

Cost	Lease rights and location \$	Client relationships and backlog \$	Computer software \$	Total \$
As at January 1, 2018	16,980	20,388	1,961	39,329
Additions	—	62	146	208
Addition through business combinations (Note 27)	14,632	24,106	1,099	39,837
Impairment charge and disposal	(6,821)	—	—	(6,821)
Effect of foreign currency exchange differences	2,608	2,025	460	5,093
As at December 31, 2018	27,399	46,581	3,666	77,646
Additions	—	—	122	122
Effect of foreign currency exchange differences	(1,313)	(1,430)	(371)	(3,114)
As at December 31, 2019	26,086	45,151	3,417	74,654

Accumulated amortization	Lease rights and location \$	Client relationships and backlog \$	Computer software \$	Total \$
As at January 1, 2018	4,754	17,824	1,848	24,426
Amortization expense	1,906	2,820	432	5,158
Effect of foreign currency exchange differences	465	214	377	1,056
As at December 31, 2018	7,125	20,858	2,657	30,640
Amortization expense	1,374	2,270	635	4,279
Effect of foreign currency exchange differences	(406)	(208)	(386)	(1,000)
As at December 31, 2019	8,093	22,920	2,906	33,919

Carrying amount	Lease rights and location \$	Client relationships and backlog \$	Computer software \$	Total \$
As at December 31, 2018	20,274	25,723	1,009	47,006
As at December 31, 2019	17,993	22,231	511	40,735

Accumulated Impairment Losses

	2019 \$	2018 \$
Balance, beginning of year	9,738	2,917
Impairment charge on lease rights and location of the Company's marine services segment	—	6,821
Balance, end of year	9,738	9,738

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During 2018, the Company has performed an impairment test for a CGU (port logistics activities in Virginia) which had an indication that assets might be impaired and recorded an impairment charge of \$6,821. The depreciation was explained by a decrease in profitability of 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 were based on actual operating results, expected growth rates of the sector and management's experience. 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%.

19. Non-Current Financial Assets

	As at December 31, 2019 \$	As at December 31, 2018 \$
Non-current financial assets	6,225	3,547
Contract holdbacks	2,600	2,627
Other	4	154
	8,829	6,328

20. Trade and Other Payables

	As at December 31, 2019 \$	As at December 31, 2018 \$
Trade payables and accrued liabilities	75,918	81,394
Payroll accruals	4,741	5,284
Due to a non-controlling interest	—	6,137
Provisions (Note 23)	593	823
Other	4,965	5,030
	86,217	98,668

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21. Indebtedness

Short-term bank loans

As at December 31, 2018, FER-PAL had 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 was due on demand and was bearing 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. Short-term bank loans have been repaid in full in 2019.

Long-term debt

	As at December 31, 2019 \$	As at December 31, 2018 \$
Revolving credit facility, bearing interest at bankers' prime rate and/or acceptance and LIBOR loans, with no principal repayment required until October 2023. The weighted average interest rate was 3.54% at December 31, 2019 ⁽¹⁾	115,003	104,527
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	50,000
Term credit facilities, bearing interest at prime rate plus 0.25% to 0.75%, with maturities ranging up to 4 years from the advance date ⁽³⁾	10,333	574
Non-interest-bearing government loan, maturing in 2022	1,200	1,600
Loan for equipment purchases bearing interest from 0.50% to 6.20%	1,364	3,932
Other	—	2,664
	177,900	163,297
Less:		
Current portion	9,390	3,294
	168,510	160,003

⁽¹⁾ As of October 31, 2019, the Company and its wholly owned subsidiary, LOGISTEC USA Inc., solidarily renegotiated their credit agreement leading to an amendment to the existing credit agreement.

The credit facility details are as follows:

- The unsecured revolving credit facility was increased from \$175,000 to \$300,000 or the U.S. dollar equivalent, with maturity in October 2023.
- The unsecured revolving credit facility is to be used for short-term and long-term cash flow needs and investment purposes, and to refinance existing indebtedness. The facility can be used in the form of direct advances, bankers' acceptances, and letters of credit. As at December 31, 2019, US\$50,049 (\$65,004) 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 leverage ratio achieved by the Company.

⁽²⁾ The unsecured long-term debt details are as follows:

- A \$25,000 unsecured loan maturing in September 2027, and bearing 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 maturing in September 2027, and bearing 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 June 28, 2019, FER-PAL, extended their credit agreement to \$21,750 by refinancing the overdraft lending facility and adding a demand loan.

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The credit facility details are as follows:

- A \$10,000 overdraft facility due on demand, to be used for operating requirements. The facility can be used in the form of overdrafts, bankers' acceptances and letters of credit. The advances are based on accounts receivable's estimated worth of good quality.
- A demand loan for an amount of \$10,000 due over 48 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 of its current and future assets.

Long-term debt matures as follows:

	As at December 31, 2019	As at December 31, 2018
Total principal repayments required	\$	\$
Less than 1 year	9,390	3,294
Between 1 and 5 years	141,010	121,339
More than 5 years	27,500	38,664
	177,900	163,297

Hedging instruments

During the year ended December 31, 2019, an average amount of US\$50,583 (\$66,962) of the revolving 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, 2019, there was no impact on the consolidated statements of earnings. Consequently, a foreign exchange loss of \$3,653 was reclassified to other comprehensive income.

22. 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, 2019, has been extrapolated using the projected benefit obligation based on the latest actuarial valuations.

The last actuarial valuation for the Supplemental Retirement Plans for Senior Executives ("SERP") 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 15.7 years.

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

	2019 \$	2018 \$
Benefit obligation, beginning of year	(33,703)	(34,387)
Current service cost	(1,548)	(1,498)
Interest cost	(1,345)	(1,215)
Employees' contributions	(114)	(126)
Actuarial (loss) gain arising from experience adjustments	(4,464)	2,046
Benefits paid	1,765	1,477
Benefit obligation, end of year	(39,409)	(33,703)
Fair value of plan assets, beginning of year	19,371	20,606
Interest income	762	717
Variation on plan assets, excluding amounts included in interest income	1,906	(1,736)
Administrative fees	(16)	(13)
Employer's contributions ⁽¹⁾	1,079	1,148
Employees' contributions	114	126
Benefits paid	(1,765)	(1,477)
Fair value of plan assets, end of year	21,451	19,371
Net benefit liability, end of year ⁽²⁾	(17,958)	(14,332)

⁽¹⁾ Employer's contributions include contributions made by an equity accounted investment of the Company of \$83 (\$96 in 2018).

⁽²⁾ Post-employment benefit obligations in the consolidated statements of financial position include \$425 (\$384 in 2018) 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 ⁽¹⁾		Total	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Benefit obligation	(22,634)	(20,377)	(16,775)	(13,326)	(39,409)	(33,703)
Fair value of plan assets	21,451	19,371	—	—	21,451	19,371
Plan deficit	(1,183)	(1,006)	(16,775)	(13,326)	(17,958)	(14,332)

⁽¹⁾ The unfunded plans consist of SERP. As at December 31, 2019, the plan deficit for the Canadian executives is \$15,819 (\$12,700 in 2018) and \$956 (\$626 in 2018) for the American executives. The SERP are non-contributory and the Company plans to fund the benefits with future cash flows that will be generated by operations.

Plan assets consist of:

	As at December 31, 2019 \$	As at December 31, 2018 \$
Derived from observable market data – Level 2 fair value		
Cash	—	147
Bonds	7,950	7,263
Canadian & foreign stock	10,281	8,874
Non-observable market inputs – Level 3 fair value		
Annuity contracts	3,220	3,087
	21,451	19,371

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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:

	2019 \$	2018 \$
Current service cost	1,548	1,498
Net interest expense	583	499
Administrative fees	16	13
	2,147	2,010
Less: net expense assumed by an equity accounted investment of the Company	(87)	(113)
Defined benefit cost recognized	2,060	1,897
Net expense on defined contribution retirement plans	3,140	2,706
Net expense for all defined benefit and defined contribution retirement plans	5,200	4,603

Significant Actuarial Assumptions

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

	2019 %	2018 %
Accrued benefit liability		
Discount rate, end of year	3.3	4.0
Expected rate of compensation increase	3.8	3.8
Benefit cost		
Discount rate	4.0	3.5
Expected rate of compensation increase	3.8	3.8

SENSITIVITY ANALYSIS

As at December 31, 2019, all else being equal, a hypothetical variation of +1.0% in the discount rate would have a positive impact of \$5,574 (\$4,535 in 2018), whereas a hypothetical variation of -1.0% would have a negative impact of \$6,623 (\$5,698 in 2018) on the benefit obligation.

As at December 31, 2019, all else being equal, a hypothetical variation of +1.0% in the expected rate of compensation increase would have a negative impact of \$1,294 (\$1,155 in 2018), whereas a hypothetical variation of -1.0% would have a positive impact of \$1,224 (\$1,075 in 2018) on the benefit obligation.

Contributions to Retirement Plans

Total cash payments for post-employment benefits for 2019, 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 \$1,505 (\$1,463 in 2018).

The Company expects to make a contribution of \$932 to the defined benefit retirement plans in 2020.

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23. Non-Current Liabilities

	As at December 31, 2019 \$	As at December 31, 2018 \$
Long-term liability due to a non-controlling interest in FER-PAL	29,231	32,783
Long-term liability due to a non-controlling interest in SANEXEN (Note 24)	6,394	5,765
Long-term liability due to a non-controlling interest in LGC	1,079	2,399
Long-term incentive plans	2,541	4,197
Advance due to a non-controlling interest	4,895	—
Provisions	1,013	790
Other	935	1,046
	46,088	46,980

Repurchase of Non-Controlling Interests

FER-PAL

Following the business combination of FER-PAL on July 6, 2017, the Company granted the 49% non-controlling interest shareholders a put option, exercisable at any time after July 6, 2021, allowing them to sell all the remaining shares to LOGISTEC in three equal tranches over three fiscal years for cash consideration based on a predetermined purchase price formula based on FER-PAL's performance. On December 31, 2019, FER-PAL repurchased 0.03% interest held by the non-controlling interest for an aggregate purchase price of \$786. As at December 31, 2019, following the accretion of interest and the reevaluation of the put option, a liability of \$29,231 has been included in non-current liabilities in the consolidated statements of financial position. For the year ended December 31, 2019, the Company recognized a gain on remeasurement of \$2,766 (\$15,644 in 2018) in retained earnings.

The Company also has a call option, exercisable by LOGISTEC at any time after July 6, 2022, to purchase the remaining 48% shares from the non-controlling interest shareholders on the same terms as the put option.

LGC

The Company has an obligation to repurchase the 30% non-controlling interest shareholders in LGC on December 31, 2021, at the latest, or sooner upon the occurrence of certain events. The purchase price is the greater of: i) the book value of the 30% non-controlling interests or ii) a multiple of an agreed upon measure of financial performance, minus LGC's debt. On August 9, 2019, the Company repurchased 7.91% interest in LGC held by the non-controlling interest for an aggregate purchase price of \$610. For the year ended December 31, 2019, the Company recognized a gain on remeasurement of \$608 in other gains and losses in the consolidated statements of earnings. As at December 31, 2019, a liability of \$1,079 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.

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Provisions

	Claims and litigation \$	Deferred share units \$	Share of losses of certain joint ventures \$	Other \$	Total \$
As at December 31, 2018	623	136	480	374	1,613
Additional provisions	517	347	—	172	1,036
Settlement of provisions	(194)	—	(229)	(3)	(426)
Reversal of provisions	(508)	—	—	(109)	(617)
As at December 31, 2019	438	483	251	434	1,606
Less: current provisions	438	—	—	155	593
Non-current provisions	—	483	251	279	1,013

Other provisions include provisions for warranty and provisions for asset retirement obligations. Provisions for asset retirement obligations essentially derive from the obligation to remove assets and to restore the sites under lease arrangements expiring until 2025.

Reimbursements

An amount of \$1,633 (\$1,055 in 2018) 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.

24. 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, 2019 \$	As at December 31, 2018 \$
Issued and outstanding ⁽¹⁾		
7,383,622 Class A shares (7,392,722 in 2018)	4,879	4,885
5,396,901 Class B shares (5,273,334 in 2018)	35,343	30,131
	40,222	35,016

⁽¹⁾ All issued and outstanding shares are fully paid.

Repurchase of the Non-Controlling Interest in SANEXEN

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 SANEXEN 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.

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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 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 2019, 148,567 Class B shares were issued to acquire Class H shares of SANEXEN. As at December 31, 2019, there are 297,135 Class B shares to be issued and the related amount recorded in the Company’s financial statements as share capital to be issued is \$9,811.

The balances are as follows:

	As at December 31, 2019 \$	As at December 31, 2018 \$
Non-current liabilities	6,394	5,765
Share capital to be issued	9,811	14,717

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. There remains an unallocated balance of 180,000 Class B shares reserved for issuance pursuant to the plan. There were no outstanding options as at December 31, 2019 and 2018.

Employee Stock Purchase Plan (“ESPP”)

Pursuant to the ESPP, 600,000 Class B shares were reserved for issuance. As at January 1, 2019, there remained an unallocated balance of 208,500 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 other month as shall be determined by the Board, which shall be the month preceding the date of issuance), less a maximum 10% discount. A non-interest-bearing loan offered by the Company is available to acquire said shares. The loans are reimbursed over a two-year period by way of payroll deductions. As at December 31, 2019, following the issuance of 14,800 (23,250 in 2018) Class B shares under this ESPP, there remains an unallocated balance of 193,700 Class B shares reserved for issuance pursuant to this ESPP. Those 14,800 (23,250 in 2018) Class B shares were issued for cash consideration of \$258 (\$562 in 2018) and for non-interest-bearing loans of \$298 (\$489 in 2018), repayable over two years with a carrying value of \$328 as at December 31, 2019 (\$482 in 2018).

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

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 28, 2019, and will terminate on October 27, 2020, LOGISTEC intends to repurchase for cancellation purposes, up to 369,296 Class A shares and 270,195 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 15, 2019.

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

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

Shares repurchased by bid	Class A shares	Class B shares	Class A shares Average price \$	Class B shares Average price \$
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
Repurchase in 2019	6,800	32,800	42.71	41.16
Total NCIB 2018	9,800	52,500	44.43	44.16
NCIB 2019 (October 28, 2019 to October 27, 2020)				
Repurchase in 2019	2,300	7,000	41.78	40.52
Total NCIB 2019	2,300	7,000	41.78	40.52
Shares repurchased by year			Class A shares	Class B shares
2018				
NCIB 2017			700	7,800
NCIB 2018			3,000	19,700
Total 2018			3,700	27,500
2019				
NCIB 2018			6,800	32,800
NCIB 2019			2,300	7,000
Total 2019			9,100	39,800

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

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, 2018	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
Repurchased under the NCIBs	(9,100)	(39,800)	(6)	(250)
ESPP	—	14,800	—	556
Exercise of option pursuant to the SANEXEN Transaction	—	148,567	—	4,906
As at December 31, 2019	7,383,622	5,396,901	4,879	35,343

Dividends

Details of dividends declared per share are as follows:

	2019 \$	2018 \$
Class A shares	0.37	0.35
Class B shares	0.41	0.38

Details of dividends paid per share are as follows:

	2019 \$	2018 \$
Class A shares	0.37	0.34
Class B shares	0.40	0.37

On March 17, 2020, the Board of Directors declared a dividend of \$0.09350 per Class A share and \$0.10285 per Class B share, which will be paid on April 17, 2020, to all shareholders of record as of April 3, 2020. The estimated dividend to be paid is \$690 on Class A shares and \$555 on Class B shares.

25. Accumulated Other Comprehensive Income, Net of Taxes

	As at December 31, 2019 \$	As at December 31, 2018 \$
Gains on financial instruments designated as cash flow hedges	8	135
Currency translation differences arising on translation of foreign operations	10,414	16,304
Unrealized losses on translating debt designated as hedging item of the net investment in foreign operations	(725)	(4,378)
	9,697	12,061

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

26. Consolidated Statements of Cash Flows

Items not Affecting Cash and Cash Equivalents

	2019	2018
	\$	\$
Defined benefit and defined contribution retirement plan expense	2,099	1,922
Depreciation and amortization expense	42,122	28,580
Share of profit of equity accounted investments	(8,729)	(8,111)
Finance expense	12,854	8,046
Finance income	(501)	(572)
Current income taxes	9,075	8,715
Deferred income taxes	(376)	(5,407)
Non-current assets	(2,650)	173
Contract liabilities	(400)	(400)
Non-current liabilities	3,749	1,727
Impairment charge (Note 18)	—	6,821
Other	(1,331)	2,329
	55,912	43,823

Changes in Non-Cash Working Capital Items

	2019	2018
	\$	\$
Decrease (increase) in:		
Trade and other receivables	8,034	9,881
Income taxes	(808)	(1,323)
Prepaid expenses and other	(231)	979
Inventories	(1,861)	1,297
Increase (decrease) in:		
Trade and other payables	(7,313)	(8,528)
Contract liabilities	130	1,813
	(2,049)	4,119

Non-Cash Transactions

During 2019, the Company acquired property, plant and equipment, of which \$400 (\$817 in 2018) is unpaid at the end of the year.

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

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 2019:

	Opening		Cash changes		Non-cash changes	Non-cash changes	Ending
	December 31, 2018	Repayments	Borrowings	Debt from acquisitions/ adjustments	Borrowings	Foreign exchange	December 31, 2019
	\$	\$	\$	\$	\$	\$	\$
Revolving credit facility	104,527	(58,660)	72,917	—	—	(3,781)	115,003
Unsecured loan debt	50,000	—	—	—	—	—	50,000
Term credit facility	574	(2,449)	11,634	614	—	(40)	10,333
Government loan	1,600	(400)	—	—	—	—	1,200
Equipment loan	3,932	(1,920)	98	(688)	—	(58)	1,364
Lease liabilities	—	(9,726)	—	—	103,800	(2,759)	91,315
Other	2,664	(2,601)	—	(13)	—	(50)	—
Total	163,297	(75,756)	84,649	(87)	103,800	(6,688)	269,215

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

27. Business Combinations

2019 Business Combinations

On October 31, 2019, the Company acquired the remaining 14.18% interest in MtlLINK Multimodal Solutions Inc. for a cash consideration of \$1,800.

2018 Business Combinations

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 (\$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.

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

Prior to the acquisition, a note receivable of US\$4,000 (\$5,067) 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\$4,000 (\$5,067) as reimbursement of the note receivable.

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

PATE

On May 25, 2018, the Company acquired 100% ownership of Pate for a purchase price of US\$9,599 (\$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.

As at March 30, 2019, the Company finalized estimates of the fair value of assets acquired and liabilities assumed. Consequently, intangible assets were increased by \$5,620, property, plant and equipment was increased by \$1,945 and current assets were decreased by \$177 with an offsetting adjustment to goodwill in the amount of \$7,388. The comparative figures of the consolidated statements of financial position have been changed accordingly.

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	1,093	24,908
Property, plant and equipment	18,410	6,039	24,449
Goodwill ⁽¹⁾	30,229	3,400	33,629
Intangible assets	34,170	5,667	39,837
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

⁽¹⁾ The goodwill related to the acquisition of Pate is deductible for tax purposes.

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 and Pate are final.

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 totaled \$598,735 and \$18,718, respectively.

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

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.

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.

28. 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:

	2019	2018
	\$	\$
Sale of services	7,174	3,910
Purchase of services	767	845

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Amounts owed to joint ventures	1,736	3,249
Amounts owed from joint ventures	2,929	975

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

Transactions with Shareholders

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

	2019	2018
	\$	\$
Dividends paid to Sumanic Investments Inc.	2,125	1,963

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:

	2019	2018
	\$	\$
Short-term benefits	4,684	7,966
Post-employment benefits	209	758
Other long-term benefits	(250)	1,030
	4,643	9,754

⁽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 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

29. Segmented Information

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

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

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

Industry Segments

REVENUE, RESULTS AND OTHER INFORMATION

	Marine services \$	Environmental services \$	Total \$
2019			
Revenue	385,305	254,637	639,942
Depreciation and amortization expense	29,803	12,319	42,122
Share of profit of equity accounted investments	7,463	1,266	8,729
Finance expense	9,581	3,273	12,854
Finance income	277	224	501
Profit before income taxes	25,338	9,798	35,136
Acquisition of property, plant and equipment	26,114	8,443	34,557
	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 (loss) before income taxes	21,713	(411)	21,302
Acquisition of property, plant and equipment, including business combinations	28,588	10,856	39,444

NOTES TO 2019 CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2019 and 2018

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

ASSETS AND LIABILITIES

	Marine services \$	Environmental services \$	Total \$
2019			
Total assets	463,823	270,915	734,738
Equity accounted investments	40,419	1,930	42,349
Total liabilities	323,674	130,050	453,724
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

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 \$
2019	329,031	310,911	639,942
2018	327,236	257,642	584,878
Non-current assets ⁽¹⁾			
As at December 31, 2019	259,185	240,818	500,003
As at December 31, 2018	231,466	179,674	411,140

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

30. Contingent Liabilities and Guarantees

As at December 31, 2019, the Company has outstanding letters of credit for an amount of \$3,695 (\$3,820 in 2018) relating to financial guarantees issued in the normal course of business. These letters of credit mature within the next 12 months.

The Company, together with one of its partners, severally guarantees the obligations of a lease arrangement in one of its joint ventures. The guarantee is limited to a cumulative amount of \$2,199 (\$4,319 in 2018).

As at December 31, 2019, the Company has contingent liabilities totalling \$1,941 (\$1,879 in 2018) for contingent obligations to remove assets and to restore sites under lease arrangements.

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

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

DIRECTORS AND OFFICERS

Directors

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

Serge Dubreuil, Eng. ⁽¹⁾
Consultant
Corporate Director

Curtis Jay Foltz ⁽¹⁾
Consultant
Corporate Director

George Gugelmann ⁽²⁾
Private Investor

George R. Jones ⁽²⁾
Corporate Director

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

Nicole Paquin
Vice-President, Information Systems
LOGISTEC Corporation

Suzanne Paquin ⁽³⁾
President
Transport Nanuk Inc.

J. Mark Rodger ^{(2) (3)}
Partner
Borden Ladner Gervais LLP

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

Dany St-Pierre ⁽²⁾
President
Cleantech Expansion LLC

Luc Villeneuve, FCPA, FCA ^{(1) (3)}
Corporate Director

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Governance and Human Resources Committee

⁽³⁾ Member of the Executive Committee

Officers

James C. Cherry, FCPA, FCA
Chairman of the Board

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

Jean-Claude Dugas, CPA, CA
Chief Financial Officer
Assistant-Secretary

Stéphane Blanchette, CHRP
Vice-President, Human Resources

Nicole Paquin
Vice-President, Information Systems

Marie-Chantal Savoy
Vice-President, Strategy and Communications

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

Suzanne Paquin
Vice-President

Carl Delisle, CPA, CA
Vice-President
Corporate Controller

Mathieu Brunet, CPA, CGA
Treasurer

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.
Québec Maritime Services Inc.
Québec 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.

Independent Auditor

KPMG LLP

Banks

Bank of Montréal
BMO Harris Bank
Canadian Imperial Bank of Commerce
Fédération des Caisses Desjardins du Québec
HSBC Bank Canada
National Bank of Canada
Royal Bank of Canada
The Bank of Nova Scotia
The Toronto-Dominion Bank

Transfer Agent and Registrar

Computershare Investor Services Inc.
1500 Robert-Bourassa Blvd.
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Shares Listed

Toronto Stock Exchange

Head Office

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Annual General and Special Meeting of Shareholders

Wednesday, May 6, 2020 at 11:30 a.m.

National Bank of Canada, 600 de La Gauchetière Street West, 4th Floor, Montréal (QC)

Ticker Symbols

LGT.A and LGT.B

Trademarks

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

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