



2017 ANNUAL REPORT

A Message from **Alain Bédard**

Dear Fellow Shareholders and Colleagues:

Our improved profitability and strong cash flow in 2017 reflect the successful implementation of our primary mission to continually create and unlock shareholder value. The North American economic recovery combined with our rigorous focus on operational efficiency led to strong bottom line growth in all of our businesses with the exception of our U.S. Truckload operations. Looking ahead, we are optimistic that our diversified businesses should be clear beneficiaries of economic expansion and tightening capacity in the trucking and logistics industries, and the resulting rate increases.

However, at TFI International we continually strive to optimize our business, regardless of economic conditions. Thus, during 2017 we focused on operational efficiencies, asset rationalization, and tight cost controls. We further strengthened our balance sheet through a strategic \$135.7 million sale and leaseback transaction and through \$86.4 million of debt reduction. As a result of the strengthening economy and our own internal accomplishments, we were able to return significant capital to our shareholders through both share buybacks and dividends.

TFI International generated total revenue from continuing operations of \$4.7 billion in 2017, or \$4.3 billion before fuel surcharge, which was up 15.6% from the prior year. Growth was partially offset by lingering weakness especially in U.S. Truckload operations, along with fluctuations in foreign exchange rates.

Operating income from continuing operations was \$243.7 million, reflecting a margin of 5.7% of revenue before fuel surcharge, versus 6.7% last year. The lower margin was primarily the result of U.S. Truckload operations, where we have made a concerted effort to improve performance which is beginning to yield results. Outside of U.S. Truckload, our organic profitability growth was strong. Net income from continuing operations increased to \$158.0 million, or \$1.70 per diluted share which was a 3.7% improvement over the prior year's \$1.64.

Our net cash from operating activities from continuing operations was one of the year's highlights, reaching \$372.6 million, up 10% from 2016. We used \$74.6 million of our excess cash flow

in net repayment to reduce long-term debt, further bolstering our balance sheet which remains a source of stability and strategic strength for us. We returned another \$150.6 million to shareholders over the course of the year through \$81.6 million of share repurchases and another \$69.0 million in the form of dividends. In December, we raised our quarterly dividend another 11%.

TFI has for many years had a successful acquisition strategy, which has allowed countless smaller companies to benefit from the financial and operational resources that come from being underneath the TFI International umbrella, all while adding to our capabilities, our route density and our world class management team. Any acquisition activity we pursue in the near future would involve smaller, accretive acquisitions, with a focus on being highly disciplined with our shareholders' capital. Well-managed, asset-light operations would remain our principal target. Whether it's acquisitions, debt reduction or further investment in our organic business, our overarching goal is to invest in high return-on-capital initiatives that maximize our already strong cash flow.

I wish to thank our many employees who continue to embrace and thrive under our effective, decentralized operating structure. Their emphasis on delivering innovative, value-added solutions for our customers, and the dedication they bring to the job each day, are the building blocks for TFI's continued success. I also want to express my sincere appreciation to our shareholders for joining us on our journey, and to our Board of Directors for their guidance, perspective and unwavering commitment to creating shareholder value.



Alain Bédard

*Chairman of the Board,
President and Chief Executive Officer*

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2017



GENERAL INFORMATION

The following is TFI International Inc.'s management discussion and analysis ("MD&A"). Throughout this MD&A, the terms "Company" and "TFI International" shall mean TFI International Inc., and shall include its independent operating subsidiaries. This MD&A provides a comparison of the Company's performance for its three-month period and year ended December 31, 2017 with the corresponding three-month period and year ended December 31, 2016 and it reviews the Company's financial position as of December 31, 2017. It also includes a discussion of the Company's affairs up to February 20, 2018, which is the date of this MD&A. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes as at and for the year ended December 31, 2017.

In this document, all financial data are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in Canadian dollars, and the term "dollar", as well as the symbols "\$" and "C\$", designate Canadian dollars unless otherwise indicated. Variances may exist as numbers have been rounded. This MD&A also uses non-IFRS financial measures. Refer to the section of this report entitled "Non-IFRS Financial Measures" for a complete description of these measures.

The Company's audited consolidated financial statements have been approved by its Board of Directors ("Board") upon recommendation of its audit committee on February 20, 2018. Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints for maintaining the confidentiality of certain information that, if published, would probably have an adverse impact on the competitive position of the Company.

Additional information relating to the Company can be found on its website at www.tfiintl.com. The Company's continuous disclosure materials, including its annual and quarterly MD&A, annual and quarterly consolidated financial statements, annual report, annual information form, management proxy circular and the various press releases issued by the Company are also available on its website or directly through the SEDAR system at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The Company may make statements in this report that reflect its current expectations regarding future results of operations, performance and achievements. These are "forward-looking" statements and reflect management's current beliefs. They are based on information currently available to management. Words such as "may", "could", "should", "would", "believe", "expect", "anticipate" and words and expressions of similar import are intended to identify these forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those presently anticipated or projected.

The Company wishes to caution readers not to place undue reliance on any forward-looking statements which reference issues only as of the date made. The following important factors could cause the Company's actual financial performance to differ materially from that expressed in any forward-looking statement: the highly competitive market conditions, the Company's ability to recruit, train and retain qualified drivers, fuel price variations and the Company's ability to recover these costs from its customers, foreign currency fluctuations, the impact of environmental standards and regulations, changes in governmental regulations applicable to the Company's operations, adverse weather conditions, accidents, the market for used equipment, changes in interest rates, cost of liability insurance coverage, downturns in general economic conditions affecting the Company and its customers, and credit market liquidity.

The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation subsequently to revise or update any previously made forward-looking statements unless required to do so by applicable securities laws. Unanticipated events are likely to occur. Readers should also refer to the section "Risks and Uncertainties" at the end of this MD&A for additional information on risk factors and other events that are not within the Company's control. The Company's future financial and operating results may fluctuate as a result of these and other risk factors.

SELECTED FINANCIAL DATA AND HIGHLIGHTS

(unaudited) (in thousands of dollars, except per share data)	Fourth quarters ended December 31		Years ended December 31	
	2017	2016	2017	2016
Revenue before fuel surcharge	1,058,990	1,036,446	4,281,823	3,704,488
Fuel surcharge	123,481	101,288	459,196	320,720
Total revenue	1,182,471	1,137,734	4,741,019	4,025,208
Adjusted EBITDA from continuing operations ¹	131,017	127,943	514,481	442,351
Operating income from continuing operations ¹	66,770	69,717	243,724	249,265
Net income	120,192	45,339	157,988	639,579
Net income from continuing operations	120,192	46,387	157,988	157,059
Adjusted net income from continuing operations ¹	54,645	50,609	192,571	187,391
Net cash from operating activities from continuing operations	116,148	109,815	372,601	337,908
Free cash flow from continuing operations ¹	102,432	98,038	376,487	288,340
Per share data				
EPS – diluted	1.31	0.48	1.70	6.70
EPS from continuing operations – diluted	1.31	0.49	1.70	1.64
Adjusted EPS from continuing operations – diluted ¹	0.60	0.54	2.08	1.96
Free cash flow from continuing operations ¹	1.14	1.07	4.16	3.08
Dividends	0.21	0.19	0.78	0.70
As a percentage of revenue before fuel surcharge				
Adjusted EBITDA margin ¹	12.4%	12.3%	12.0%	11.9%
Depreciation of property and equipment	4.6%	4.1%	4.9%	3.8%
Amortization of intangible assets	1.5%	1.5%	1.4%	1.4%
Operating margin	6.3%	6.7%	5.7%	6.7%
Operating ratio ¹	93.7%	93.3%	94.3%	93.3%

¹ Refer to the section "Non-IFRS financial measures".

Q4 Highlights

- Total revenue from continuing operations increased by \$44.7 million from Q4 2016, or 4%, to \$1,182.5 million.
- Operating income from continuing operations decreased 4%, or \$2.9 million from the same quarter last year, mainly as a result of a weak performance from its U.S. Truckload ("TL") operations.
- A decrease in income tax expense of \$76.1 million was recorded as an income tax recovery arising from a reduction in deferred income tax liabilities as a result of the U.S. tax reform.
- Net income was \$120.2 million, compared to \$45.3 million in Q4 2016. The increase is mainly due to the reduction in income tax expense. The diluted earnings per share (diluted "EPS") were up 173% to \$1.31, compared to 48 cents in the prior year period.
- Adjusted net income¹, a non-IFRS measure, increased \$4.0 million mainly from business acquisitions. Adjusted diluted EPS from continuing operations¹, a non-IFRS measure, increased 11% to 60 cents from 54 cents in Q4 2016.
- The Company's long-term debt remained relatively stable at \$1,498.4 million compared to last quarter.
- The Company returned \$47.7 million to shareholders during the quarter, of which \$17.1 million was through dividends and \$30.6 million through share repurchases. The weighted average number of common shares was 2% lower in this quarter compared to last year's same quarter.
- On October 31, 2017, TFI International completed the acquisition of Premier Product Management ("PPM"). Based in California, PPM provides home delivery services of household appliances in the United States.
- On December 11, 2017, the Board approved an 11% dividend increase to 21 cents per share over its previous quarterly dividend of 19 cents per share.

ABOUT TFI INTERNATIONAL

Services

TFI International is a North American leader in the transportation and logistics industry, operating across the United States, Canada and Mexico through its subsidiaries. TFI International creates value for shareholders by identifying strategic acquisitions and managing a growing network of wholly-owned operating subsidiaries. Under the TFI International umbrella, companies benefit from financial and operational resources to build their businesses and increase their efficiency. TFI International companies service the following reportable segments:

- Package and Courier;
- Less-Than-Truckload;
- Truckload;
- Logistics.

Seasonality of operations

The activities conducted by the Company are subject to general demand for freight transportation. Historically, demand has been relatively stable with the first quarter being generally the weakest in terms of demand. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

Human resources

The Company has 17,044 employees who work in TFI International's different business segments across North America. This compares to 17,685 employees as of December 31, 2016. The year-over-year decrease of 641 is attributable to rationalizations affecting 1,029 employees mainly in the Less-Than-Truckload ("LTL") and TL segments offset by business acquisitions (+388). The Company believes that it has a relatively low turnover rate among its employees in Canada, a normal turnover rate in the U.S., and that its employee relations are very good.

Equipment

The Company has the largest trucking fleet in Canada and a significant presence in the U.S. market. As at December 31, 2017, the Company had 7,058 power units, 24,617 trailers and 9,074 independent contractors. This compares to 8,265 power units, 25,310 trailers and 10,270 independent contractors as at December 31, 2016. The decreases in power units are due to fleet reduction mainly in the U.S. TL businesses.

Terminals

TFI International's head office is in Montréal, Québec and its executive office is located in Etobicoke, Ontario. As at December 31, 2017, the Company had 391 terminals. Of these, 274 are located in Canada, 172 and 102, respectively, in Eastern and Western Canada. The Company also had 105 terminals in the United States and 12 terminals in Mexico. This compares to 398 terminals as at December 31, 2016. In the last twelve months, 29 terminals were added from business acquisitions and the terminal consolidation decreased the total number of terminals by 36, mainly in the Package and Courier and TL segments. In Q4 2017, the Company closed nine sites.

Customers

The Company has a diverse customer base across a broad cross-section of industries with no single client accounting for more than 5% of consolidated revenue. Because of its customer diversity, as well as the wide geographic scope of the Company's service offering and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry is not expected to have a material adverse impact on the operations of the Company. The Company forged strategic partnerships with other transport companies in order to extend its service offering to customers across North America.

Revenue by Top Customers' Industry (54% of total revenue)	
Retail	31%
Manufactured Goods	15%
Metals & Mining	7%
Building Materials	7%
Automotive	6%
Energy	6%
Food & Beverage	6%
Services	5%
Forest Products	4%
Chemicals & Explosives	3%
Waste Management	3%
Maritime Containers	3%
Others	4%

(As at December 31, 2017)

CONSOLIDATED RESULTS

This section provides general comments on the consolidated results of operations. A more detailed analysis is provided in the "Segmented results" section.

2017 business acquisitions

In line with the Company's growth strategy, the Company acquired seven businesses during 2017, notably World Courier Ground U.S. ("World Courier Ground"), Cavalier Transportation Services Inc. ("Cavalier"), Les entreprises Dupont 1972 Inc. ("Dupont") and Premier Product Management ("PPM").

On January 13, 2017, the Company completed the acquisition of World Courier Ground, the U.S. ground transportation division of World Courier. Established in 1983, World Courier Ground is an asset light, time critical courier provider. Operating nationally across the U.S., the company offers same-day courier, rush trucking and warehousing services primarily to the medical industry, as well as to the environmental, financial, chemical and industrial sectors. World Courier Ground management continues to operate the business under the new name TForce Critical.

On January 28, 2017, the Company completed the acquisition of Cavalier. Established in 1979, Cavalier's operations consist of LTL services, brokerage and warehousing. Based in Bolton, Ontario, Cavalier serves corridors primarily between Ontario, Quebec, New York and Illinois.

On May 28, 2017, the Company completed the acquisition of Dupont, a specialty truckload business based on the south shore of Montreal. Dupont is Quebec's leading bulk cement transport company, also serving Ontario, the Maritimes, Labrador and the northeastern United States with its expert team and state-of-the-art equipment.

On October 31, 2017, the Group completed the acquisition of PPM. Based in California, PPM provides home delivery services of household appliances in the United States. Based on historical information, PPM is expected to generate US\$27.0 million in annual revenue for the Logistics segment.

These transactions were concluded in order to add density in the Company's current network and further expand value-added services. The seven acquired businesses contributed revenue of \$137.6 million in 2017.

Revenue from continuing operations

TFI International reported a revenue increase from continuing operations mainly as a result of business acquisitions offset by revenue declines in existing operations. For the fourth quarter ended December 31, 2017, total revenue from continuing operations increased by \$44.7 million, or 4%, to \$1,182.5 million from \$1,137.7 million in Q4 2016. The contribution from business acquisitions was \$126.2 million, while revenue declines in existing operations totalled \$81.5 million, or 7%. This reduction was due to a net decrease in revenue before fuel surcharge of \$74.1 million and a negative currency impact of \$15.4 million offset by a fuel surcharge increase of \$8.0 million. The average exchange rate used to convert TFI International's revenue generated in U.S. dollars was 4.7% lower this quarter (C\$1.2709) than it was for the same quarter last year (C\$1.3341). With respect to revenue before fuel surcharge from existing operations, decreases were mainly attributable to the Package and Courier and the U.S. TL operating segments.

For the year ended December 31, 2017, total revenue from continuing operations increased by \$715.8 million, or 18%, to \$4.74 billion from \$4.03 billion in 2016. The contribution from business acquisitions of \$824.1 million and higher fuel surcharge was offset by decreases in revenue from existing operations. On a year to date basis, the currency movements had a negative impact of \$26.9 million, or 0.7%, on revenue from continuing operations.

Operating expenses from continuing operations

For the fourth quarter, the Company's operating expenses from continuing operations increased by \$47.7 million, or 4%, from \$1,068.0 million in Q4 2016 to \$1,115.7 million in Q4 2017. The increase is mainly attributable to business acquisitions for \$123.0 million offset by decreases in existing operations as a result of revenue decrease.

Excluding business acquisitions, operating expenses decreased by \$75.3 million, or 7%, in line with the revenue decline from existing operations. Particularly, materials and services expenses and personnel expenses decreased respectively 6% and 11% as a result of volume decline, rationalization and terminal optimization achieved in the previous quarters. Other operating expenses, which are primarily composed of costs related to offices' and terminals' rent, taxes, heating, telecommunications, maintenance and security and other general administrative expenses increased mainly as a result of the sale-and-leased back transactions completed earlier in 2017, which increased rent expense by \$1.9 million.

For the three-month period ended December 31, 2017, depreciation of property and equipment increased by \$5.3 million. Excluding business acquisitions, depreciation of property and equipment decreased by \$1.5 million, or 3%, as a result of the sale-and-leased back transactions and the Company's consistent focus on adjusting capacity to match fluctuations in demand and to optimize capital allocation by using more subcontractors. For the same period, intangible asset amortization increased by \$0.7 million, on a consolidated basis, due to business acquisitions offset by decreases from existing operations.

The Company recorded lower gains on its recurring sale of rolling stock and equipment compared to last year (Q4 2017 showed a loss of \$0.6 million and Q4 2016 showed a gain of \$4.1 million). The recurring gain that the Company normally generates from its sales of rolling stock and equipment was reduced by losses generated during this quarter by the fleet renewal plan for CFI, acquired in Q4 2016, and a softer market for used equipment. The losses pertaining to CFI are not expected to continue as most of its fleet renewal plan is complete.

The operating ratio¹, a non-IFRS measure, was 93.7% in this quarter, compared to 93.3% for Q4 2016. This ratio was negatively impacted by a lower contribution from the U.S. TL operating segment. Excluding business acquisitions, the operating ratio remained at 93.3% as a result of strict expense management despite the revenue decline.

For the year ended December 31, 2017, operating expenses from continuing operations increased by \$721.4 million, or 19%, from \$3.78 billion in 2016 to \$4.50 billion in 2017. The increase is mainly attributable to business acquisitions, for \$837.2 million, offset by decreases due to lower revenue from existing operations.

Operating income from continuing operations

For the fourth quarter, TFI International's operating income from continuing operations decreased by \$2.9 million to \$66.8 million compared to \$69.7 million in 2016 and the operating margin decreased 0.4% as a percentage of revenue before fuel surcharge from 6.7% in Q4 2016 to 6.3% in Q4 2017. Lower gains on sale of rolling stock and equipment represent 0.3% of the decrease. Material and services expenses net of fuel surcharge improved by 0.8% as a percentage of revenue before fuel surcharge from operating efficiencies, which were offset by higher personnel expenses and depreciation in percentage of revenue before fuel surcharge mainly attributable to business acquisitions.

¹ Refer to the section "Non-IFRS financial measures".

Management's consistent focus on the quality of revenue may have slightly reduced revenue before fuel surcharge, but this strategy in conjunction with cost control benefited the Company. As a percentage of revenue before fuel surcharge, the operating margin from existing operations and excluding the lower gain on sale of rolling stock and equipment increased by 0.2% as a percentage of revenue before fuel surcharge.

For the year ended December 31, 2017, TFI International's operating income from continuing operations decreased by \$5.6 million to \$243.7 million compared to \$249.3 million in 2016. The decrease is attributable to an operating loss from business acquisitions of \$13.2 million offset by improvement from existing operations' operating income for \$7.6 million.

The negative contribution from business acquisitions is mainly attributable to CFI, primarily operating in the challenging U.S. TL market. In addition to the sluggish freight environment, CFI incurred one-time transitional and rebranding costs of \$17.6 million caused by its separation from XPO Logistics, the previous owner. Furthermore, an aggressive replacement program for its rolling stock has been put in place and is almost completed, resulting in higher equipment relocation expenses. CFI operating losses were mostly generated in the first three quarters of the year but has recorded improved results in Q4.

Gain on sale of property from continuing operations

The gain on sale of property, which is accounted for in gain or loss on sale of land and buildings and in gain or loss of sale of assets held for sale in the consolidated statements of income, was \$77.7 million in 2017, compared to \$8.9 million in 2016. In Q3 TFI International unlocked shareholder value with a sale and leaseback transaction on selected real estate assets. The all-cash transaction of \$135.7 million, which included two facilities in each of Montreal and Toronto, resulted in a pre-tax gain of \$69.8 million. The group of properties included in the transaction represented less than 20% of the net book value of the Company's total real estate portfolio.

Impairment of intangible assets from continuing operations

For the year ended December 31, 2017, impairment of intangible assets was \$143.0 million. The non-cash impairment charges of 2017 were \$13.2 million for an impairment to the Dynamex trade name recorded in the first quarter, and \$129.8 million for a goodwill impairment in the U.S. TL operating segment recorded in Q2 due to a weak performance resulting from downward pricing pressures experienced by the industry as a result of high competitiveness, limited economic activity growth and upward cost pressures adversely impacting operating cost per mile and operating margins.

At December 31, 2017, the Company performed its goodwill impairment tests for operating segments, the results determined that the recoverable amounts of the Company's operating segments exceeded their respective carrying amounts.

Finance income and costs from continuing operations

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2017	2016	2017	2016
Finance costs (income)				
Interest expense on long-term debt	13,102	11,931	56,758	41,201
Interest income and accretion on promissory note	(725)	(652)	(2,638)	(2,374)
Net foreign exchange (gain) loss	(10)	(1,207)	2,491	2,110
Net change in fair value of foreign exchange derivatives	(126)	(129)	(1,247)	(1,392)
Net change in fair value of interest rate derivatives	193	(2,692)	(365)	6,232
Others	1,063	4,015	6,076	9,105
Net finance costs	13,497	11,266	61,075	54,882

Interest expense on long-term debt

Interest expense on long-term debt for the three-month period and year ended December 31, 2017 increased by \$1.2 million and \$15.6 million, respectively, mainly due to higher borrowings as a result of the Q4 2016 significant business acquisitions.

Net foreign exchange gain or loss and net investment hedge

The Company designates as a hedge a portion of its U.S. dollar denominated debt held against its net investments in U.S. operations. This accounting treatment allows the Company to offset the designated portion of foreign exchange gain (or loss) of its debt against the foreign exchange loss (or gain) of its net investments in U.S. operations and present them in other comprehensive income. Net foreign exchange gains or losses recorded in income or loss are attributable to the U.S. dollar portion of the Company's credit facility not designated as a hedge and to other financial assets and liabilities denominated in foreign currencies. For the three-month period and year ended December 31, 2017, \$1.9 million of foreign exchange losses and \$25.1 million of foreign exchange gains, respectively (\$1.7 million and \$21.8 million net of tax, respectively), were recorded to other comprehensive income as net investment hedge.

Net change in fair value of derivatives and cash flow hedge

The Company designates, as a hedge of the variable interest rate instruments, the interest rate derivatives. Therefore the effective portion of changes in fair value of the derivatives is recognized in other comprehensive income. For the three-month period and year ended December 31, 2017, \$2.3 million and \$5.4 million of gain on change in fair value of interest rate derivatives, respectively (\$1.7 million and \$3.9 million net of tax, respectively), was recorded to other comprehensive income as a change in the fair value of the cash flow hedge.

The Company's derivative financial instruments, which are used to mitigate foreign exchange and interest rate risks, saw their fair values increase by \$2.2 million in Q4 2017, of which \$2.3 million was designated as cash flow hedge, while in the same quarter last year their fair values increased by \$2.8 million. For the year ended December 31, 2017, their fair values increased by \$7.0 million, of which \$5.4 million was designated as cash flow hedge, compared to a loss of \$4.8 million in the same period in 2016. The derivatives' fair values are subject to market price fluctuations in foreign exchange and interest rates.

Others

The other financial expenses mainly comprise bank charges, the net change in fair value of the Company's deferred share unit liability and the reclassification to income of gain on investment in equity securities.

Income tax expense from continuing operations

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("U.S. tax reform"). The U.S. tax reform reduces the U.S. federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. As a result of the U.S. tax reform, the Company's net deferred income tax liability decreased by \$76.1 million.

The U.S. Tax Reform introduces other important changes to U.S. corporate income tax laws that may significantly affect the Company's in future years including, the creation of a new Base Erosion Anti-abuse Tax (BEAT) that subjects certain payments from U.S. corporations to foreign related parties to additional taxes, and limitations to the deduction for net interest expense incurred by U.S. corporations. Future regulations and interpretations to be issued by U.S. authorities may also impact the Company's estimates and assumptions used in calculating its income tax provisions.

For the three-month period ended December 31, 2017, the effective tax rate was -128.6%. The income tax recovery of \$67.6 million reflects an \$81.7 million favourable variance versus an anticipated income tax expense of \$14.1 million based on the Company's statutory tax rate of 26.8%. The favourable variance is mainly due to variation in tax rate for \$76.1 million as a result of the U.S. tax reform and to positive differences between the statutory rate and the effective rates in other jurisdictions of \$4.3 million.

For the year ended December 31, 2017, the effective tax rate was -34.7%. The income tax recovery of \$40.6 million reflects a \$72.0 million favourable variance versus an anticipated income tax expense of \$31.4 million based on the Company's statutory tax rate of 26.8%. The favourable variance is mainly due to variation in tax rate for \$76.1 million as a result of the U.S. tax reform, to positive differences between the statutory rate and the effective rates in other jurisdictions of \$21.4 million, and to positive variance from non-taxable income, mainly capital gains, of \$10.5 million, offset by the non-tax effected goodwill impairment, which negative variance was \$34.8 million and to tax on multi-jurisdiction distributions, of \$2.7 million. The more significant favourable variance from effective rates in other jurisdictions is attributable, in part, to the impairment of intangible assets portion attributable to the U.S. operations. Having a higher effective tax rate, this charge reduces the income tax expense in a larger proportion compared to the Company's statutory tax rate of 26.8%.

The table below presents the 2017 income tax reconciliation excluding the non-tax effected goodwill impairment recorded in Q2 2017 and the impact of the U.S. tax reform:

(unaudited) (in thousands of dollars)	Year ended December 31, 2017	
	%	\$
Income before income tax		117,346
Goodwill impairment		129,770
Income before goodwill impairment and income tax		247,116
Income tax using the Company's statutory tax rate	26.8%	66,227
Increase (decrease) resulting from:		
Rate differential between jurisdictions	-8.7%	(21,443)
Variation in tax rate	0.0%	(109)
Non-deductible expenses	1.1%	2,719
Tax exempt income	-4.3%	(10,513)
Adjustment for prior years	-1.7%	(4,091)
Tax on multi-jurisdiction distributions	1.1%	2,702
	14.3%	35,492

Net income from discontinued operations

As a result of the divestiture of its Waste Management segment, which was completed on February 1, 2016, and the Company's decision to cease its operations in rig moving services in 2015, these two operating segments have been reclassified and presented on a net basis as discontinued operations in the consolidated statements of income and cash flows.

For the three-month period and year ended December 31, 2017, no income from discontinued operations was recorded. Last year, the net income from discontinued operations for the year ended December 31, 2016 was \$482.5 million and included a pre-tax gain on sale of the Waste Management segment in the amount of \$559.2 million or \$490.8 million net of tax.

Net income and adjusted net income from continuing operations

(unaudited) (in thousands of dollars, except per share data)	Fourth quarters ended December 31		Years ended December 31	
	2017	2016	2017	2016
Net income	120,192	45,339	157,988	639,579
Amortization of intangible assets related to business acquisitions, net of tax	10,122	9,234	38,346	32,744
Net change in fair value of derivatives, net of tax	49	(2,068)	(1,182)	3,546
Net foreign exchange (gain) loss, net of tax	(7)	(884)	1,826	1,546
(Gain) loss on sale of land and buildings and assets held for sale, net of tax	424	(2,060)	(66,710)	(7,504)
Impairment of intangible assets, net of tax	—	—	138,438	—
U.S. tax reform	(76,135)	—	(76,135)	—
Net (income) loss from discontinued operations	—	1,048	—	(482,520)
Adjusted net income from continuing operations¹	54,645	50,609	192,571	187,391
Adjusted EPS from continuing operations¹ – basic	0.61	0.55	2.13	2.00
Adjusted EPS from continuing operations¹ – diluted	0.60	0.54	2.08	1.96

¹ Refer to the section "Non-IFRS financial measures".

For the three-month period ended December 31, 2017, TFI International's net income was \$120.2 million compared to \$45.3 million in Q4 2016. The increase of \$74.9 million is mainly attributable to the income tax recovery recorded as a result of the U.S. tax reform for \$76.1 million. The Company's adjusted net income from continuing operations¹, a non-IFRS measure, which excludes items listed in the above table, was \$54.6 million for the fourth quarter compared to \$50.6 million in Q4 2016, up 8% or \$4.0 million. The adjusted EPS from continuing operations, fully diluted, increased by 11% to 60 cents.

For the year ended December 31, 2017, TFI International's net income was \$158.0 million compared to \$639.6 million for 2016. The decrease is mainly attributable to last year's net income from discontinued operations of \$482.5 million (pre-tax gain on sale of the Waste Management segment in the amount of \$559.2 million or \$490.8 million net of tax) and to the 2017 intangible impairment charge of \$138.4 million, net of tax, offset by the income tax recovery recorded as a result of the U.S. tax reform for \$76.1 million and by higher gain on sale of property. The Company's adjusted net income from continuing operations, which excludes these items, increased by \$5.2 million to \$192.6 million for the year ended December 31, 2017.

SEGMENTED RESULTS

For the purpose of this section, adjusted EBITDA from continuing operations refer to the same definitions as in the section "Non-IFRS financial measures" for the consolidated results. Also, to facilitate the comparison of business level activity and operating costs between periods, the Company compares the revenue before fuel surcharge ("revenue") and reallocates the fuel surcharge revenue to materials and services expenses within operating expenses. Note that "Total revenue" is not affected by this reallocation.

Selected segmented financial information from continuing operations

(unaudited) (in thousands of dollars)	Package and Courier	Less-Than- Truckload	Truckload	Logistics	Corporate	Eliminations	Total
Q4 2017							
Revenue before fuel surcharge	317,331	194,777	480,011	78,982	—	(12,111)	1,058,990
% of total revenue ¹	29%	19%	45%	7%			100%
Adjusted EBITDA	44,050	21,881	68,556	8,173	(11,643)	—	131,017
Adjusted EBITDA margin ²	13.9%	11.2%	14.3%	10.3%			12.4%
Operating income (loss)	35,804	14,260	22,692	6,214	(12,200)	—	66,770
Operating margin ²	11.3%	7.3%	4.7%	7.9%			6.3%
Net capital expenditures ^{3,4}	(14,124)	3,694	24,510	(462)	98		13,716
Q4 2016 (recasted)							
Revenue before fuel surcharge	342,016	181,347	461,360	65,574	—	(13,851)	1,036,446
% of total revenue ¹	32%	18%	44%	6%			100%
Adjusted EBITDA	40,638	20,541	70,011	8,195	(11,442)	—	127,943
Adjusted EBITDA margin ²	11.9%	11.3%	15.2%	12.5%			12.3%
Operating income (loss)	32,254	13,309	29,032	7,112	(11,990)	—	69,717
Operating margin ²	9.4%	7.3%	6.3%	10.8%			6.7%
Net capital expenditures ⁵	2,096	969	7,659	1	1,052		11,777
2017							
Revenue before fuel surcharge	1,267,300	799,189	1,965,315	299,525	—	(49,506)	4,281,823
% of total revenue ¹	28%	19%	46%	7%			100%
Adjusted EBITDA	158,101	83,346	274,868	31,833	(33,667)	—	514,481
Adjusted EBITDA margin ²	12.5%	10.4%	14.0%	10.6%			12.0%
Operating income (loss)	124,406	52,350	77,349	25,534	(35,915)	—	243,724
Operating margin ²	9.8%	6.6%	3.9%	8.5%			5.7%
Total assets	651,345	556,807	2,232,157	221,439	65,880		3,727,628
Net capital expenditures ⁴	(6,931)	(139,769)	142,060	(17)	771		(3,886)
2016 (recasted)							
Revenue before fuel surcharge	1,291,331	732,124	1,501,224	236,609	—	(56,800)	3,704,488
% of total revenue ¹	34%	20%	40%	6%			100%
Adjusted EBITDA	146,798	77,405	226,358	25,627	(33,837)	—	442,351
Adjusted EBITDA margin ²	11.4%	10.6%	15.1%	10.8%			11.9%
Operating income (loss)	113,040	47,899	102,511	21,750	(35,935)	—	249,265
Operating margin ²	8.8%	6.5%	6.8%	9.2%			6.7%
Total assets	700,749	635,233	2,440,148	175,190	75,233		4,026,553
Net capital expenditures ⁵	10,151	6,078	35,620	(3,774)	1,493		49,568

¹ Before eliminations, except for the total.

² As a percentage of revenue before fuel surcharge.

³ Additions to property and equipment, net of proceeds from sale of property and equipment and assets held for sale.

⁴ YTD 2017 net capital expenditures include proceeds from the sale of property for consideration of \$19.5 million in the Package and Courier segment (\$19.5 million in Q4) of \$148.9 million in the LTL segment (\$0.5 million in Q4) and of \$8.0 million in the TL segment (\$0.5 million in Q4).

⁵ YTD 2016 net capital expenditures include proceeds from the sale of property for consideration of \$7.1 million in the LTL segment (\$5.0 million in Q4), of \$10.6 million in the TL segment (\$0.5 million in Q4) and of \$3.7 million in the Logistics segment (nil in Q4).

When the Company changes the structure of its internal organization in a manner that causes the composition of its reportable segments to change, the corresponding information for the comparative period is recasted to conform to the new structure. Effective January 1, 2017, the composition of reportable segments was modified to better reflect certain changes in the Company's internal organization. In particular, TF Dedicated, which was previously included in the Package and Courier operating segment, became an independent operation and was reclassified to the TL segment. In addition, a Contrans' LTL division, which was previously included in the TL segment, was reclassified to the LTL segment in order to better reflect the nature of services provided. Comparative figures have been recasted.

Package and Courier

(unaudited) - (in thousands of dollars)	Fourth quarters ended December 31				Years ended December 31			
	2017	%	2016	%	2017	%	2016	%
Total revenue	344,231		365,250		1,361,268		1,366,185	
Fuel surcharge	(26,900)		(23,234)		(93,968)		(74,854)	
Revenue	317,331	100.0%	342,016	100.0%	1,267,300	100.0%	1,291,331	100.0%
Materials and services expenses (net of fuel surcharge)	174,377	55.0%	199,777	58.4%	712,000	56.2%	759,723	58.8%
Personnel expenses	71,966	22.7%	73,648	21.5%	290,879	23.0%	276,483	21.4%
Other operating expenses	27,032	8.5%	27,951	8.2%	106,571	8.4%	108,241	8.4%
Depreciation of property and equipment	4,005	1.3%	4,492	1.3%	16,990	1.3%	18,191	1.4%
Amortization of intangible assets	4,241	1.3%	3,892	1.1%	16,705	1.3%	15,567	1.2%
(Gain) loss on sale of rolling stock and equipment	(94)	0.0%	2	0.0%	(251)	0.0%	86	0.0%
Operating income	35,804	11.3%	32,254	9.4%	124,406	9.8%	113,040	8.8%
Adjusted EBITDA	44,050	13.9%	40,638	11.9%	158,101	12.5%	146,798	11.4%
Gain (loss) on sale of land and buildings	679		—		567		(8)	
Gain on sale of assets held for sale	—		—		9,156		—	
Impairment of intangible assets	—		—		(13,211)		—	

Revenue

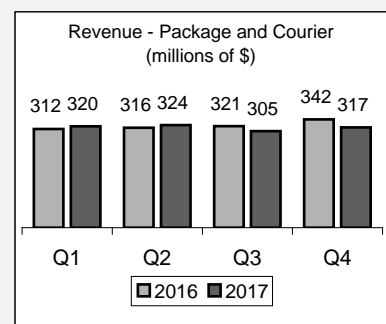
On January 13, 2017, the Company purchased World Courier Ground U.S. (now operating under the new name TForce Critical), an asset light, time critical courier. Operating nationally across the U.S., the company offers same-day courier, rush trucking and warehousing services primarily to the medical industry, as well as to the environmental, financial, chemical and industrial sectors.

For the quarter ended December 31, 2017, revenue decreased by \$24.7 million, or 7%, from \$342.0 million to \$317.3 million compared to the same period in the prior year. The decrease is due to loss of volume of \$35.1 million and to an unfavourable foreign exchange impact of \$5.4 million offset by business acquisitions for \$15.8 million. Part of the volume decreases relates to some losses of U.S. e-commerce businesses.

For the year ended December 31, 2017, revenue decreased by \$24.0 million from \$1,291.3 million to \$1,267.3 million compared to the same period in the prior year; volume decreases in the same-day business and negative currency impact of \$9.8 million offset the \$69.5 million contributions from business acquisitions.

Operating expenses

For the quarter ended December 31, 2017, the Package and Courier segment's operating expenses decreased by \$28.3 million, or 9%, from \$309.8 million in 2016 to \$281.5 million. Material and services expenses decreased by 3.4% as a percentage of revenue attributable to lower subcontractor and external labor expenses in the same-day operations. To compensate for the volume decline, Management reduced more outside services than its own personnel, as a result, personnel expenses decreased in absolute value but increased 1.2% as a percentage of revenue.

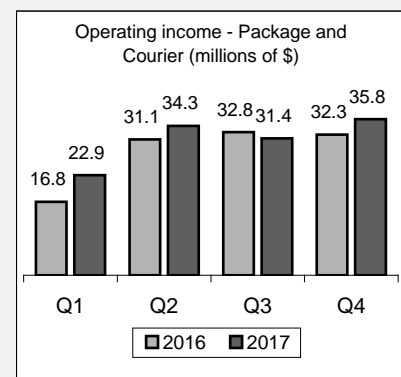


For the year ended December 31, 2017, the Package and Courier segment's operating expenses decreased by \$35.4 million from \$1,178.3 million in 2016 million to \$1,142.9 million. Materials and services expenses were down \$47.7 million or 6% for the year ended December 31, 2017 mainly due to loss of volume in the same-day business. The employee termination cost were similar in 2017 compared to 2016 at \$4.5 million.

Operating income

The Company's operating income in the Package and Courier segment for the quarter ended December 31, 2017 increased by 11% or \$3.5 million compared to the fourth quarter of 2016, from \$32.3 million to \$35.8 million mainly from existing operations. For the three-month period ended December 2017, the Package and Courier operating margin increased 1.9% year-over-year to 11.3% due to cost savings from right sizing the same-day business in the U.S. and the next-day business in Canada, ongoing strategic personnel changes focused on synergies at several operating divisions within the segment, and lower subcontractor costs due to ongoing productivity initiatives.

For the year ended December 31, 2017, operating income increased by 10% or \$11.4 million compared to the same period in 2016, from \$113.0 million to \$124.4 million. The operating margin increased 1.0% year-over-year mainly from existing operations to reach 9.8% as a result of the constant focus on profitable business and cost reduction measures.



Gain or loss on sale of property and impairment of intangible assets

A gain on sale of assets held for sale of \$9.2 million was recorded in this segment mainly due to a sale and leaseback transaction completed in Q3 2017.

In Q1 2017, TFI International also rebranded the divisions Dynamex Canada, Dynamex U.S. and Hazen Final Mile into TForce Final Mile. The establishment of the new North American division should maximize opportunities in the growing same-day business, last mile delivery category and e-commerce sector. This resulted in an impairment charge to the original trademark intangible assets related to these businesses of \$13.2 million. The future amortization period of the residual intangible related to these trademarks has been reduced to 4 years with no significant impact on the yearly amortization expense.

Less-Than-Truckload

(unaudited) - (in thousands of dollars)	Fourth quarters ended December 31				Years ended December 31			
	2017	%	2016	%	2017	%	2016	%
Total revenue	225,620		207,576		917,245		827,504	
Fuel surcharge	(30,843)		(26,229)		(118,056)		(95,380)	
Revenue	194,777	100.0%	181,347	100.0%	799,189	100.0%	732,124	100.0%
Materials and services expenses (net of fuel surcharge)	100,532	51.6%	95,808	52.8%	415,001	51.9%	383,304	52.4%
Personnel expenses	52,012	26.7%	49,664	27.4%	225,259	28.2%	211,945	28.9%
Other operating expenses	20,774	10.7%	15,413	8.5%	75,933	9.5%	60,028	8.2%
Depreciation of property and equipment	5,145	2.6%	5,136	2.8%	21,307	2.7%	20,804	2.8%
Amortization of intangible assets	2,476	1.3%	2,096	1.2%	9,689	1.2%	8,702	1.2%
Gain on sale of rolling stock and equipment	(422)	-0.2%	(79)	0.0%	(350)	0.0%	(558)	-0.1%
Operating income	14,260	7.3%	13,309	7.3%	52,350	6.6%	47,899	6.5%
Adjusted EBITDA	21,881	11.2%	20,541	11.3%	83,346	10.4%	77,405	10.6%
Gain (loss) on sale of land and buildings	(267)		2,664		(242)		4,442	
Gain (loss) on sale of assets held for sale	(1,088)		—		68,118		—	

Revenue

On January 28, 2017, the Company acquired Cavalier Transportation Services Inc. ("Cavalier"). Cavalier provides domestic and U.S. services in the Great Lakes region in the LTL and Logistics segments.

For the three-month period ended December 31, 2017, the LTL segment's revenue increased by 7%, or \$13.5 million, from \$181.3 million to \$194.8 million, mainly due to business acquisitions. Excluding business acquisitions, revenue decreased by 7% or \$12.2 million to \$169.2 million. The decrease is largely due to the loss of a major U.S. partner, impact mitigated by its replacement and combination of new business and growth in other existing businesses and negative foreign currency movements of \$1.4 million.

For the year ended December 31, 2017, revenue increased by 9%, or \$67.1 million, from \$732.1 million to \$799.2 million mainly due to business acquisitions for \$99.5 million, partially offset by decreases from existing operations.

Operating expenses

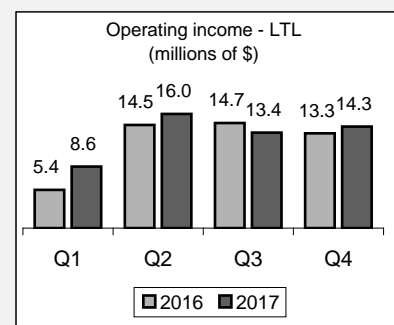
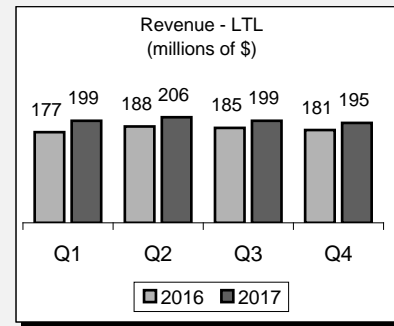
For the fourth quarter of 2017, operating expenses were up 7%, or \$12.5 million, to \$180.5 million compared to \$168.0 million in Q4 2016 mainly from business acquisitions. Excluding business acquisitions, operating expenses were down by 7%, or \$11.2 million due to the decline in revenue. Operating expenses from existing operations as a percentage of revenue were 92.7%, unchanged over the same quarter last year. Mainly as a result of the sale-and-leased back transactions completed earlier in 2017, the rent expense increased \$1.8 million, while restructuring plan implemented in the Company's Eastern Canadian LTL network generated improvements mainly in the materials and services expenses. During the quarter, a charge of \$2.5 million was recorded as employee termination expenses.

For the year ended December 31, 2017, operating expenses were up 9%, or \$62.6 million, to \$746.8 million compared to \$684.2 million last year, mainly attributable to business acquisitions offset by reduction in operating expenses from existing operations due to volume decline and restructuring.

Operating income

For the quarter ended December 31, 2017, operating income increased by \$1.0 million or 7% from \$13.3 million to \$14.3 million mainly due to business acquisitions. Despite the increase in rent expenses due to the sale-and-leased back transactions completed earlier in 2017, excluding business acquisitions, the operating margin at 7.3% remained unchanged compared to Q4 2016 largely as a result of the operating improvements resulting from the restructuring plan.

For the year ended December 31, 2017, operating income increased by \$4.5 million to \$52.4 million from \$47.9 million in 2016 mainly due to business acquisitions and 0.5% of margin improvements from existing operations, which contributed to its operating income increase of \$1.3 million.



Gain on sale of property

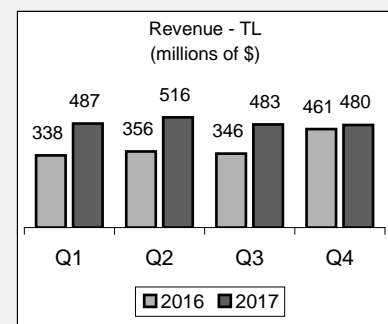
For the year ended December 31, 2017, gain on sale of assets held for sale of \$68.1 million was recorded in this segment mainly due to sale and leaseback transactions completed in Q2 and Q3 2017.

Truckload

(unaudited) - (in thousands of dollars)	Fourth quarters ended December 31				Years ended December 31			
	2017	%	2016	%	2017	%	2016	%
Total revenue	545,310		511,919		2,209,424		1,647,177	
Fuel surcharge	(65,299)		(50,559)		(244,109)		(145,953)	
Revenue	480,011	100.0%	461,360	100.0%	1,965,315	100.0%	1,501,224	100.0%
Materials and services expenses (net of fuel surcharge)	241,119	50.2%	231,667	50.2%	991,877	50.5%	780,865	52.0%
Personnel expenses	151,915	31.6%	146,715	31.8%	633,839	32.3%	442,912	29.5%
Other operating expenses	17,241	3.6%	16,252	3.5%	66,605	3.4%	61,254	4.1%
Depreciation of property and equipment	38,589	8.0%	32,740	7.1%	168,845	8.6%	97,846	6.5%
Amortization of intangible assets	7,275	1.5%	8,239	1.8%	28,674	1.5%	26,001	1.7%
(Gain) loss on sale of rolling stock and equipment	1,180	0.2%	(3,285)	-0.7%	(1,874)	-0.1%	(10,165)	-0.7%
Operating income	22,692	4.7%	29,032	6.3%	77,349	3.9%	102,511	6.8%
Adjusted EBITDA	68,556	14.3%	70,011	15.2%	274,868	14.0%	226,358	15.1%
Gain (loss) on sale of land and buildings	(18)		(282)		(93)		2,875	
Gain on sale of assets held for sale	—		—		172		—	
Impairment of intangible assets	—		—		(129,770)		—	

Revenue

For the three-month period ended December 31, 2017, TL revenue increased by \$18.7 million or 4%, from \$461.4 million in Q4 2016 to \$480.0 million. This increase is attributable to business acquisitions, mainly the acquisition of CFI in the last quarter of 2016. These business acquisitions contributed \$56.3 million to the TL revenue increase. Excluding these business acquisitions, TL revenue decreased by \$37.6 million or 8% compared to the same quarter last year. Part of this revenue decrease is explained by unfavourable currency fluctuations of \$7.2 million and the remaining decrease comes from declines, particularly in the U.S. TL divisions mainly due to customer right sizing and the driver shortage. Pricing slightly improved in Q4 2017 compared to last's year same quarter and is expected to improve in 2018.



As part of its asset-light strategy, the TL segment increased its brokerage revenue by 5%, or \$3.0 million, to \$60.3 million compared to the same quarter last year.

For the year ended December 31, 2017, revenue increased by \$464.1 million from \$1,501.2 million in 2016 to \$1,965.3 million in 2017. This increase is mainly due to business acquisitions which contributed \$516.2 million to the increase. Excluding business acquisitions, revenue decreased by 3%. The unfavourable foreign currency impact was \$12.1 million.

Operating expenses

Operating expenses increased by \$25.0 million or 6% from \$432.3 million in Q4 2016 to \$457.3 million in Q4 2017 mainly from business acquisitions. Excluding business acquisitions, operating expenses decreased by 7% or \$31.8 million which is slightly lower than the 8% decrease in revenue. The TL segment is diligently working to align its cost structure to demand mainly on the personnel side with a year-over-year improvement of 1.4% as a percentage of revenue. This was offset by gains on sale of rolling stock and equipment that were not favourable this quarter resulting in a net negative impact of \$2.4 million. The Company continues to focus on being cost-conscious and its priority remains to improve the efficiency and profitability of its existing fleet and network of independent contractors. The U.S. divisions also downsized their fleet to demand. This rationalization enables the U.S. assets to be more productive.

For the year ended December 31, 2017, operating expenses increased by \$489.3 million or 35% mainly due to business acquisitions. Excluding business acquisitions, operating expenses decreased by \$51.2 million or 4% compared to a 3% decrease in revenue on a year-to-date basis. In addition, in order to return to a normal level of rolling stock repair and maintenance expense, an extensive program of fleet renewal has been put in place. As a result, non-recurring transition costs related to the acquisition of CFI totalled \$17.6 million in 2017.

Operating income

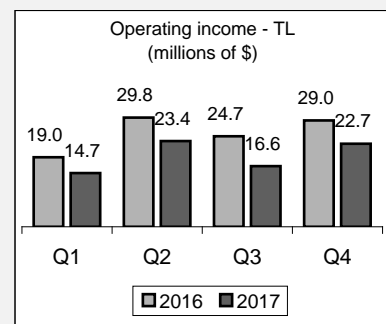
The Company's operating income in the TL segment for the quarter ended December 31, 2017 decreased by \$6.3 million from \$29.0 million in the prior year period to \$22.7 million, mainly due lower revenue and lower gain on sale of rolling stock and equipment from our U.S. TL divisions. However, initiatives aimed at equipment cost reductions have started to yield more positive results at the end of Q4. As a result, the fleet was downsized and renewed which reduced repair and maintenance expense.

Excluding business acquisitions, for the quarter ended December 31, 2017, operating income decreased by \$5.8 million, or 0.8% as a percentage of revenue as a result of difficulties in the U.S. TL divisions. Both the Canadian conventional and specialized TL operations maintained their operating margin compared to last year's same quarter.

For the year ended December 31, 2017, the operating margin was 3.9% compared to 6.8% in the same period in 2016. Excluding business acquisitions, the operating margin increased by 0.2% to 7.0%. The TL segment will continue to focus on cost initiatives to improve its margins in light of the stable Canadian freight market and the difficult U.S. freight market. Driver recruitment and retention, reducing empty mileage, and the tightening of our U.S. freight network are priorities for the upcoming year.

Impairment of intangible assets

For the year ended December 31, 2017, impairment of intangible assets was \$129.8 million. A goodwill impairment charge was recorded in the U.S. TL operating segment in Q2 due to a weak performance resulting from downward pricing pressures experienced by the industry as a result of high competitiveness, limited economic activity growth and upward cost pressures adversely impacting operating cost per mile and operating margins.



Logistics

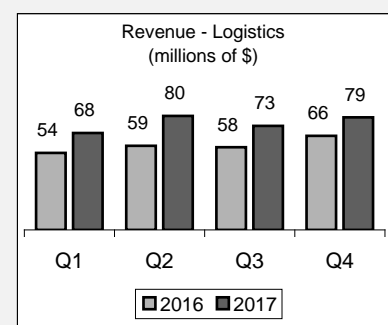
(unaudited) - (in thousands of dollars)	Fourth quarters ended December 31				Years ended December 31			
	2017	%	2016	%	2017	%	2016	%
Total revenue	80,692		66,840		306,474		241,142	
Fuel surcharge	(1,710)		(1,266)		(6,949)		(4,533)	
Revenue	78,982	100.0%	65,574	100.0%	299,525	100.0%	236,609	100.0%
Materials and services expenses (net of fuel surcharge)	56,557	71.6%	47,133	71.9%	214,690	71.7%	170,655	72.1%
Personnel expenses	9,823	12.4%	7,336	11.2%	38,391	12.8%	29,198	12.3%
Other operating expenses	4,525	5.7%	3,126	4.8%	14,946	5.0%	11,528	4.9%
Depreciation of property and equipment	248	0.3%	280	0.4%	1,051	0.4%	1,262	0.5%
Amortization of intangible assets	1,711	2.2%	803	1.2%	5,248	1.8%	2,615	1.1%
Gain on sale of rolling stock and equipment	(96)	-0.1%	(216)	-0.3%	(335)	-0.1%	(399)	-0.2%
Operating income	6,214	7.9%	7,112	10.8%	25,534	8.5%	21,750	9.2%
Adjusted EBITDA	8,173	10.3%	8,195	12.5%	31,833	10.6%	25,627	10.8%
Gain on sale of land and buildings	—		—		—		1,639	

Revenue

On October 31, 2017, the Company completed the acquisition of PPM. Based in California, PPM provides home delivery services of household appliances in the United States.

For the quarter ended December 31, 2017, revenue from the Logistics segment increased by 20% or \$13.4 million year-over-year, from \$65.6 million to \$79.0 million, mainly due to business acquisitions.

For the year ended December 31, 2017, revenue increased by 27% or \$62.9 million year-over-year, from \$236.6 million to \$299.5 million, mainly due to business acquisitions. Excluding business acquisitions, revenue increased by 7%, or \$15.7 million, attributable to higher volumes by new and current customers and some non-recurring business offset by an unfavourable foreign exchange impact of \$2.3 million.



Operating expenses

For the quarter ended December 31, 2017, operating expenses increased 24% or \$14.3 million compared to the fourth quarter of 2016, from \$58.5 million to \$72.8 million, mainly due to business acquisitions. Materials and services expenses represented 71.6% of revenue, an improvement of 0.3%, as a percentage of revenue, when compared to last year's same quarter. Personnel expenses represented 12.4% of revenue, an increase of 1.2%, as a percentage of revenue, when compared to last year's same quarter mostly due to business acquisitions being more labor intensive.

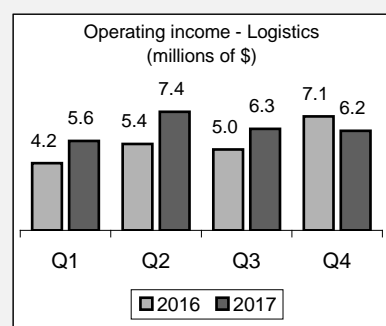
For the year ended December 31, 2017, operating expenses increased by 28% or \$59.1 million compared to 2016, from \$214.9 million to \$274.0 million. This increase was mostly attributable to higher year-over-year revenues.

For the three-month period and the year ended December 31, 2017, amortization of intangible assets increased by \$0.9 million and \$2.6 million, respectively, due to business acquisitions.

Operating income

The Company's operating income in the Logistics segment for the quarter ended December 31, 2017 decreased 13% or \$0.9 million compared to the fourth quarter of 2016, from \$7.1 million to \$6.2 million attributable to higher personnel and other operating expenses, as well as amortization of intangible assets from business acquisitions.

For the year ended December 31, 2017, operating income increased 17% or \$3.7 million compared to 2016, from \$21.8 million to \$25.5 million due to business acquisitions. The Logistics segment's operating margin decreased 0.7% year-over-year mainly as a result of amortization of intangible assets from business acquisitions.



LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2017	2016	2017	2016
Sources of cash:				
Net cash from operating activities from continuing operations	116,148	109,815	372,601	337,908
Proceeds from sale of property and equipment	20,833	19,240	88,773	60,992
Proceeds from sale of assets held for sale	19,140	—	174,779	—
Net variance in cash and bank indebtedness	—	—	13,046	—
Net proceeds from long-term debt	—	712,025	—	—
Net cash from discontinued operations	—	3,853	—	769,558
Others	—	—	5,882	—
Total sources	156,121	844,933	655,081	1,168,458
Uses of cash:				
Purchases of property and equipment	66,142	31,017	259,140	110,443
Business combinations, net of net cash acquired	30,021	775,335	118,288	798,303
Net variance in cash and bank indebtedness	7,857	13,042	—	23,899
Net repayment of long-term debt	1,147	—	74,648	6,063
Dividends paid	17,086	15,523	69,016	64,066
Repurchase of own shares	30,580	1,092	81,565	151,200
Net cash used in discontinued operations	—	—	52,424	—
Others	3,288	8,924	—	14,484
Total usage	156,121	844,933	655,081	1,168,458

Cash flow from operating activities from continuing operations

For the year ended December 31, 2017, net cash from operating activities from continuing operations increased by 10% from \$337.9 million in 2016 to \$372.6 million. This \$34.7 million increase is mainly attributable to higher cash flow from operating activities from continuing operations before net change in non-cash operating working capital for \$78.7 million, which improvement came from business acquisitions and existing operations, offset by higher cash used for net change in non-cash operating working capital of \$26.3 million and higher interest paid, for \$21.7 million. The net change in non-cash operating working capital was negative \$11.6 million in 2017, mainly due to lower trade and other payables versus December 31, 2016, compared to a positive contribution from working capital in 2016.

Cash flow used in investing activities from continuing operations

Property and equipment

The following table presents the additions of property and equipment by category for the three-month period and year ended December 31, 2017 and 2016.

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2017	2016	2017	2016
Additions to property and equipment:				
Purchases as stated on cash flow statements	66,142	31,017	259,140	110,443
Non-cash adjustments	(12,453)	—	526	117
	53,689	31,017	259,666	110,560
Additions by category:				
Land and buildings	2,249	1,983	8,126	9,409
Rolling stock	48,716	26,477	238,812	92,152
Equipment	2,724	2,557	12,728	8,999
	53,689	31,017	259,666	110,560

The Company invests in new equipment to maintain its quality of service while keeping maintenance costs low. Its capital expenditures reflect the level of reinvestment required to keep its equipment in good order as well as maintain an adequate allocation of its capital resources. In line with its asset light model, increasing the use of independent contractors to replace owned equipment is beneficial for the Company as it reduces capital needs to serve customers. The Company intends to further pursue this conversion strategy, particularly with the recent business acquisitions operating with more invested capital.

Higher 2017 additions of rolling stock compared to 2016 are partly attributable to the CFI business acquisition and its fleet renewal program.

In the normal course of activities, the Company constantly renews its rolling stock equipment generating regular proceeds and gain or loss on disposition. The following table indicates the proceeds and gains or losses from sale of property and equipment and assets held for sale from continuing operations by category for the three-month period and year ended December 31, 2017 and 2016.

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2017	2016	2017	2016
Proceeds by category:				
Land and buildings	20,520	5,516	176,359	21,344
Rolling stock	19,409	13,704	87,107	39,498
Equipment	44	20	86	150
	39,973	19,240	263,552	60,992
Gains (losses) by category:				
Land and buildings	(694)	2,382	77,678	8,948
Rolling stock	(564)	4,074	2,851	11,587
Equipment	(4)	(15)	(85)	(106)
	(1,262)	6,441	80,444	20,429

For the year ended December 31, 2017, the Company disposed of properties for total consideration of \$176.4 million (\$21.3 million in 2016), which generated a gain of \$77.7 million (\$8.9 million in 2016). Notably, in Q3, TFI International unlocked shareholder value with a sale and leaseback transaction on selected real estate assets. The all-cash transaction of \$135.7 million, which included two facilities in each of Montreal and Toronto, resulted in a pre-tax gain of \$69.8 million.

Business acquisitions

For the year ended December 31, 2017, cash used in business acquisitions totalled \$118.3 million (\$798.3 million in 2016).

In 2017, the Company acquired seven businesses. Refer to the section of this report entitled "2017 business acquisitions" and further information can be found in note 5 of the December 31, 2017 audited consolidated financial statements.

Cash flow from discontinued operations

For the year ended December 31, 2017, the discontinued operations used cash flow of \$52.4 million mainly attributable to the balance of income tax due on the gain on the sale of the Waste group, realized in February 2016, which was paid in January 2017. In 2016, discontinued operations generated cash flows of \$769.6 million. In the first quarter of 2016, TFI International received \$758.9 million for the sale of its Waste Management segment to GFL.

Free cash flow from continuing operations

(unaudited) (in thousands of dollars, except per share data)	Fourth quarters ended December 31		Years ended December 31	
	2017	2016	2017	2016
Net cash from operating activities from continuing operations	116,148	109,815	372,601	337,908
Additions to property and equipment	(53,689)	(31,017)	(259,666)	(110,560)
Proceeds from sale of property and equipment	20,833	19,240	88,773	60,992
Proceeds from sale of assets held for sale	19,140	—	174,779	—
Free cash flow from continuing operations¹	102,432	98,038	376,487	288,340
Free cash flow from continuing operations per share¹	1.14	1.07	4.16	3.08

The Company's objectives when managing its cash flow from operations are to ensure proper capital investment in order to provide stability and competitiveness to its operations, to ensure sufficient liquidity to pursue its growth strategy, and to undertake selective business acquisitions within a sound capital structure and a solid financial position.

For the year ended December 31, 2017, TFI International generated free cash flow from continuing operations of \$376.5 million, compared to \$288.3 million in 2016, which represents a year-over-year increase of \$88.1 million. This increase is mainly due to higher proceeds from sale of property and equipment and assets held for sale, offset by higher additions to property and equipment.

Based on the December 31, 2017 closing share price of \$32.86, the free cash flow from continuing operations generated by the Company in the last twelve months (\$376.5 million) represented a yield of 12.7%.

Financial position

(unaudited) (in thousands of dollars)	As at December 31, 2017	As at December 31, 2016	As at December 31, 2015
Total assets	3,727,628	4,026,879	3,377,870
Long-term debt	1,498,396	1,584,815	1,615,100
Shareholders' equity	1,415,124	1,458,650	1,019,799
Debt-to-equity ratio ²	1.06	1.09	1.58
Debt-to-capitalization ratio ³	0.51	0.52	0.61

Compared to December 31, 2016, the Company's total assets decreased mainly due to the impairment of intangible assets and to the sale of certain real estate assets. The long-term debt decreased due to the sale of property and shareholders' equity decreased mainly as a result of the impairment of intangible assets. The debt-to-equity ratio and the debt-to-capitalization ratio were similar to those of December 31, 2016. The Company's current financial position reflects an appropriate debt level to further pursue its acquisition strategy. Strict cash flow management and cash flow generated from operations have allowed the Company to pursue debt reduction when the situation has dictated.

As at December 31, 2017, the Company's working capital (current assets less current liabilities) was \$116.7 million compared to \$56.9 million as at December 31, 2016. The increase is mainly attributable to the increase of \$21.6 million of assets held for sale, composed of properties, and to the balance of 2016 income tax paid in Q1 2017 for \$57.7 million.

¹ Refer to the section "Non-IFRS financial measures".

² Long-term debt divided by shareholders' equity.

³ Long-term debt divided by the sum of shareholders' equity and long-term debt.

Contractual obligations

The following table indicates the Company's contractual obligations with their respective maturity dates at December 31, 2017, excluding future interest payments.

(unaudited) (in thousands of dollars)	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Unsecured revolving facility – June 2021	694,116	—	—	694,116	—
Term loan – June 2019 & 2020	500,000	—	500,000	—	—
Unsecured debentures – December 2020	125,000	—	125,000	—	—
Term loan – August 2019	75,000	—	75,000	—	—
Finance lease liabilities	14,956	9,959	4,793	204	—
Conditional sales contracts and other long-term debt	95,021	42,468	39,811	12,742	—
Operating leases and other commitments (see commitments)	609,121	203,304	165,901	93,335	146,581
Total contractual obligations	2,113,214	255,731	910,505	800,397	146,581

As at December 31, 2017, the Company had \$40.1 million of outstanding letters of credit (\$40.1 million on December 31, 2016).

On May 17, 2017, TFI International reached an agreement to amend and extend its existing credit facility to June 2021. The facility is unsecured and can be extended annually. The total available amount remained unchanged at \$1.2 billion and the amendment provides similar terms and covenants.

On December 21, 2017, the Company extended the maturity of the term loan by eight months for each tranche. The term loan is within the confines of the credit facility for the specific purpose of acquiring CFI. This term loan remains at a total of \$500 million, with \$200 million now due in June 2019 and \$300 million due in June 2020.

The following table indicates the Company's financial covenants to be maintained under its credit facility. These covenants are measured on a consolidated rolling twelve-month basis:

Covenants	Requirements	As at December 31, 2017
Funded debt-to-EBITDA ratio [ratio of total debt plus letters of credit and some other long-term liabilities to earnings before interest, income tax, depreciation and amortization ("EBITDA"), including last twelve months adjusted EBITDA from business acquisitions]	< 3.50	2.96
EBITDAR-to-interest and rent ratio [ratio of EBITDAR (EBITDA before rent and including last twelve months adjusted EBITDAR from business acquisitions) to interest and net rent expenses]	> 1.75	3.17

The Company believes it will be in compliance with these covenants for the next twelve months.

Commitments, contingencies and off-balance sheet arrangements

The following table indicates the Company's commitments with their respective terms at December 31, 2017.

(unaudited) (in thousands of dollars)	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Operating leases – rolling stock	87,600	41,685	36,577	9,338	—
Operating leases – real estate & others	446,562	86,660	129,324	83,997	146,581
Other commitments	74,959	74,959	—	—	—
Total off-balance sheet obligations	609,121	203,304	165,901	93,335	146,581

Long-term real estate leases, totalling \$446.6 million, include eleven significant real estate commitments for an aggregate value of \$250.0 million, which expire between 2024 and 2035. A total of 294 properties constitute the remaining real estate operating leases.

Dividends and outstanding share data

Dividends

The Company declared \$18.7 million in dividends, or 21 cents per common share, in the fourth quarter of 2017. For the year ended December 31, 2017, dividends declared were \$70.3 million, or 78 cents per common share.

On December 11, 2017, the Board of Directors approved an 11% dividend increase to 21 cents per share over its previous quarterly dividend of 19 cents per share. This increase is in keeping with TFI International's stated dividend policy and reflects the Company's ability to generate a strong free cash flow.

NCIB on common shares

Pursuant to the renewal of the normal course issuer bid ("NCIB"), which began on October 2, 2017 and will expire on October 1, 2018, the Company is authorized to repurchase for cancellation up to a maximum of 6,000,000 of its common shares under certain conditions. The Board of TFI International believes that, at appropriate times, repurchasing its shares through the NCIB represents a good use of TFI International's financial resources, as such action can protect and enhance shareholder value when opportunities or volatility arise.

For the year ended December 31, 2017, the Company repurchased 2,810,126 common shares (2016 – 6,442,702) at a price ranging from \$26.56 to \$32.00 (2016 - \$22.00 to \$27.30) for a total purchase price of \$81.6 million (2016 – \$151.2 million).

Outstanding shares, stock options and restricted share units

A total of 89,123,588 common shares were outstanding as at December 31, 2017 (December 31, 2016 – 91,575,319). There was no significant change in the Company's outstanding share capital between December 31, 2017 and February 20, 2018.

As at December 31, 2017, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 5,493,286 (December 31, 2016 – 5,495,887) of which 4,169,819 were exercisable (December 31, 2016 – 3,763,656). On February 16, 2017, the Board of Directors approved the grant of 395,113 stock options under the Company's stock option plan. Each stock option entitles the holder to purchase one common share of the Company at an exercise price based on the closing price of the volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the effective date of the grant.

As at December 31, 2017, the number of restricted share units ("RSUs") granted under the Company's equity incentive plan to the benefit of its senior employees was 206,396 (December 31, 2016 – 281,027). On February 16, 2017, the Board of Directors approved the grant of 60,931 RSUs under the Company's equity incentive plan. The RSUs will vest in December of the second year from the grant date. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

Legal proceedings

The Company is involved in litigation arising from the ordinary course of business primarily involving claims for bodily injury and property damage. It is not feasible to predict or determine the outcome of these or similar proceedings. However, the Company believes the ultimate recovery or liability, if any, resulting from such litigation individually or in total would not materially adversely affect the Company's financial condition or performance and, if necessary, have been provided for in the financial statements.

OUTLOOK

The North American economy has improved. Unemployment is low, consumer spending remains solid, and recent tax law changes in the United States may further stimulate the economy. These factors should continue to produce a recovery in freight rates, although we expect they may also further increase driver compensation costs.

In addition to generally improving economic conditions, key internal drivers of revenue and operating income growth consist of further efficiency improvement, asset rationalization, tight cost controls, and the execution of a disciplined acquisition strategy in the fragmented North American transportation and logistics market.

In the Package and Courier and LTL segments, TFI International's priorities remain the consolidation of its operations, administration and IT platforms for additional savings and efficiency gains. In Package and Courier, TFI International will remain proactive in implementing measures to further optimize asset utilization, which includes completing the optimization of businesses in U.S. same-day operations. The recent rebranding to TForce Final Mile should maximize opportunities in this growing market and is aligned with TFI International's focus on asset-light activities related to e-commerce.

In LTL, the Company plans to remain disciplined in adapting supply to demand, as overcapacity continues to affect the industry. To this end, the Company will continue to focus on major cities and high-density regions to enhance value. TFI International will also leverage its capabilities in asset-light intermodal activities that generate higher returns.

In the TL division, Canadian performance was strong in 2017, which we expect to continue in 2018. In the U.S. TL market, the gradual implementation of rate increases in contract renewals should lead to improvement in 2018. The Company will also continue to focus on the quality of its U.S. freight revenue and on cost reductions. TFI International will remain disciplined in regards to supply management in the U.S., while sustaining its efforts to optimize the utilization of existing assets. The Company will continue to deploy leading-edge analytical tools across its North American network in order to allow its people to make appropriate business decisions and maximize returns.

The Company believes it can further grow its presence in the Logistics sector, as these non-asset-based activities represent a strategic complement to conventional transportation services. Logistics requires less capital, thereby generating even better free cash flow.

As the Company continues to gradually adopt an asset-light business model, capital will be increasingly deployed in initiatives that provide a better return on capital and solid cash flow. In so doing, TFI International aims to increasingly distinguish itself by providing innovative, value-added solutions to its growing North American customer base. In the short term, TFI International will use its cash flow to prioritize share repurchase and debt reimbursement.

TFI International is well positioned to benefit from a rising freight rate environment, and management is confident that the steps it is taking will continue to grow shareholder value. The Company aims to deliver on this commitment by adhering to its operating principles and by executing its strategy with the same discipline and rigour that have made TFI International a North American leader in the transportation and logistics industry.

SUMMARY OF EIGHT MOST RECENT QUARTERLY RESULTS

(unaudited) - (in millions of dollars, except per share data)	Q4'17	Q3'17	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16	Q1'16
Total revenue	1,182.5	1,154.4	1,232.2	1,171.9	1,036.4	975.5	977.8	934.2
Adjusted EBITDA from continuing operations ¹	131.0	128.2	145.7	109.5	127.9	113.8	116.2	84.5
Operating income	66.8	60.5	74.3	42.1	69.7	69.3	71.4	38.9
Net income (loss)	120.2	98.8	(75.0)	14.1	45.3	51.5	39.1	503.6
EPS – basic	1.34	1.10	(0.82)	0.15	0.50	0.56	0.42	5.16
EPS – diluted	1.31	1.07	(0.82)	0.15	0.48	0.55	0.41	5.09
Net income (loss) from continuing operations	120.2	98.8	(75.0)	14.1	46.4	51.1	44.3	15.3
EPS from continuing operations – basic	1.34	1.10	(0.82)	0.15	0.51	0.55	0.47	0.16
EPS from continuing operations – diluted	1.31	1.07	(0.82)	0.15	0.49	0.54	0.47	0.15
Adjusted net income from continuing operations ¹	54.6	48.8	56.2	32.9	50.6	53.5	53.3	30.0
Adjusted EPS from continuing operations - diluted ¹	0.60	0.53	0.60	0.35	0.54	0.57	0.56	0.30

¹ Refer to the section "Non-IFRS financial measures".

The differences between the quarters are mainly the result of seasonality (softer in Q1) and business acquisitions. In Q4 2017, higher net income, as well as higher basic and diluted EPS, is mainly due to an income tax gain for \$76.1 million as a result of the U.S. tax reform. In Q3 2017, higher net income, as well as higher basic and diluted EPS, is mainly due to gain on sale of property for \$70.1 million, \$59.7 million after-tax. In Q2 2017, the Company recorded a net loss and negative basic and diluted EPS principally due to a goodwill impairment in its U.S. TL operating segment of \$129.8 million (no tax impact on this impairment). In Q1 2016, higher net income, as well as higher basic and diluted EPS, is mainly due to the \$490.8 million after-tax gain on the sale of the Waste Management segment.

NON-IFRS FINANCIAL MEASURES

Financial data have been prepared in conformity with IFRS. This MD&A includes references to certain non-IFRS financial measures as described below. These non-IFRS measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation, in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS. The terms and definitions of IFRS and non-IFRS measures used in this MD&A and a reconciliation of each non-IFRS measure to the most directly comparable IFRS measure are provided below or in the MD&A.

Adjusted net income from continuing operations: Net income or loss excluding amortization of intangible assets related to business acquisitions, net change in the fair value of derivatives, net foreign exchange gain or loss, gain or loss on sale of land and buildings and assets held for sale, impairment of intangible assets, impact from the U.S. tax reform and income or loss from discontinued operations, net of tax. In presenting an adjusted net income from continuing operations and adjusted EPS from continuing operations, the Company's intent is to help provide an understanding of what would have been the net income and earnings per share in a context of significant business combinations and excluding specific impacts and to reflect earnings from a strictly operating perspective. The amortization of intangible assets related to business acquisitions comprises amortization expense of customer relationships, trademarks and non-compete agreements accounted for in business combinations and the income tax effects related to this amortization. Management also believes, in excluding amortization of intangible assets related to business acquisitions, it provides more information on the amortization of intangible asset expense portion, net of tax, that will not have to be replaced to preserve the Company's ability to generate similar future cash flows. The Company excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Excluding these items does not imply they are necessarily non-recurring. See reconciliation on page 8.

Adjusted earnings per share (adjusted "EPS") from continuing operations - basic: Adjusted net income from continuing operations divided by the weighted average number of common shares.

Adjusted EPS from continuing operations - diluted: Adjusted net income from continuing operations divided by the weighted average number of diluted common shares.

Adjusted EBITDA from continuing operations: Net income or loss from continuing operations before finance income and costs, income tax expense (recovery), depreciation, amortization, gain or loss on sale of land and buildings and assets held for sale and impairment of intangible assets. Management believes adjusted EBITDA from continuing operations to be a useful supplemental measure. Adjusted EBITDA from continuing operations is provided to assist in determining the ability of the Company to generate cash from its operations.

Adjusted EBITDA from continuing operations reconciliation:

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2017	2016	2017	2016
Net income from continuing operations	120,192	46,387	157,988	157,059
Net finance costs	13,497	11,266	61,075	54,882
Income tax expense (recovery)	(67,613)	14,446	(40,642)	46,272
Depreciation of property and equipment	48,298	42,993	209,557	139,439
Amortization of intangible assets	15,949	15,233	61,200	53,647
Gain on sale of land and buildings	(394)	(2,382)	(232)	(8,948)
(Gain) loss on sale of assets held for sale	1,088	—	(77,446)	—
Impairment of intangible assets	—	—	142,981	—
Adjusted EBITDA from continuing operations	131,017	127,943	514,481	442,351

Adjusted EBITDA margin is calculated as a percentage of revenue before fuel surcharge.

Free cash flow from continuing operations: Net cash from operating activities from continuing operations less additions to property and equipment plus proceeds from sale of property and equipment and assets held for sale. Management believes that this measure provides a benchmark to evaluate the performance of the Company in regard to its ability to meet capital requirements. See reconciliation on page 18.

Free cash flow from continuing operations per share: Free cash flow from continuing operations divided by the weighted average number of common shares.

Operating expenses: Operating expenses, as defined in the audited consolidated financial statements.

Operating income (loss): Net income or loss from continuing operations before finance income and costs, income tax expense (recovery), gain or loss on sale of land and buildings and assets held for sale, and impairment of intangible assets, as stated in the audited consolidated financial statements.

Operating margin is calculated as a percentage of revenue before fuel surcharge.

Operating ratio: Operating expenses, net of fuel surcharge revenue, divided by revenue before fuel surcharge. Although the operating ratio is not a recognized financial measure defined by IFRS, it is a widely recognized measure in the transportation industry, which we believe provides a comparable benchmark for evaluating the Company's performance. Also, to facilitate the comparison of business level activity and operating costs between periods, the Company compares the revenue before fuel surcharge ("revenue") and reallocates the fuel surcharge revenue to materials and services expenses within operating expenses.

Operating ratio (unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2017	2016	2017	2016
Operating expenses	1,115,701	1,068,017	4,497,295	3,775,943
Fuel surcharge revenue	(123,481)	(101,288)	(459,196)	(320,720)
Operating expenses, net of fuel surcharge revenue	992,220	966,729	4,038,099	3,455,223
Revenue before fuel surcharge	1,058,990	1,036,446	4,281,823	3,704,488
Operating ratio	93.7%	93.3%	94.3%	93.3%

RISKS AND UNCERTAINTIES

The Company's future results may be affected by a number of factors over some of which the Company has little or no control. The following discussion of risk factors contains forward-looking statements. The following issues, uncertainties and risks, among others, should be considered in evaluating the Company's business and growth outlook:

Competition. The Company operates in a highly-competitive and fragmented industry, and numerous competitive factors could impair the Company's ability to maintain or improve the Company's profitability and could have a materially adverse effect on the Company's results of operations. In addition, the Company faces growing competition from other transporters in the United States and Mexico. These factors include the following:

- the Company competes with many other transportation companies of varying sizes, including United States and Mexican transportation companies;
- the Company's competitors may periodically reduce their freight rates to gain business, which may limit the Company's ability to maintain or increase freight rates or maintain growth in the Company's business;
- some of the Company's customers are other transportation companies or also operate their own private trucking fleets, and they may decide to transport more of their own freight;
- some of the Company's customers may reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers or by engaging dedicated providers, and in some instances the Company may not be selected;
- many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some of the Company's business to competitors;
- the market for qualified drivers can be competitive, particularly in the Company's growing United States operations, and the Company's inability to attract and retain drivers could reduce the Company's equipment utilization or cause the Company to increase compensation, both of which would adversely affect the Company's profitability;
- economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with the Company;
- some of the Company's smaller competitors may not yet be fully compliant with pending regulations, such as regulations requiring the use of electronic logging devices, which may allow such competitors to take advantage of additional driver productivity;

- advances in technology may require the Company to increase investments in order to remain competitive, and the Company's customers may not be willing to accept higher freight rates to cover the cost of these investments; and
- higher fuel prices and, in turn, higher fuel surcharges to the Company's customers may cause some of the Company's customers to consider freight transportation alternatives, including rail transportation.

Regulation. The Company operates in a highly-regulated industry, and changes in existing regulations or violations of existing or future regulations could have a materially adverse effect on the Company's operations and profitability. In Canada, carriers must obtain licenses issued by provincial transport boards in order to carry goods inter-provincially or to transport goods within any province. Licensing from United States and Mexican regulatory authorities is also required for the transportation of goods between Canada, the United States and Mexico. Any change in or violation of existing or future regulations could have an adverse impact on the scope of the Company's activities.

The Company is increasing the Company's operations in the United States, where the transportation industry is subject to regulation from various federal, state and local agencies. Drivers must comply with safety and fitness regulations, including those relating to drug and alcohol testing, driver safety performance and hours of service, and matters such as equipment weight and dimensions, exhaust emissions and fuel efficiency are also subject to government regulation.

The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and laws. Although the Company is committed to compliance with laws and safety, there is no assurance that it will be in full compliance with them at all times. Consequently, at some future time, the Company could be required to incur significant costs to maintain or improve its compliance record. Future laws and regulations may be more stringent, require changes in the Company's operating practices, influence the demand for transportation services or require the Company to incur additional significant costs.

International Operations. A growing portion of the Company's revenue is derived from operations in the United States and transportation to and from Mexico. The Company's international operations are subject to a variety of risks, including fluctuations in foreign currencies, changes in the economic strength or greater volatility in the economies of foreign countries in which the Company does business, difficulties in enforcing contractual rights and intellectual property rights, compliance burdens associated with export and import laws, and social, political and economic instability. The Company's international operations could be adversely affected by restrictions on travel. Additional risks associated with the Company's international operations include restrictive trade policies, imposition of duties, taxes or

government royalties by foreign governments, adverse changes in the regulatory environments, including in tax laws and regulations, of the foreign countries in which the Company does business, compliance with anti-bribery laws, restrictions on the withdrawal of foreign investments, the ability to identify and retain qualified local managers and the challenge of managing a culturally and geographically diverse operation.

Operating Environment. The Company is subject to changes in its general operating environment. The Company is exposed to the following factors, among others, affecting its operating environment:

- the Company's future insurance and claims expense, including the cost of the Company's liability insurance premiums and the number and severity of claims, may exceed historical levels, which would require the Company to incur additional costs and could reduce the Company's earnings;
- declines in the demand for used revenue equipment could result in decreased equipment sales, lower resale values and lower gains (or recording losses) on sales of assets;
- increased prices for new revenue equipment, design changes of new engines, reduced equipment efficiency resulting from new engines designed to reduce emissions, or decreased availability of new revenue equipment; and
- adverse weather conditions can adversely affect the Company's revenue, as inclement weather may impede operations and may cause higher accident frequency, increased claims, more equipment repairs and decreased fuel efficiency due to increased engine idling.

General Economic, Credit, Business and Regulatory Conditions. The Company's business is subject to general economic, credit, business and regulatory factors that are largely beyond the Company's control, and which could have a materially adverse effect on the Company's operating results.

The Company's industry is highly cyclical, and the Company's business is dependent on a number of factors that may have a materially adverse effect on the Company's results of operations, many of which are beyond the Company's control. The Company believes that some of the most significant of these factors include (i) excess tractor and trailer capacity in the transportation industry in comparison with shipping demand; (ii) declines in the resale value of used equipment; (iii) strikes, work stoppages or work slowdowns at the Company's facilities or at customer, port, border crossing or other shipping-related facilities; and (iv) increases in interest rates, fuel taxes, tolls and license and registration fees.

The Company is also affected by (i) recessionary economic cycles, which tend to be characterized by weak demand and downward pressure on rates; (ii) changes in customers' inventory levels and in the availability of funding for their working capital; (iii) changes in the way the Company's customers choose to source or utilize the Company's services; and (iv) downturns in customers' business cycles, such as retail and manufacturing, where the Company has significant customer concentration. Economic conditions may adversely affect customers and their demand for and ability to pay for the Company's services. Customers encountering adverse economic conditions represent a greater potential for loss and the Company may be required to increase the Company's allowance for doubtful accounts.

Economic conditions that decrease shipping demand and increase the supply of available tractors and trailers can exert downward pressure on rates and equipment utilization, thereby decreasing asset productivity. The risks associated with these factors are heightened when the economy is weakened. Some of the principal risks during such times include:

- the Company may experience a reduction in overall freight levels, which may impair the Company's asset utilization;
- freight patterns may change as supply chains are redesigned, resulting in an imbalance between the Company's capacity and customers' freight demand;
- customers may solicit bids for freight from multiple trucking companies or select competitors that offer lower rates in an attempt to lower their costs, and the Company may be forced to lower the Company's rates or lose freight; and
- lack of access to current sources of credit or lack of lender access to capital, leading to an inability to secure credit financing on satisfactory terms, or at all.

The Company is subject to cost increases that are outside the Company's control that could materially reduce the Company's profitability if the Company is unable to increase its rates sufficiently. Such cost increases include, but are not limited to, increases in fuel and energy prices, driver and office employee wages, purchased transportation costs, taxes, interest rates, tolls, license and registration fees, insurance premiums and claims, revenue equipment and related maintenance, and tires and other components. The Company could be affected by strikes or other work stoppages at the Company's service centers or at customer, port, border or other shipping locations. Further, the Company may not be able to appropriately adjust the Company's costs and staffing levels to changing market demands. In periods of rapid change, it is more difficult to match the Company's staffing level to the Company's business needs.

Changing impacts of regulatory measures could impair the Company's operating efficiency and productivity, decrease the Company's operating revenues and profitability and result in higher operating costs. From time to time, various taxes are also increased, including taxes on fuels. The Company cannot predict whether, or in what form, any such increase applicable to the Company will be enacted, but such an increase could adversely affect the Company's results of operations and profitability.

In addition, the Company cannot predict future economic conditions, fuel price fluctuations or changes in consumer confidence.

Interest Rate Fluctuations. Changes in interest rates may result in fluctuations in the Company's future cash flows related to variable-rate financial liabilities. For these items, cash flows could be impacted by changes in benchmark rates such as Bankers' Acceptance or London Interbank Offered Rate (Libor). In addition, the Company is exposed to gains and losses arising from changes in interest rates through its derivative financial instruments carried at fair value.

Currency Fluctuations. Significant fluctuations in relative currency values against the Canadian dollar could have a significant impact on the Company's future profitability. The Company's financial results are reported in Canadian dollars and a growing portion of the Company's revenue and operating costs are realized in currencies other than Canadian dollars, primarily United States dollars. The exchange rates between these currencies and the Canadian dollar have fluctuated in recent years and may continue to do so in the future. It is not possible to mitigate all exposure to fluctuations in foreign currency exchange rates. The results of operations are therefore affected by movements of these currencies against the Canadian dollar.

Price and Availability of Fuel. Fuel is one of the Company's largest operating expenses. Diesel fuel prices fluctuate greatly due to factors beyond the Company's control, such as political events, terrorist activities, armed conflicts, commodity futures trading, currency fluctuations and natural and man-made disasters, any of which may lead to an increase in the cost of fuel. Fuel prices are also affected by the rising demand for fuel in developing countries, and could be materially adversely affected by the use of crude oil and oil reserves for purposes other than fuel production and by diminished drilling activity. Such events may lead not only to increases in fuel prices, but also to fuel shortages and disruptions in the fuel supply chain. Because the Company's operations are dependent upon diesel fuel, significant diesel fuel cost increases, shortages or supply disruptions could materially and adversely affect the Company's business, financial condition and results of operations.

While the Company has fuel surcharge programs in place with a majority of the Company's customers, which historically have helped the Company offset the majority of the negative impact of rising fuel prices, the Company also

incurs fuel costs that cannot be recovered even with respect to customers with which the Company maintains fuel surcharge programs, such as those associated with non-revenue generating miles or time when the Company's engines are idling. Moreover, the terms of each customer's fuel surcharge program vary from one division to another, and the recoverability for fuel price increases varies as well. In addition, because the Company's fuel surcharge recovery lags behind changes in fuel prices, the Company's fuel surcharge recovery may not capture the increased costs the Company pays for fuel, especially when prices are rising. This could lead to fluctuations in the Company's levels of reimbursement, which have occurred in the past. There can be no assurance that such fuel surcharges can be maintained indefinitely or will be sufficiently effective.

Insurance. The Company's operations are subject to risks inherent in the transportation sector, including personal injury, property damage, worker's compensation and employment and other issues. The Company's future insurance and claims expenses may exceed historical levels, which could reduce the Company's earnings. The Company subscribes for insurance in amounts it considers appropriate in the circumstances and having regard to industry norms. Like many players in the industry, the Company self-insures a significant portion of the claims exposure related to cargo loss, bodily injury, worker's compensation and property damages. Due to the Company's significant self-insured amounts, the Company has exposure to fluctuations in the number or severity of claims and the risk of being required to accrue or pay additional amounts if the Company's estimates are revised or claims ultimately prove to be more severe than originally assessed. Further, the Company's self-insured retention levels could change and result in more volatility than in recent years.

Although the Company believes its aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that the amount of one or more claims could exceed the Company's aggregate coverage limits or that the Company chose not to obtain insurance in respect of such claims. If any claim were to exceed the Company's coverage, the Company would bear the excess, in addition to the Company's other self-insured amounts. The Company's results of operations and financial condition could be materially and adversely affected if (i) cost per claim, premiums or the number of claims significantly exceeds the Company's coverage limits or retention amounts; (ii) the Company experiences a claim in excess of the Company's coverage limits; (iii) the Company's insurance carriers fail to pay on the Company's insurance claims; or (iv) the Company experiences a claim for which coverage is not provided, either because the Company chose not to obtain insurance as a result of high premiums or because the claim is not covered by insurance the Company has in place.

Employee and Company's Labour Relations. At the date hereof, the collective agreements between the Company and the vast majority of the Company's unionized employees have been renewed. The Company's unionized employees are all Canadian employees, and the Company does not currently have union contracts in place with respect to any of the Company's United States operations. Although the Company believes that the Company's relations with the Company's employees are satisfactory, no assurance can be given that the Company will be able to successfully extend or renegotiate the Company's current collective agreements as they expire from time to time. If the Company fails to extend or renegotiate the Company's collective agreements, if disputes with the Company's unions arise, or if the Company's unionized workers engage in a strike or other work stoppage or interruption, the Company could experience a significant disruption of, or inefficiencies in, the Company's operations or incur higher labour costs, which could have a materially adverse effect on the Company's business, results of operations, financial condition and liquidity.

Drivers. Increases in driver compensation or difficulties attracting and retaining qualified drivers could have a materially adverse effect on the Company's profitability and the ability to maintain or grow the Company's fleet.

Like many in the transportation sector, the Company experiences substantial difficulty in attracting and retaining sufficient numbers of qualified drivers. The truckload industry periodically experiences a shortage of qualified drivers. The Company believes the shortage of qualified drivers and intense competition for drivers from other transportation companies will create difficulties in maintaining or increasing the number of drivers and may restrain the Company's ability to engage a sufficient number of drivers, and the Company's inability to do so may negatively impact the Company's operations. Further, the compensation the Company offers the Company's drivers and independent contractor expenses are subject to market conditions, and the Company may find it necessary to increase driver compensation in future periods.

In addition, the Company and many other trucking companies suffer from a high turnover rate of drivers. This high turnover rate requires the Company to continually recruit a substantial number of drivers in order to operate existing revenue equipment. If the Company is unable to continue to attract and retain a sufficient number of drivers, the Company could be forced to, among other things, adjust the Company's compensation packages, increase the number of the Company's tractors without drivers or operate with fewer trucks and face difficulty meeting shipper demands, any of which could adversely affect the Company's growth and profitability.

Acquisitions and Integration Risks. Historically, acquisitions have been a part of the Company's growth strategy. The Company may not be able to successfully integrate acquisitions into the Company's business, or may incur significant unexpected costs in doing so. Further, the process of integrating acquired businesses may be disruptive to the Company's existing business and may cause an interruption or reduction of the Company's business as a result of the following factors, among others:

- loss of key employees, customers or contracts;
- possible inconsistencies in or conflicts between standards, controls, procedures and policies among the combined companies and the need to implement company-wide financial, accounting, information technology and other systems;
- failure to maintain or improve the safety or quality of services that have historically been provided;
- inability to retain, integrate, hire or recruit qualified employees;
- unanticipated environmental or other liabilities;
- failure to coordinate geographically dispersed organizations; and
- the diversion of management's attention from the Company's day-to-day business as a result of the need to manage any disruptions and difficulties and the need to add management resources to do so.

Anticipated cost savings, synergies, revenue enhancements or other benefits from any acquisitions that the Company undertakes may not materialize in the expected timeframe or at all. The Company's estimated cost savings, synergies, revenue enhancements or other benefits from acquisitions are subject to a number of assumptions about the timing, execution and costs associated with realizing such synergies. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic and competition risks. There can be no assurance that such assumptions will turn out to be correct and, as a result, the amount of cost savings, synergies, revenue enhancements or other benefits the Company actually realizes and/or the timing of such realization may differ significantly (and may be significantly lower) from the ones the Company estimated, and the Company may incur significant costs in reaching the estimated cost savings, synergies, revenue enhancements or other benefits.

Many of the Company's recent acquisitions have involved the purchase of stock of existing companies. These acquisitions, as well as acquisitions of substantially all of the assets of a company, may expose the Company to liability for actions taken by an acquired business and its management before the Company's acquisition. The due diligence the Company

conducts in connection with an acquisition and any contractual guarantees or indemnities that the Company receives from the sellers of acquired companies may not be sufficient to protect the Company from, or compensate the Company for, actual liabilities. Generally, the representations made by the sellers, other than certain representations related to fundamental matters, such as ownership of capital stock, expire within several years of the closing. A material liability associated with an acquisition, especially where there is no right to indemnification, could adversely affect the Company's results of operations, financial condition and liquidity.

The Company intends to continue to review acquisition and investment opportunities to attempt to acquire companies and assets that meet the Company's investment criteria. Depending on the number of acquisitions and investments and funding requirements, the Company may need to raise substantial additional capital. Instability or disruptions in the capital markets, including credit markets, or the deterioration of the Company's financial condition due to internal or external factors, could restrict or prohibit access to the capital markets and could also increase the Company's cost of capital. To the extent the Company raises additional capital through the sale of equity, equity-linked or convertible debt securities, the issuance of such securities could result in dilution to the Company's existing shareholders. If the Company raises additional funds through the issuance of debt securities, the terms of such debt could impose additional restrictions and costs on the Company's operations. Additional capital, if required, may not be available on acceptable terms or at all. If the Company is unable to obtain additional capital at a reasonable cost, the Company may be required to forego potential acquisitions, which could impair the execution of the Company's growth strategy.

In addition, the Company faces competition from peer group and non-peer group firms for acquisition opportunities. This external competition may hinder the Company's ability to identify and/or consummate future acquisitions successfully. There is also a risk of impairment of acquired goodwill and intangible assets. This risk of impairment to goodwill and intangible assets exists because the assumptions used in the initial valuation of these assets, such as interest rate or forecasted cash flows, may change when testing for impairment is required.

There is no assurance that the Company will be successful in identifying, negotiating, consummating or integrating any future acquisitions. If the Company does not make any future acquisitions, the Company's growth rate could be materially and adversely affected. Any future acquisitions the Company does undertake could involve the dilutive issuance of equity securities or incurring additional indebtedness.

Environmental Matters. The Company uses storage tanks at certain of its Canadian and United States transportation terminals. Canadian and United States laws and regulations generally impose potential liability on the present or former owners or occupants or custodians of properties on which contamination has occurred. Although the Company is not aware of any contamination which, if remediation or clean-up were required, would have a material adverse effect on it, certain facilities have been in operation for many years and over such time, the Company or the prior owners, operators or custodians of the properties may have generated and disposed of wastes which are or may be considered hazardous. Liability may be imposed without regard to whether the Company knew of, or was responsible for, the presence or disposal of those substances. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect the Company's ability to sell or rent that property. There can be no assurance that the Company will not be required at some future date to incur significant costs to comply with environmental laws, or that the Company's operations, business or assets will not be materially affected by current or future environmental laws.

The Company's transportation operations and its properties are subject to extensive and frequently-changing federal, provincial, state, municipal and local environmental laws, regulations and requirements in Canada, the United States and Mexico relating to, among other things, air emissions, the management of contaminants, including hazardous substances and other materials (including the generation, handling, storage, transportation and disposal thereof), discharges and the remediation of environmental impacts (such as the contamination of soil and water, including ground water). A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management or control of real estate.

Environmental laws may authorize, among other things, federal, provincial, state and local environmental regulatory agencies to issue orders, bring administrative or judicial actions for violations of environmental laws and regulations or to revoke or deny the renewal of a permit. Potential penalties for such violations may include, among other things, civil and criminal monetary penalties, imprisonment, permit suspension or revocation and injunctive relief. These agencies may also, among other things, revoke or deny renewal of the Company's operating permits, franchises or licenses for violations or alleged violations of environmental laws or regulations and impose environmental assessment, removal of contamination, follow up or control procedures.

In addition, certain environmental regulations, particularly in the United States, limit exhaust emissions. The Company believes these requirements will result in increases in new tractor and trailer prices and additional parts and maintenance costs incurred to retrofit the Company's tractors and trailers with technology to achieve compliance with such exhaust emissions standards, which could adversely affect the Company's operating results and profitability, particularly if such costs are not offset by potential fuel savings. Furthermore, any future regulations that impose restrictions, caps, taxes or other controls on emissions of greenhouse gases could adversely affect the Company's operations and financial results. Until the timing, scope and extent of any future regulation becomes known, the Company cannot predict its effect on the Company's cost structure or the Company's operating results; however, any future regulation could impair the Company's operating efficiency and productivity and result in higher operating costs.

Environmental Contamination. The Company may have liability for environmental contamination associated with its current or formerly-owned or leased facilities as well as third-party facilities. If the Company incurs liability under applicable federal, state, provincial or local laws and regulations and if it cannot identify other parties which it can compel to contribute to its expenses and who are financially able to do so, it could have a material adverse effect on the Company's financial condition and results of operations.

The Company could be subject to orders and other legal actions and procedures brought by governmental or private parties in connection with environmental contamination, emissions or discharges. Although the Company has instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if the Company is involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances the Company transports, if soil or groundwater contamination is found at the Company's facilities or results from the Company's operations, or if the Company is found to be in violation of applicable laws or regulations, the Company could be subject to cleanup costs and liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a materially adverse effect on the Company's business and operating results.

Key Personnel. The future success of the Company will be based in large part on the quality of the Company's management and key personnel. The loss of key personnel could have a negative effect on the Company. There can be no assurance that the Company will be able to retain its current personnel or, in the event of their departure, to develop or attract new personnel of equal quality.

Dependence on Third Parties. Certain portions of the Company's business are dependent upon the services of third-party capacity providers, including other transportation companies. For that portion of the Company's business, the Company does not own or control the transportation assets that deliver the customers' freight, and the Company does not employ the people directly involved in delivering the freight. This reliance could also cause delays in reporting certain events, including recognizing revenue and claims. These third-party providers seek other freight opportunities and may require increased compensation in times of improved freight demand or tight trucking capacity. The Company's inability to secure the services of these third parties could significantly limit the Company's ability to serve its customers on competitive terms. Additionally, if the Company is unable to secure sufficient equipment or other transportation services to meet the Company's commitments to the Company's customers or provide the Company's services on competitive terms, the Company's operating results could be materially and adversely affected. The Company's ability to secure sufficient equipment or other transportation services is affected by many risks beyond the Company's control, including equipment shortages in the transportation industry, particularly among contracted carriers, interruptions in service due to labour disputes, changes in regulations impacting transportation and changes in transportation rates.

Loan Default. The Company's current credit facilities and financing agreements contain certain restrictions and other covenants relating to, among other things, funded debt, distributions, liens, investments, acquisitions and dispositions outside the ordinary course of business and affiliate transactions. If the Company fails to comply with any of its financing arrangement covenants, restrictions and requirements, the Company could be in default under the relevant agreement, which could cause cross-defaults to other financing arrangements. In the event of any such default, if the Company failed to obtain replacement financing or amendments to or waivers under the applicable financing arrangement, the Company may be unable to pay dividends to its shareholders, its lenders could cease making further advances, declare the Company's debt to be immediately due and payable, fail to renew letters of credit, impose significant restrictions and requirements on the Company's operations, institute foreclosure procedures against their collateral, or impose significant fees and transaction costs. If debt acceleration occurs, economic conditions may make it difficult or expensive to refinance the accelerated debt or the Company may have to issue equity securities, which would dilute stock ownership. Even if new financing is made available to the Company, credit may not be available to the Company on acceptable terms. A default under the Company's financing arrangements could result in

a materially adverse effect on its liquidity, financial condition and results of operations. As at the date hereof, the Company was in compliance with all of the Company's debt covenants and obligations.

Credit Facilities. The Company's credit facilities and financing agreements mature on various dates. The Company has significant ongoing capital requirements that could affect the Company's profitability if the Company is unable to generate sufficient cash from operations and/or obtain financing on favourable terms. There can be no assurance that such credit facilities or financing agreements will be renewed or refinanced, or if renewed or refinanced, that the renewal or refinancing will occur on equally favourable terms to the Company. The Company's ability to pay dividends to shareholders and ability to purchase new revenue equipment may be adversely affected if the Company is not able to renew its credit facilities or arrange refinancing, or if such renewal or refinancing, as the case may be, occurs on terms materially less favourable to the Company than at present. If the Company is unable to generate sufficient cash flow from operations and obtain financing on terms favourable to the Company in the future, the Company may have to limit the Company's fleet size, enter into less favourable financing arrangements or operate the Company's revenue equipment for longer periods, any of which may have a materially adverse effect on the Company's operations.

Customer and Credit Risks. The Company provides services to clients primarily in Canada, the United States and Mexico. The concentration of credit risk to which the Company is exposed is limited due to the significant number of customers that make up its client base and their distribution across different geographic areas. Furthermore, no client accounted for more than 5% of the Company's total accounts receivable for the period ended as of the date hereof. Generally, the Company does not have long-term contracts with the Company's major customers. Accordingly, in response to economic conditions, supply and demand factors in the industry, the Company's performance, the Company's customers' internal initiatives or other factors, the Company's customers may reduce or eliminate their use of the Company's services, or may threaten to do so to gain pricing and other concessions from the Company.

Economic conditions and capital markets may adversely affect the Company's customers and their ability to remain solvent. The customers' financial difficulties can negatively impact the Company's results of operations and financial condition, especially if those customers were to delay or default in payment to the Company. For certain customers, the Company has entered into multi-year contracts, and the rates the Company charges may not remain advantageous.

Availability of Capital. If the economic and/or the credit markets weaken, or the Company is unable to enter into acceptable financing arrangements to acquire revenue equipment, make investments and fund working capital on terms favourable to it, the Company's business, financial results and results of operations could be materially and adversely affected. The Company may need to incur additional indebtedness, reduce dividends or sell additional shares in order to accommodate these items. A decline in the credit or equity markets and any increase in volatility could make it more difficult for the Company to obtain financing and may lead to an adverse impact on the Company's profitability and operations.

Information Systems. The Company depends heavily on the proper functioning, availability and security of the Company's information and communication systems, including financial reporting and operating systems, in operating the Company's business. The Company's operating system is critical to understanding customer demands, accepting and planning loads, dispatching equipment and drivers and billing and collecting for the Company's services. The Company's financial reporting system is critical to producing accurate and timely financial statements and analyzing business information to help the Company manage its business effectively.

The Company's operations and those of the Company's technology and communications service providers are vulnerable to interruption by natural and man-made disasters and other events beyond the Company's control. If any of the Company's critical information systems fail, are breached or become otherwise unavailable, the Company's ability to manage the Company's fleet efficiently, to respond to customers' requests effectively, to maintain billing and other records reliably, to maintain the confidentiality of the Company's data and to bill for services and prepare financial

statements accurately or in a timely manner would be challenged. Any significant system failure, upgrade complication, security breach or other system disruption could interrupt or delay the Company's operations, damage the Company's reputation, cause the Company to lose customers, cause the Company to incur costs to repair the Company's systems or in respect of litigation or impact the Company's ability to manage the Company's operations and report the Company's financial performance, any of which could have a materially adverse effect on the Company's business.

Litigation. The Company's business is subject to the risk of litigation by employees, customers, vendors, government agencies, shareholders and other parties. The outcome of litigation is difficult to assess or quantify, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend litigation may also be significant. Not all claims are covered by the Company's insurance, and there can be no assurance that the Company's coverage limits will be adequate to cover all amounts in dispute. In the United States, where the Company has growing operations, many trucking companies have been subject to class-action lawsuits alleging violations of various federal and state wage and the Company's laws regarding, among other things, employee classification, employee meal breaks, rest periods, overtime eligibility, and failure to pay for all hours worked. A number of these lawsuits have resulted in the payment of substantial settlements or damages by the defendants. To the extent the Company experiences claims that are uninsured, exceed the Company's coverage limits, involve significant aggregate use of the Company's self-insured retention amounts or cause increases in future premiums, the resulting expenses could have a materially adverse effect on the Company's business, results of operations, financial condition and cash flows.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of goodwill and intangible assets, the measurement of identified assets and liabilities acquired in business combinations, the provision for income taxes, and the self-insurance provisions. These estimates and assumptions are based on management's best estimates and judgments.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the financial statements of future periods.

CHANGES IN ACCOUNTING POLICIES

Adopted during the period

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2017 and have been applied in preparing the audited consolidated financial statements:

- Disclosure Initiative: Amendments to IAS 7
- Recognition of Deferred Tax Assets for Unrealized Losses: Amendments to IAS 12
- Annual Improvements to IFRS Standards (2014-2016 cycle)

These new standards did not have a significant impact on the Company's audited consolidated financial statements.

To be adopted in future periods

The following new standards and amendments to standards are not yet effective for the year ended December 31, 2017, and have not been applied in preparing the audited consolidated financial statements:

- IFRS 15, Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions: Amendments to IFRS 2
- IFRIC 22, Foreign Currency Transactions and Advance Consideration
- IFRS 16, Leases
- Annual Improvements to IFRS Standards (2015-2017 cycle)
- IFRIC 23, Uncertainty over Income Tax Treatments

Further information can be found in note 3 of the December 31, 2017 audited consolidated financial statements.

CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' Regulation 52-109, the Company has filed certificates signed by the President and Chief Executive Officer ("CEO") and by the Chief Financial Officer ("CFO") that, among other things, report on:

- their responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company; and
- the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure controls and procedures ("DC&P")

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), have designed DC&P, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and CFO by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As at December 31, 2017, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Company's DC&P. Based on this evaluation, the CEO and the CFO concluded that the Company's DC&P were appropriately designed and were operating effectively as at December 31, 2017.

Internal controls over financial reporting ("ICFR")

The CEO and CFO have also designed ICFR, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As at December 31, 2017, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Company's ICFR. Based on this evaluation, the CEO and the CFO concluded that the ICFR were appropriately designed and were operating effectively as at December 31, 2017, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework).

Changes in internal controls over financial reporting

No changes were made to the Company's ICFR during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

MANAGEMENT'S RESPONSIBILITY



The consolidated financial statements of TFI International Inc. and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with International Financial Reporting Standards. They include some amounts that are based on management's best estimates and judgement. Financial information included elsewhere in the annual report is consistent with that in the financial statements.

The management of TFI International Inc. has developed and maintains an internal accounting system and administrative controls in order to provide reasonable assurance that the financial transactions are properly recorded and carried out with the necessary approval, and that the consolidated financial statements are properly prepared and the assets properly safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee. The Audit Committee reviews the Company's annual consolidated financial statements and recommends their approval by the Board of Directors.

These financial statements have been audited by the independent auditors, KPMG LLP, whose report follows.

A handwritten signature in black ink, appearing to read "Alain Bédard".

Alain Bédard, FCPA, FCA
Chairman of the Board,
President and Chief Executive Officer
February 20, 2018

INDEPENDENT AUDITORS' REPORT



To the Shareholders of TFI International Inc.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

February 20, 2018
Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A109612


DECEMBER 31, 2017 AND 2016

(in thousands of Canadian dollars)	Note	As at December 31, 2017	As at December 31, 2016*
Assets			
Cash and cash equivalents		—	3,654
Trade and other receivables	7	567,106	569,181
Inventoried supplies		9,296	8,520
Current taxes recoverable		14,852	11,370
Prepaid expenses		33,228	38,746
Derivative financial instruments	25	4,521	741
Assets held for sale		23,409	1,850
Current assets		652,412	634,062
Property and equipment	9	1,197,613	1,367,161
Intangible assets	10	1,832,274	1,973,150
Other assets	11	35,874	42,809
Deferred tax assets	16	5,138	8,410
Derivative financial instruments	25	4,317	1,287
Non-current assets		3,075,216	3,392,817
Total assets		3,727,628	4,026,879
Liabilities			
Bank indebtedness		9,392	—
Trade and other payables	12	425,815	455,175
Current taxes payable		13,913	57,717
Provisions	15	32,344	21,370
Other financial liability		1,300	—
Derivative financial instruments	25	559	2,376
Long-term debt	13	52,427	40,498
Current liabilities		535,750	577,136
Long-term debt	13	1,445,969	1,544,317
Employee benefits	14	17,559	14,282
Provisions	15	39,380	44,406
Other financial liability		13,281	5,447
Derivative financial instruments	25	373	3,707
Deferred tax liabilities	16	260,192	378,934
Non-current liabilities		1,776,754	1,991,093
Total liabilities		2,312,504	2,568,229
Equity			
Share capital	17	711,036	723,390
Contributed surplus	17, 19	21,995	20,230
Accumulated other comprehensive income		(2,811)	51,977
Retained earnings		684,904	663,053
Equity attributable to owners of the Company		1,415,124	1,458,650
Operating leases, contingencies, letters of credit and other commitments	26		
Total liabilities and equity		3,727,628	4,026,879

(*) Recasted (see notes 5 c) and 15)

The notes on pages 39 to 84 are an integral part of these consolidated financial statements.

On behalf of the Board:


Alain Bédard Director


André Bérard Director

YEARS ENDED DECEMBER 31, 2017 AND 2016

(In thousands of Canadian dollars, except per share amounts)	Note	2017	2016*
Revenue		4,281,823	3,704,488
Fuel surcharge		459,196	320,720
Total revenue		4,741,019	4,025,208
Materials and services expenses	20	2,739,834	2,352,594
Personnel expenses	20	1,220,871	998,031
Other operating expenses	20	268,599	243,713
Depreciation of property and equipment	20	209,557	139,439
Amortization of intangible assets	20	61,200	53,647
Gain on sale of rolling stock and equipment	20	(2,766)	(11,481)
Total operating expenses		4,497,295	3,775,943
Operating income		243,724	249,265
Gain on sale of land and buildings		232	8,948
Gain on sale of assets held for sale	21	77,446	—
Impairment of intangible assets	10	(142,981)	—
Finance income (costs)			
Finance income	23	4,250	4,832
Finance costs	23	(65,325)	(59,714)
Net finance costs		(61,075)	(54,882)
Income before income tax		117,346	203,331
Income tax expense (recovery)	24	(40,642)	46,272
Net income from continuing operations		157,988	157,059
Net income from discontinued operations	6	—	482,520
Net income for the year attributable to owners of the Company		157,988	639,579
Earnings per share attributable to owners of the Company			
Basic earnings per share	18	1.75	6.83
Diluted earnings per share	18	1.70	6.70
Earnings per share from continuing operations attributable to owners of the Company			
Basic earnings per share	18	1.75	1.68
Diluted earnings per share	18	1.70	1.64

(*) Recasted for changes in presentation

The notes on pages 39 to 84 are an integral part of these consolidated financial statements.

YEARS ENDED DECEMBER 31, 2017 AND 2016

(In thousands of Canadian dollars)	2017	2016
Net income for the year attributable to owners of the Company	157,988	639,579
Other comprehensive income (loss)		
Items that may be reclassified to income or loss in future years:		
Foreign currency translation differences	(80,212)	(24,788)
Net investment hedge, net of tax	21,761	22,373
Changes in fair value of cash flow hedge, net of tax	3,927	9,125
Employee benefits, net of tax	(148)	(221)
Unrealized gain on investment in equity securities available for sale, net of tax	—	923
Reclassification to income of accumulated unrealized gain on investment in equity securities available for sale, net of tax	—	(923)
Items that may never be reclassified to income or loss in future years:		
Defined benefit plan remeasurement gains (losses), net of tax	(1,930)	407
Items directly reclassified to retained earnings:		
Realized loss on investments, net of tax	—	(260)
Unrealized loss on investments measured at fair value through OCI, net of tax	(1,403)	(1,054)
Other comprehensive income (loss) for the year, net of tax	(58,005)	5,582
Total comprehensive income for the year attributable to owners of the Company	99,983	645,161

The notes on pages 39 to 84 are an integral part of these consolidated financial statements.

YEARS ENDED DECEMBER 31, 2017 AND 2016

(In thousands of Canadian dollars)				Accumulated unrealized loss on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Accumulated unrealized loss on investment in equity securities	Retained earnings	Total equity attributable to owners of the Company
	Note	Share capital	Contributed surplus						
Balance as at December 31, 2016		723,390	20,230	(221)	9,125	44,127	(1,054)	663,053	1,458,650
Net income for the year		—	—	—	—	—	—	157,988	157,988
Other comprehensive income (loss) for the year, net of tax		—	—	(148)	3,927	(58,451)	(1,403)	(1,930)	(58,005)
Realized loss on equity securities		—	—	—	—	—	1,287	(1,287)	—
Total comprehensive income (loss) for the year		—	—	(148)	3,927	(58,451)	(116)	154,771	99,983
Share-based payment transactions	19	—	6,817	—	—	—	—	—	6,817
Stock options exercised	17, 19	7,748	(1,514)	—	—	—	—	—	6,234
Dividends to owners of the Company	17	—	—	—	—	—	—	(70,334)	(70,334)
Repurchase of own shares	17	(22,231)	—	—	—	—	—	(59,334)	(81,565)
Restricted share units exercised	19	2,129	(3,538)	—	—	—	—	(3,252)	(4,661)
Total transactions with owners, recorded directly in equity		(12,354)	1,765	—	—	—	—	(132,920)	(143,509)
Balance as at December 31, 2017		711,036	21,995	(369)	13,052	(14,324)	(1,170)	684,904	1,415,124
Balance as at December 31, 2015		764,343	17,819	—	—	46,542	—	191,095	1,019,799
Net income for the year		—	—	—	—	—	—	639,579	639,579
Other comprehensive loss for the year, net of tax		—	—	(221)	9,125	(2,415)	(1,054)	147	5,582
Total comprehensive income (loss) for the year		—	—	(221)	9,125	(2,415)	(1,054)	639,726	645,161
Share-based payment transactions	19	—	6,164	—	—	—	—	—	6,164
Stock options exercised	17, 19	8,259	(1,742)	—	—	—	—	—	6,517
Dividends to owners of the Company	17	—	—	—	—	—	—	(64,867)	(64,867)
Repurchase of own shares	17	(50,478)	—	—	—	—	—	(100,722)	(151,200)
Restricted share units exercised	19	1,266	(2,011)	—	—	—	—	(2,179)	(2,924)
Total transactions with owners, recorded directly in equity		(40,953)	2,411	—	—	—	—	(167,768)	(206,310)
Balance as at December 31, 2016		723,390	20,230	(221)	9,125	44,127	(1,054)	663,053	1,458,650

The notes on pages 39 to 84 are an integral part of these consolidated financial statements.

YEARS ENDED DECEMBER 31, 2017 AND 2016

(In thousands of Canadian dollars)	Note	2017	2016*
Cash flows from operating activities			
Net income for the year attributable to owners of the Company		157,988	639,579
Net income from discontinued operations	6	—	482,520
Net income from continuing operations		157,988	157,059
Adjustments for			
Depreciation of property and equipment	9	209,557	139,439
Amortization of intangible assets	10	61,200	53,647
Impairment of intangible assets	10	142,981	—
Share-based payment transactions	19	6,817	6,164
Net finance costs	23	61,075	54,882
Income tax expense (recovery)	24	(40,642)	46,272
Gain on sale of property and equipment		(2,998)	(20,429)
Gain on sale of assets held for sale		(77,446)	—
Provisions and employee benefits		3,809	6,577
		522,341	443,611
Net change in non-cash operating working capital	8	(11,649)	14,659
Cash generated from operating activities		510,692	458,270
Interest paid		(64,538)	(42,856)
Income tax paid		(73,553)	(77,099)
Net realized loss on derivatives		—	(407)
Net cash from operating activities from continuing operations		372,601	337,908
Net cash used in operating activities from discontinued operations		(52,424)	(1,631)
		320,177	336,277
Cash flows from investing activities			
Purchases of property and equipment		(259,140)	(110,443)
Proceeds from sale of property and equipment		88,773	60,992
Proceeds from sale of assets held for sale	21	174,779	—
Purchases of intangible assets	10	(2,083)	(1,835)
Business combinations, net of cash and bank indebtedness acquired	5	(118,288)	(798,303)
Purchases of investments		—	(29,711)
Proceeds from sale of investments		7,914	13,404
Others		(1,522)	65
Net cash used in investing activities from continuing operations		(109,567)	(865,831)
Net cash from investing activities from discontinued operations		—	771,189
		(109,567)	(94,642)
Cash flows from financing activities			
Increase (decrease) in bank indebtedness		9,392	(20,245)
Proceeds from long-term debt		48,316	615,529
Repayment of long-term debt		(122,964)	(621,592)
Dividends paid		(69,016)	(64,066)
Repurchase of own shares		(81,565)	(151,200)
Proceeds from exercise of stock options		6,234	6,517
Payment of restricted share units		(4,661)	(2,924)
Net cash used in financing activities from continuing operations		(214,264)	(237,981)
Net cash used in financing activities from discontinued operations		—	—
		(214,264)	(237,981)
Net change in cash and cash equivalents		(3,654)	3,654
Cash and cash equivalents, beginning of year		3,654	—
Cash and cash equivalents, end of year		—	3,654

(*) Recasted (see note 15)

The notes on pages 39 to 84 are an integral part of these consolidated financial statements.

1. Reporting entity

TFI International Inc. (the "Company") is incorporated under the *Canada Business Corporations Act*, and is a company domiciled in Canada. The address of the Company's registered office is 8801 Trans-Canada Highway, Suite 500, Montreal, Quebec, H4S 1Z6.

The consolidated financial statements of the Company as at and for the years ended December 31, 2017 and 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group is involved in the provision of transportation and logistics services across the United States, Canada and Mexico.

2. Basis of preparation

a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 20, 2018.

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- investment in equity securities, derivative financial instruments, forward purchase agreement and contingent considerations are measured at fair value;
- liabilities for cash-settled share-based payment arrangements are measured at fair value in accordance with IFRS 2;
- the defined benefit pension plan liability is recognized as the net total of the present value of the defined benefit obligation less the fair value of the plan assets; and
- assets and liabilities acquired in business combinations are measured at fair value at acquisition date.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("C\$" or "CDN\$"), which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of the accompanying financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of goodwill and intangible assets, the measurement of identified assets and liabilities acquired in business combinations, the provision for income taxes and the self-insurance provisions. These estimates and assumptions are based on management's best estimates and judgments.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions resulting from changes in the economic environment will be reflected in the financial statements of future periods.

Information about critical judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 5 – Establishing the fair value of assets and liabilities, intangible assets and goodwill related to business combinations;

Note 10 – Determining estimates and assumptions related to impairment tests for long-lived assets and goodwill;

Note 6, 15 and 26 – Recognition and measurement of provisions and contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

a) Basis of consolidation

i) Business combinations

The Group measures goodwill as the fair value of the consideration transferred including the fair value of liabilities resulting from contingent consideration arrangements, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at fair value as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Group.

iii) Forward purchase agreement

As part of a certain business combination, the Company has entered into a forward purchase agreement to purchase the non-controlling interest holders stake in the respective company. Under the forward purchase agreement the Company will acquire the non-controlling interest in the future at a formulaic variable price based mainly on the earnings levels in future periods (the "exit price"). The agreement does not include a specified minimum amount for the forward purchase price.

When the forward granted to the non-controlling shareholders provides for settlement in cash or in another financial asset by the Company, the Company is required to recognize a liability for the present value of the exercise price of the forward.

In accounting for this transaction, the Company applies the anticipated acquisition method of accounting. Under this method of accounting, the forward purchase agreement is accounted for on the date of the forward purchase agreement as if the forward had already been exercised and satisfied by the non-controlling shareholders. As a result, the underlying interests are presented as already owned by the Company in the consolidated statements of financial position, the consolidated statements of income and the consolidated statements of comprehensive income, even though legally they are still considered non-controlling interest.

The forward purchase agreement is considered a financial liability and is initially recognized at the present value of the exercise price of the forward (recorded as other financial liability on the consolidated statements of financial position). The forward is re-measured to fair value at each reporting date and any subsequent changes are recognized in the consolidated statements of income as finance income or costs.

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. Significant accounting policies (continued)

b) Foreign currency translation

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate in effect at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the rate in effect on the transaction date. Income and expense items denominated in foreign currency are translated at the date of the transactions. Gains and losses are included in income or loss.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on business combinations, are translated to Canadian dollars at exchange rates in effect at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at the average exchange rate in effect during the reporting period.

Foreign currency differences are recognized in other comprehensive income in the accumulated foreign currency translation differences account.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation differences is transferred to income or loss as part of the income or loss on disposal. On the partial disposal of a subsidiary while retaining control, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to income or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the accumulated foreign currency translation differences account.

c) Discontinued operations

A discontinued operation is a component of the Group's business; the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of income and comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

3. Significant accounting policies (continued)

d) Financial instruments

i) Non-derivative financial assets

The Group initially recognizes financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into financial assets measured at amortized cost or financial assets measured at fair value depending on the purpose for which the financial assets were acquired.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Group currently classifies its cash equivalents, trade and other receivables and long-term non-trade receivables included in other non-current assets as financial assets measured at amortized cost.

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The Group has a portfolio of trade receivables at the reporting date. The Group uses a provision matrix to determine the lifetime expected credit losses for the portfolio.

The Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against trade and other receivables.

3. Significant accounting policies (continued)

i) Non-derivative financial assets (continued)

Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in income or loss. However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

Financial assets measured at fair value through other comprehensive income

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

ii) Non-derivative financial liabilities

The Group initially recognizes debt issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when its contractual obligations are discharged or cancelled or expire.

Financial liabilities are classified into financial liabilities measured at amortized cost and financial liabilities measured at fair value.

Financial liabilities measured at amortized cost

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Group currently classifies bank indebtedness, trade and other payables and long-term debt as financial liabilities measured at amortized cost.

Financial liabilities measured at fair value

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings. The Group currently classifies its forward purchase agreement liability in connection with a business acquisition as a financial liability measured at fair value.

iii) Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity.

iv) Derivative financial instruments

The Group uses derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through income or loss.

Derivatives and embedded derivatives are recognized initially at fair value; related transaction costs are recognized in income or loss as incurred. Subsequent to initial recognition, derivatives and embedded derivatives are measured at fair value, and changes therein are recognized in net change in fair value of foreign exchange derivatives in income or loss with the exception of net change in fair value of cross currency interest rate swap contracts recognized in net foreign exchange gain or loss in income or loss.

3. Significant accounting policies (continued)

e) Hedge accounting

Management's risk strategy is focused on reducing the variability in profit or losses and cash flows associated with exposure to market risks. Hedge accounting is used to reduce this variability to an acceptable level. The hedges employed by the Group reduce the currency and interest rate fluctuation exposures.

On the initial designation of a hedging relationship, the Group formally documents the relationship between the hedging instrument and the hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items throughout the period for which the hedge is designated.

Net investment hedge

The Group designates a portion of its U.S. dollar ("US\$") denominated debt as a hedging item in a net investment hedge. The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency (CDN\$), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented in the currency translation differences account within equity. To the extent that the hedge is ineffective, such differences are recognized in income or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to income or loss as part of the gain or loss on disposal.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect income or loss, the effective portion of changes in the fair value of the derivatives is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect income or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects income or loss. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in income or loss.

f) Property and equipment

Property and equipment are accounted for at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, the costs of dismantling and removing the assets and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in net income or loss.

Depreciation is based on the cost of an asset less its residual value and is recognized in income or loss over the estimated useful life of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

3. Significant accounting policies (continued)

f) Property and equipment (continued)

The depreciation method and useful lives are as follows:

Categories	Basis	Useful lives
Buildings	Straight-line	15 – 40 years
Rolling stock	Primarily straight-line	3 – 20 years
Equipment	Primarily straight-line	5 – 12 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment in accordance with IAS 36 *Impairment of Assets* when there are indicators that the carrying value may not be recoverable.

g) Intangible assets

i) Goodwill

Goodwill that arises upon business combinations is included in intangible assets.

Goodwill is not amortized and is measured at cost less accumulated impairment losses.

ii) Other intangible assets

Intangible assets consist of customer relationships, trademarks, non-compete agreements and information technology.

Other intangible assets that are acquired by the Group and have finite lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized on a straight-line basis over the following estimated useful lives:

Categories	Useful lives
Customer relationships	5 – 15 years
Trademarks	5 – 20 years
Non-compete agreements	3 – 10 years
Information technology	5 – 7 years

Useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Leased assets

Leases with terms which indicate that the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Group's statements of financial position.

i) Inventoried supplies

Inventoried supplies consist primarily of repair parts and fuel and are measured at the lower of cost and net realizable value.

j) Impairment

Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventoried supplies and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated on December 31 of each year.

3. Significant accounting policies (continued)

j) Impairment (continued)

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs (usually a Group's operating segment), that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, if any, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a prorata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses and impairment reversals are recognized in income or loss.

k) Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in income or loss.

Once classified as held-for-sale, intangible assets and property and equipment are no longer amortized or depreciated.

l) Employee benefits

i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in income or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

3. Significant accounting policies (continued)

l) Employee benefits (continued)

ii) Defined benefit plans (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or income-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iv) Share-based payment transactions

The grant date fair value of equity share-based payment awards granted to employees is recognized as a personnel expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date.

The fair value of the amount payable to board members in respect of deferred share unit ("DSU"), which are to be settled in cash, is recognized as an expense with a corresponding increase in liabilities. The liability is remeasured at each reporting date until settlement. Any changes in the fair value of the liability are recognized as finance income or costs in income or loss.

v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be fully settled within 12 months of the end of the reporting period, then they are discounted.

m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as finance cost.

Self-Insurance

The self-insurance provision represents an accrual for estimated future disbursements associated with the self-insured portion for claims filed as at year-end and incurred but not reported, related to cargo loss, bodily injury, worker's compensation and property damages. The estimates are based on the Group's historical experience including settlement patterns and payment trends. The most significant assumptions in the estimation process include determining the trend in costs, the expected cost of claims incurred but not reported and the expected cost to settle or pay the outstanding claims. Changes in assumptions and experience could cause these estimates to change significantly in the near term.

3. Significant accounting policies (continued)

n) Revenue recognition

The Group's normal business operations consist of the provision of transportation and logistics services. All income relating to normal business operations is recognized as revenue based on the stage of completion of the service in the statement of income. The stage of completion of the service is determined using the proportion of costs incurred to date compared to the estimated total costs of the service. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Revenue is recognized as services are rendered, when the amount of revenue and income can be reliably measured and in all probability the economic benefits from the transactions will flow to the Group.

o) Lease payments

Payments made under operating leases are recognized in income or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

p) Finance income and finance costs

Finance income comprises interest income on funds invested, available-for-sale financial assets (prior to adoption of IFRS 9, see note 3 t)), dividend income, interest and accretion on promissory note, and bargain purchase gains on business acquisitions. Interest income is recognized as it accrues in income or loss, using the effective interest method.

Finance costs comprise interest expense on bank indebtedness and long-term debt, unwinding of the discount on provisions and impairment losses recognized on financial assets (other than trade receivables).

Fair value gains or losses on derivative financial instruments and on contingent considerations, and foreign currency gains and losses are reported on a net basis as either finance income or cost.

q) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

r) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if any. Diluted EPS is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible debentures, warrants, and restricted share units and stock options granted to employees.

3. Significant accounting policies (continued)

s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief executive officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, income tax assets, liabilities and expenses, as well as long-term debt and interest expense thereon.

Sales between Group's segments are measured at the exchange amount. Transactions, other than sales, are measured at carrying value. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

t) New standards and interpretations adopted during the year

The Group has adopted the following new standards and amendments to standards and interpretations, with a date of initial application of January 1, 2017. These have been applied in preparing these consolidated financial statements:

Disclosure Initiative: Amendments to IAS 7: On January 7, 2016 the IASB issued *Disclosure Initiative* (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. Adoption of *Disclosure Initiative: Amendments to IAS 7* did not have a material impact on the Group's consolidated financial statements.

Recognition of Deferred Tax Assets for Unrealized Losses: Amendments to IAS 12: On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. Adoption of *Recognition of Deferred Tax Assets for Unrealized Losses: Amendments to IAS 12* did not have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards (2014-2016 cycle): On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transaction requirements and effective date. Amendments were made to the following standards:

- Clarification that IFRS 12 *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017;
- Removal of outdated exemptions for first time adopters under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018;
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

Adoption of *Annual Improvements to IFRS Standards (2014-2016 cycle)* did not have a material impact on the Group's consolidated financial statements.

3. Significant accounting policies (continued)

u) New standards and interpretations not yet adopted

The following new standards are not yet effective for the year ending December 31, 2017, and have not been applied in preparing these consolidated financial statements:

IFRS 15 Revenue from Contracts with Customers: On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property. The Group will adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. Following the analysis of the impact of adoption of the standard, the Group has determined that there will be no significant impact on the results. The standard also requires to evaluate whether there is a promise to transfer services to the customer as a principal or to arrange for services to be provided by another party (as an agent). To make that determination, the standard uses a control model rather than the risks-and-rewards model under current standard. Based on the evaluation of the control model, it was determined that certain businesses mainly in the LTL segment act as the principal rather than the agent within their revenue arrangements. This change will require the affected businesses to report transportation revenue gross of associated purchase transportation costs rather than net of such amounts within the consolidated statements of income. It is expected that this change will result in an approximate \$100 million reclassification from operating expenses to revenue on the consolidated statements of income for the year ended December 31, 2017.

Classification and Measurement of Share-based Payment Transactions: Amendments to IFRS 2: On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group will adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The Group does not expect the amendments to have a material impact on the financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration: On December 8, 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The Interpretation may be applied either:

- retrospectively; or
- prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after:
 - the beginning of the reporting period in which the entity first applies the Interpretation; or
 - the beginning of a prior reporting period presented as comparative information in the financial statements.

3. Significant accounting policies (continued)

u) New standards and interpretations not yet adopted (continued)

The Group will adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The Group does not expect the amendments to have a material impact on the financial statements.

IFRS 16, Leases: On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Group intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Group is in the process of reviewing lease agreements in accordance with the new standard. The adoption of this standard will have a material impact on the financial statements.

Annual Improvements to IFRS Standards (2015-2017 cycle): On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements. Amendments were made to the following standards:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 *Income Taxes* - to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits - i.e. in profit or loss, OCI, or equity; and
- IAS 23 *Borrowing Costs* - to clarify that specific borrowings - i.e. funds borrowed specifically to finance the construction of a qualifying asset - should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Group intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

IFRIC 23 Uncertainty over Income Tax Treatments: On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The Interpretation requires:

- an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

4. Segment reporting

The Group operates within the transportation and logistics industry in the United States, Canada and Mexico in different reportable segments, as described below. The reportable segments are managed independently as they require different technology and capital resources. For each of the operating segments, the Group's CEO reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Package and Courier:	Pickup, transport and delivery of items across North America.
Less-Than-Truckload:	Pickup, consolidation, transport and delivery of smaller loads.
Truckload ^(a) :	Full loads carried directly from the customer to the destination using a closed van or specialized equipment to meet customer's specific needs. Includes expedited transportation, flatbed, container and dedicated services.
Logistics:	Logistics services.

- (a) The Truckload segment represents the aggregation of the Canadian Truckload, U.S. Truckload, and Specialized Truckload operating segments. The aggregation of the segment was analyzed using management's judgement in accordance with IFRS 8. The operating segments were determined to be similar with respect to the nature of services offered and the methods used to distribute their services, additionally, they have similar economic characteristics with respect to long term expected gross margin, levels of capital invested and market place trends.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating income or loss. This measure is included in the internal management reports that are reviewed by the Group's CEO and refers to "Operating income (loss)" in the consolidated statements of income. Segment's operating income or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

When the Group changes the structure of its internal organization in a manner that causes the composition of its reportable segments to change, the corresponding information for the comparative period is recasted to conform to the new structure.

	Package and Courier	Less-Than-Truckload	Truckload	Logistics	Corporate	Eliminations	Total
2017							
External revenue	1,353,474	907,985	2,181,389	298,171	—	—	4,741,019
Inter-segment revenue	7,794	9,260	28,035	8,303	—	(53,392)	—
Total revenue	1,361,268	917,245	2,209,424	306,474	—	(53,392)	4,741,019
Operating income (loss)	124,406	52,350	77,349	25,534	(35,915)	—	243,724
Selected items:							
Depreciation and amortization	33,695	30,996	197,519	6,299	2,248	—	270,757
Gain (loss) on sale of land and buildings	567	(242)	(93)	—	—	—	232
Gain on sale of assets held for sale	9,156	68,118	172	—	—	—	77,446
Impairment of intangible assets	13,211	—	129,770	—	—	—	142,981
Intangible assets	425,653	238,995	988,773	176,487	2,366	—	1,832,274
Total assets	651,345	556,807	2,232,157	221,439	65,880	—	3,727,628
Total liabilities	145,173	154,531	377,280	32,704	1,602,816	—	2,312,504
Additions to property and equipment	13,823	12,640	231,936	496	771	—	259,666
2016*							
External revenue	1,359,169	808,430	1,624,753	232,856	—	—	4,025,208
Inter-segment revenue	7,016	19,074	22,424	8,286	—	(56,800)	—
Total revenue	1,366,185	827,504	1,647,177	241,142	—	(56,800)	4,025,208
Operating income (loss)	113,040	47,899	102,511	21,750	(35,935)	—	249,265
Selected items:							
Depreciation and amortization	33,758	29,506	123,847	3,877	2,098	—	193,086
Gain (loss) on sale of land and buildings	(8)	4,442	2,875	1,639	—	—	8,948
Intangible assets	450,541	230,194	1,159,622	130,994	1,799	—	1,973,150
Total assets	700,749	635,233	2,440,148	175,190	75,233	—	4,026,553
Total liabilities	157,426	146,008	517,265	19,350	1,725,480	—	2,565,529
Additions to property and equipment	11,152	16,967	80,021	430	1,990	—	110,560

(*) Recasted for changes in composition of reportable segments, changes in presentation and note 5 c).

4. Segment reporting (continued)

Geographical information

Revenue is attributed to geographical locations based on the origin of service's location. Segment assets are based on the geographical location of the assets.

	2017	2016
Revenue		
Canada	2,677,040	2,434,762
United States	2,042,861	1,586,766
Mexico	21,118	3,680
	4,741,019	4,025,208

	2017	2016*
Property and equipment and intangible assets		
Canada	1,693,190	1,771,198
United States	1,314,635	1,543,820
Mexico	22,062	25,293
	3,029,887	3,340,311

(*) Recasted (see note 5 c))

5. Business combinations

a) Business combinations

In line with the Group's growth strategy, the Group acquired seven businesses during 2017, notably World Courier Ground U.S. ("World Courier Ground"), Cavalier Transportation Services Inc. ("Cavalier") and Premier Product Management ("PPM").

On January 13, 2017, the Group completed the acquisition of World Courier Ground. Established in 1983, World Courier Ground is an asset light, time critical courier provider. Operating nationally across the U.S., the company offers same day courier, rush trucking and warehousing services primarily to the medical industry, as well as to the environmental, financial, chemical and industrial sectors. World Courier Ground management continues to operate the business under the new name TForce Critical.

On January 28, 2017, the Group completed the acquisition of Cavalier. Established in 1979, Cavalier's operations consist of LTL services, brokerage and warehousing. Based in Bolton, ON, Cavalier serves corridors primarily between Ontario, Quebec, New York and Illinois.

On October 31, 2017, the Group completed the acquisition of PPM. Founded in 2004 and based in California, PPM provides home delivery services of household appliances in the United States.

During 2017, transaction costs of \$0.1 million have been expensed in other operating expenses in the consolidated statements of income in relation to the above mentioned business acquisitions (2016 – \$3.7 million, \$3.2 million of which has been recorded in personnel expenses and \$0.5 million in other operating expenses).

These cash-settled transactions were concluded in order to add density in the Group's current network and further expand value-added services. The seven acquired businesses contributed revenue and net income of \$137.6 million and \$5.3 million respectively. If these acquisitions had occurred on January 1, 2017, per management's best estimates, the revenue and net income would have been \$197.3 million and \$9.7 million respectively. In determining these estimated amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on January 1, 2017.

5. Business combinations (continued)

a) Business combinations (continued)

As of the reporting date, the Group had not completed the purchase price allocation over the identifiable net assets and goodwill of several of the 2017 acquisitions. Information to confirm fair value of certain assets and liabilities is still to be obtained for these acquisitions. As the Group obtains more information, the allocation will be completed. The table below presents the purchase price allocation based on the best information available to the Group to date.

Identifiable assets acquired and liabilities assumed	Note	2017*	2016**
Cash and cash equivalents		1,006	15,794
Trade and other receivables		22,112	100,333
Inventoried supplies and prepaid expenses		5,950	12,981
Property and equipment	9	27,213	458,804
Intangible assets	10	70,873	98,677
Other assets		859	—
Bank indebtedness		—	(121)
Trade and other payables		(17,081)	(75,099)
Income tax payable		(1,673)	(468)
Provisions		—	(16,251)
Long-term debt		(9,030)	(5,103)
Deferred tax liabilities		(12,163)	(154,178)
Total identifiable net assets		88,066	435,369
Total consideration transferred		130,958	816,393
Goodwill	10	42,892	381,024
Cash		119,294	813,976
Contingent consideration		11,664	2,417
Total consideration transferred		130,958	816,393

(*) Includes non material adjustments to prior year acquisitions

(**) Recasted (see note 5 c)

The trade receivables comprise of gross amounts due of \$21.7 million, of which \$0.7 million was expected to be uncollectible at the acquisition date.

Of the goodwill and intangible assets acquired through business combinations in 2017, \$28.6 million is deductible for tax purposes (2016 - \$21.8 million).

During 2016, the Group acquired ten businesses, one of which is considered significant.

On October 27, 2016, the Group completed the acquisition of the North American truckload operation of XPO Logistics for a total cash consideration of \$747.4 million, of which, \$500.0 million has been financed through a new term loan. The acquisition represents an important expansion of the Group's TL and Logistics services across North America. With an operating history of over 60 years, the acquired business is a top 20 carrier headquartered in Joplin, Missouri. The business provides an integrated offering of point-to-point dry-van TL transportation services across the United States, and is one of the largest service providers of cross-border trucking into Mexico. This acquisition, which operates under the name of CFI, significantly strengthens the Group's presence in the North American truckload landscape with prominent market positions in domestic US and cross-border Mexico freight.

The other 2016 acquisitions did not have a material effect on the Group's financial position and results of operations.

5. Business combinations (continued)

b) Goodwill

The goodwill is attributable mainly to the premium of an established business operation with a good reputation in the transportation industry, and the synergies expected to be achieved from integrating the acquired entity into the Group's existing business.

The goodwill arising in the above business combinations has been allocated to operating segments as indicated in the table below, which represents the lowest level at which goodwill is monitored internally.

Operating segment	Reportable segment	2017	2016*
Package and Courier	Package and Courier	1,992	7,823
Less-Than-Truckload	Less-Than-Truckload	8,927	7,481
U.S. Truckload	Truckload	—	333,339
Specialized Truckload	Truckload	19,352	7,230
Logistics	Logistics	12,621	25,151
		42,892	381,024

(*) Recasted for changes in composition in reportable segments and note 5 c).

c) Adjustment to the provisional amounts of prior year business combinations

The 2016 annual consolidated financial statements included details of the Group's business combinations and set out provisional fair values relating to the consideration and net assets acquired of CFI. This acquisition was accounted for under the provisions of IFRS 3. As required by IFRS 3, the provisional fair values have been reassessed in light of information obtained during the measurement period following the acquisition. Consequently, the fair value of certain assets acquired and liabilities assumed of CFI has been adjusted during the year and accordingly, the comparative information for the prior year presented in these consolidated financial statements has been revised as follow:

	Provisional fair value	Measurement period adjustment	Reassessed fair value
Cash and cash equivalents	13,949	—	13,949
Trade and other receivables	82,997	—	82,997
Inventoried supplies and prepaid expenses	12,104	—	12,104
Property and equipment	460,779	(27,910)	432,869
Intangible assets	129,860	(50,198)	79,662
Trade and other payables	(57,607)	—	(57,607)
Provisions	(16,251)	—	(16,251)
Deferred tax liabilities	(194,680)	44,408	(150,272)
Total identifiable net assets	431,151	(33,700)	397,451
Total consideration transferred	747,449	—	747,449
Goodwill	316,298	33,700	349,998

d) Contingent consideration

The contingent consideration relates to one business combination and is recorded in the original purchase price allocation. The fair value was determined using expected cash flow based on probability weighted scenario discounted at a rate of 6.0%. This consideration is contingent on achieving specified earning levels in future periods. The maximum yearly amount payable over the next four years is \$5.0 million for a total consideration of \$20.0 million. At December 31, 2017, the fair value of the contingent arrangement was estimated at \$11.7 million and is currently presented in other financial liabilities on the consolidated statements of financial position.

6. Discontinued operations

On September 30, 2015, the Company decided to cease operations in the rig moving operating segment and accordingly has classified all the property and equipment as assets held for sale.

On February 1, 2016, the Company sold the Waste Management segment ("Waste") to GFL Environmental Inc. ("GFL") for total consideration of \$800 million, which includes an unsecured promissory note of \$25 million yielding 3% interest with a term of 4 years.

The following table presents the net income (loss) from discontinued operations:

	2016		
	Rig moving	Waste	Total
Revenue	304	14,340	14,644
Expenses	1,898	15,630	17,528
	(1,594)	(1,290)	(2,884)
Loss on assets held for sale	(8,920)	—	(8,920)
Gain on the sale of Waste	—	559,246	559,246
Income (loss) before income tax	(10,514)	557,956	547,442
Income tax expense (recovery)	(3,656)	68,578	64,922
Net income (loss) from discontinued operations ⁽¹⁾	(6,858)	489,378	482,520
Earnings (loss) per share from discontinued operations			
Basic earnings (loss) per share	(0.07)	5.22	5.15
Diluted earnings (loss) per share	(0.07)	5.12	5.05
Additional information:			
Depreciation of property and equipment	—	2,256	2,256

⁽¹⁾ The net income from discontinued operations is fully attributable to the owners of the Company.

During 2016, an impairment of \$5.0 million was recognized on assets belonging to the rig moving segment.

The assets and liabilities of the discontinued operations were as follows:

	2016
Current assets	326
Current liabilities	(2,700)

6. Discontinued operations (continued)

Sale of the Waste Management segment

On February 1, 2016, the Company completed the sale of Waste to GFL, headquartered in Toronto, Ontario, for a sale price of \$800 million. At closing, GFL paid \$758.9 million to the Company net of closing adjustments, and issued an unsecured promissory note to the Company in an amount of \$25 million, payable in four years and bearing interest at an annual rate of 3%. The table below presents the reconciliation of the gain on the sale of the Waste Management.

	Note	2016
Sale price		800,000
Closing adjustment to sale price	i	(16,126)
Net sale price		783,874
Trade and other receivables		34,014
Inventoried supplies and prepaid expenses		4,364
Property and equipment		140,089
Intangible assets		93,408
Goodwill		22,369
Other assets		9,576
Bank indebtedness		(6,018)
Trade and other payables		(16,576)
Income taxes payable		(3,956)
Provisions		(26,544)
Long-term debt		(7,235)
Deferred tax liabilities		(26,398)
Total identifiable net assets		217,093
Fair value adjustment to the promissory note	ii	(7,535)
Gain on sale of Waste		559,246
Income tax on gain on disposal	iii	(68,475)
Gain on sale of Waste, net of tax		490,771
Net sale price is paid as follow:		
Cash consideration received		758,874
Promissory note issued	ii	25,000
		783,874

- i) Closing adjustments to the sale price includes an assumed lease amount of \$0.7 million, closure and post-closure costs of \$9.1 million, working capital adjustment of \$2.4 million and income taxes payable of \$4.0 million.
- ii) The fair value adjustment to the promissory note has been calculated with a discount rate of 12% over 4 years based on the specific risk of the business.
- iii) The gain of \$559.2 million on the sale of Waste generated an income tax expense \$68.5 million which represents an effective tax rate of 12.2% largely explained by the capital nature of the transaction.

7. Trade and other receivables

	2017	2016
Trade receivables	546,160	552,057
Other receivables	20,946	17,124
	567,106	569,181

The Group's exposure to credit and currency risks related to trade and other receivables is disclosed in note 25 a) and d).

8. Additional cash flow information

Net change in non-cash operating working capital

	2017	2016
Trade and other receivables	14,548	40,095
Inventoried supplies	(238)	836
Prepaid expenses	9,060	1,598
Trade and other payables	(35,019)	(27,870)
	(11,649)	14,659

9. Property and equipment

	Land and buildings	Rolling stock	Equipment	Total
Cost				
Balance at December 31, 2015	424,593	908,662	149,482	1,482,737
Additions through business combinations*	44,420	412,716	1,668	458,804
Other additions	9,409	92,152	8,999	110,560
Disposals	(16,434)	(114,207)	(6,673)	(137,314)
Reclassification from (to) assets held for sale	4,644	(3,277)	—	1,367
Effect of movements in exchange rates	(556)	(6,073)	(334)	(6,963)
Balance at December 31, 2016*	466,076	1,289,973	153,142	1,909,191
Additions through business combinations	4,788	20,755	1,670	27,213
Other additions	8,126	238,812	12,728	259,666
Disposals	(7,167)	(219,024)	(14,001)	(240,192)
Reclassification to assets held for sale	(133,003)	—	—	(133,003)
Effect of movements in exchange rates	(5,355)	(36,113)	(1,069)	(42,537)
Balance at December 31, 2017	333,465	1,294,403	152,470	1,780,338
Depreciation				
Balance at December 31, 2015	67,620	341,707	91,549	500,876
Depreciation for the year	11,505	112,441	15,493	139,439
Disposals	(3,991)	(86,736)	(7,211)	(97,938)
Reclassification from (to) assets held for sale	2,067	(1,388)	—	679
Effect of movements in exchange rates	(244)	(689)	(93)	(1,026)
Balance at December 31, 2016	76,957	365,335	99,738	542,030
Depreciation for the year	11,719	182,627	15,211	209,557
Disposals	(3,933)	(137,243)	(13,241)	(154,417)
Reclassification to assets held for sale	(14,111)	—	—	(14,111)
Effect of movements in exchange rates	(956)	1,066	(444)	(334)
Balance at December 31, 2017	69,676	411,785	101,264	582,725
Net carrying amounts				
At December 31, 2016*	389,119	924,638	53,404	1,367,161
At December 31, 2017	263,789	882,618	51,206	1,197,613

(*) Recasted (see note 5 c)

9. Property and equipment (continued)

Leased assets

The Group leases items of rolling stock and equipment under a number of finance lease agreements. For the majority of these leases, the Group is responsible for the residual value on termination date. The leased assets secure lease obligations (see note 13). At December 31, 2017, the net carrying amount of leased assets was \$32.3 million (2016 - \$36.1 million). During the year ended December 31, 2017, the Group acquired leased assets in the amount of \$0.4 million (2016 - \$0.1 million) under finance lease agreements and all other new leased assets come from business acquisitions.

Security

At December 31, 2017 certain rolling stock are pledged as security for conditional sales contracts, with a carrying amount of \$120.4 million (2016 - \$104.1 million) (see note 13).

10. Intangible assets

	Other intangible assets					Total
	Goodwill	Customer relationships	Trademarks	Non-compete agreements	Information technology	
Cost						
Balance at December 31, 2015	1,207,311	443,516	73,649	2,530	29,630	1,756,636
Additions through business combinations*	381,024	59,992	37,010	785	890	479,701
Other additions	—	—	—	—	1,835	1,835
Extinguishments	—	(6,261)	(57)	(541)	(1,948)	(8,807)
Effect of movements in exchange rates	(11,979)	(5,333)	(986)	(48)	(348)	(18,694)
Balance at December 31, 2016*	1,576,356	491,914	109,616	2,726	30,059	2,210,671
Additions through business combinations	42,892	64,040	365	6,440	28	113,765
Other additions	—	—	—	—	2,083	2,083
Extinguishments	—	(2,100)	(2,877)	—	(7,231)	(12,208)
Effect of movements in exchange rates	(42,587)	(15,715)	(4,478)	(202)	(978)	(63,960)
Balance at December 31, 2017	1,576,661	538,139	102,626	8,964	23,961	2,250,351
Amortization and impairment losses						
Balance at December 31, 2015	60,000	98,748	14,434	743	20,211	194,136
Amortization for the year	—	42,606	5,919	490	4,632	53,647
Extinguishments	—	(6,261)	(57)	(541)	(1,948)	(8,807)
Effect of movements in exchange rates	—	(1,055)	(137)	(18)	(245)	(1,455)
Balance at December 31, 2016	60,000	134,038	20,159	674	22,650	237,521
Amortization for the year	—	47,271	8,270	1,081	4,578	61,200
Impairment loss	129,770	—	13,211	—	—	142,981
Extinguishments	—	(2,100)	(2,877)	—	(7,231)	(12,208)
Effect of movements in exchange rates	(4,320)	(4,991)	(1,185)	(41)	(880)	(11,417)
Balance at December 31, 2017	185,450	174,218	37,578	1,714	19,117	418,077
Net carrying amounts						
At December 31, 2016*	1,516,356	357,876	89,457	2,052	7,409	1,973,150
At December 31, 2017	1,391,211	363,921	65,048	7,250	4,844	1,832,274

(*) Recasted (see note 5 c))

10. Intangible assets (continued)

In 2017, the Group rebranded certain package and courier companies by initiating a change of name. This rebranding was identified as an indicator of impairment for the trade name intangibles of these companies. The group estimated the value in use of the trade names to be \$5.8 million using the relief-from-royalty method compared to its carrying value of \$19.0 million, resulting in an impairment charge of \$13.2 million. Management assumed that the trade names have a value for 4 years and used a discount rate of 9.3% in its analysis. The Group also changed the amortization period to 4 years for the remaining net book value of these trade names only.

Goodwill impairment test

IFRS requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the assets. In Q2 2017, management determined that such an indication existed as the results of the U.S. Truckload operating segment were substantially below the expected results. As a result, a goodwill impairment analysis was performed only for the U.S. Truckload operating segment.

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to the U.S. Truckload operating segment, prior to any impairment, was \$441.8 million as at June 30, 2017 (December 31, 2016 - \$444.8 million).

The Group performed a goodwill impairment test as at June 30, 2017. The results using the value in use approach determined that the recoverable amount of the U.S. Truckload operating segment was lower than the carrying amount at June 30, 2017. The Group recognized a goodwill impairment charge of \$129.8 million.

The value in use methodology is based on discounted future cash flows. Management believes that the discounted future cash flows method is appropriate as it allows more precise valuation of specific future cash flows.

The estimated future cash flows were discounted to their present value using a pre-tax discount rate of 11.2% (2016 - 11.2%) at June 30, 2017 for the U.S.Truckload. The discount rate was estimated based on past experience, and industry average weighted average cost of capital, which were based on a possible range of debt leveraging of 40.0% (2016 – 40.0%) at a market interest rate of 6.8% (2016 – 6.7%).

First year cash flows were projected based on previous operating results and reflect current economic conditions. For a further 4-year period, cash flows were extrapolated using an average growth rate of 2.0% (2016 – 2.0%) in revenues and margins were adjusted where deemed appropriate. The terminal value growth rate was 2.0% (2016 – 2.0%). The values assigned to the key assumptions represent management's assessment of future trends in the transportation industry and were based on both external and internal sources (historical data).

The recoverable amount for the U.S. Truckload calculated at June 30, 2017 was \$869.7 million (\$1,257.6 million – December 31, 2016) as compared to a carrying amount of \$999.5 million on June 30, 2017 (\$960.0 million – December 31, 2016).

At December 31, 2017, the Group performed its annual goodwill impairment tests for operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Reportable segment / operating segment	2017	2016*
Package and Courier	359,557	367,430
Less-Than-Truckload	159,261	150,334
Truckload		
Canadian Truckload	110,298	110,298
U.S. Truckload	292,582	444,752
Specialized Truckload	360,547	346,851
Logistics	108,966	96,691
	1,391,211	1,516,356

(*) Recasted for changes in composition of reportable segments and note 5 c).

10. Intangible assets (continued)

The results as at December 31, 2017 determined that the recoverable amounts of the Group's operating segments exceeded their respective carrying amounts.

The recoverable amounts of the Group's operating segments were determined using the value in use approach. The value in use methodology is based on discounted future cash flows. Management believes that the discounted future cash flows method is appropriate as it allows more precise valuation of specific future cash flows.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates as follows:

Reportable segment / operating segment	2017	2016
Package and Courier	9.5%	9.4%
Less-Than-Truckload	10.1%	10.0%
Truckload		
Canadian Truckload	11.9%	11.2%
U.S. Truckload	11.3%	11.2%
Specialized Truckload	11.9%	11.8%
Logistics	10.7%	10.6%

The discount rates were estimated based on past experience, and industry average weighted average cost of capital, which were based on a possible range of debt leveraging of 40.0% (2016 – 40.0%) at a market interest rate of 7.0% (2016 – 6.7%).

First year cash flows were projected based on previous operating results and reflect current economic conditions. For a further 4-year period, cash flows were extrapolated using an average growth rate of 2.0% (2016 – 2.0%) in revenues and margins were adjusted where deemed appropriate. The terminal value growth rate was 2.0% (2016 – 2.0%). The values assigned to the key assumptions represent management's assessment of future trends in the transportation industry and were based on both external and internal sources (historical data).

11. Other assets

	Note	2017	2016
Promissory note	6	20,739	18,962
Investments in equity securities		6,310	15,884
Restricted cash		4,294	4,294
Security deposits		3,748	3,645
Other		783	24
		35,874	42,809

Restricted cash consists of cash held as potential claims collateral pursuant to re-insurance agreements under the Group's insurance program.

12. Trade and other payables

	2017	2016*
Trade payables and accrued expenses	305,781	318,480
Personnel accrued expenses	101,317	119,296
Dividend payable	18,717	17,399
	425,815	455,175

(*) Recasted (see note 15)

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

13. Long-term debt

This note provides information about the contractual terms of the Group's interest-bearing long-term debt, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign exchange currency and liquidity, see note 25.

	2017	2016
Non-current liabilities		
Revolving facility	690,893	767,034
Term loans	572,788	571,663
Unsecured debentures	124,738	124,552
Conditional sales contracts	52,553	42,758
Finance lease liabilities	4,997	12,401
Other long-term debt	—	25,909
	1,445,969	1,544,317
Current liabilities		
Current portion of conditional sales contracts	33,502	29,807
Current portion of finance lease liabilities	9,959	9,869
Current portion of other long-term debt	8,966	822
	52,427	40,498

Terms and conditions of outstanding long-term debt are as follows:

					2017		2016	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount	
Revolving facility	a	C\$	BA + 2.15%	2021	250,400	248,720	302,900	301,170
Revolving facility	a	US\$	Libor + 2.15%	2021	354,851	442,173	348,953	465,864
Term loan	a	C\$	BA + 2.15%	2019-2020	500,000	497,957	500,000	496,933
Unsecured debentures	b	C\$	3.00 - 3.45%	2020	125,000	124,738	125,000	124,552
Term loan	c	C\$	3.95%	2019	75,000	74,831	75,000	74,730
Conditional sales contracts	d	Mainly C\$	1.99% - 3.81%	2018-2022	86,055	86,055	72,565	72,565
Finance lease liabilities	e	Mainly C\$	2.35% - 6.90%	2018-2022	14,956	14,956	22,270	22,270
Other long-term debt		C\$	4.30% - 4.75%	2018	8,966	8,966	26,731	26,731
					1,498,396		1,584,815	

In 2017, in addition to the repayments and new borrowings, the debt decreased due to currency fluctuations by \$23.3 million and increased by \$2.5 million due to the amortization of deferred financing fees.

13. Long-term debt (continued)

a) Revolving credit facility

On May 17, 2017, the Group extended its existing revolving credit facility, by one year, to June 2021. The facility is unsecured and can be extended annually. The total available amount under the revolving facility is \$1,200 million. The agreement still provides, under certain conditions, an additional \$250 million of credit availability (C\$245 million and US\$5 million). Based on certain ratios, the interest rate will vary between banker's acceptance rate (or Libor rate on US\$ denominated debt) plus applicable margin, which can vary between 125 basis points and 275 basis points. As of December 31, 2017, the credit facility's interest rate on CAD denominated debt was 3.5% (2016 – 3.0%) and on US\$ denominated debt was 3.7% (2016 – 2.7%). The Group is subject to certain covenants regarding the maintenance of financial ratios and was in compliance with these covenants at year-end (see note 25 (f)). Deferred financing fees of \$0.9 million were recognized on the extension.

On December 21, 2017, the Group extended the maturity of the term loan by eight months for each tranche. The term loan is within the confines of the credit facility for the specific purpose of acquiring CFI. This term loan remains at a total of \$500 million, with \$200 million now due in June 2019 and \$300 million due in 2020. Early repayment, in part or whole is permitted, and will permanently reduce the amount borrowed. The terms and conditions of the facility are the same as the credit facility and is subject to the same covenants. Deferred financing fees of \$0.2 million were recognized on the extension.

b) Unsecured debentures

Loan agreement is in the form of unsecured debentures carrying an interest rate between 3% and 3.45% depending on certain ratios and with a December 2020 maturity date. The debentures may be repaid, without penalty, after December 18, 2019, subject to the approval of the Group's syndicate of bank lenders.

c) Term loan

This loan takes the form of a term loan carrying an interest rate of 3.95% and with an August 2019 maturity date. This second ranking term loan may be repaid prior to the maturity subject to the approval of the Group's syndicate of bank lenders. Repayment prior to August 18, 2018 would result in an early repayment penalty. No penalty would apply after this date.

d) Conditional sales contracts

Conditional sales contracts are secured by rolling stock having a carrying value of \$120.4 million (2016 - \$104.1 million) (see note 9).

e) Finance lease liabilities

Finance lease liabilities are secured by rolling stock having a carrying value of \$32.3 million (2016 - \$36.1 million) (see note 9). Finance lease liabilities are payable as follows:

	Less than 1 year	1 to 5 years	More than 5 years	Total
Future minimum lease payments	10,478	5,244	—	15,722
Interest	(519)	(247)	—	(766)
Present value of minimum lease payments	9,959	4,997	—	14,956

f) Principal installments of other long-term debt payable during the subsequent years are as follows:

	Less than 1 year	1 to 5 years	More than 5 years	Total
Revolving facility	—	694,116	—	694,116
Term loans	—	575,000	—	575,000
Unsecured debentures	—	125,000	—	125,000
Conditional sales contracts	33,502	52,553	—	86,055
Other long-term debt	8,966	—	—	8,966
	42,468	1,446,669	—	1,489,137

14. Employee benefits

The Group sponsors defined benefit pension plans for 259 of its employees (2016 – 289).

These plans are all within Canada and include one unregistered plan. All the defined benefit plans are no longer offered to employees and two defined benefits plan in the past have already been converted prospectively to defined contribution plans. Therefore, the future obligation will only vary by actuarial re-measurements.

With the exception of one plan, all other plans do not have recurring contributions for employees. These plans are still required to fund past service costs. The remaining plan is fully funded by the Group.

The Group measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2016 and the next required valuation will be as of December 31, 2017.

In addition to the above mentioned defined benefit plans, the Group sponsors employee severance plan in Mexico. At December 31, 2017, total obligation under this arrangement amounted to \$0.7 million (nil in 2016).

Information about the Group's defined benefit pension plans is as follows:

	2017	2016
Accrued benefit obligation	48,689	45,942
Fair value of plan assets	(31,822)	(31,660)
Plan deficit - employee benefit liability	16,867	14,282

Plan assets comprise:

	2017	2016
Equity securities	33%	32%
Debt securities	59%	60%
Other	8%	8%

All equity and debt securities have quoted prices in active markets. Debt securities are held through mutual funds and primarily hold investments with ratings of AAA or AA, based on Moody's ratings.

The other asset categories are real estate investment trusts.

Movement in the present value of the accrued benefit obligation for defined benefit plans:

	2017	2016
Accrued benefit obligation, beginning of year	45,942	46,908
Current service cost	591	541
Interest cost	1,729	1,744
Benefits paid	(2,661)	(3,772)
Remeasurement loss arising from:		
- Financial assumptions	1,839	132
- Experience	1,249	389
Accrued benefit obligation, end of year	48,689	45,942

14. Employee benefits (continued)

Movement in the fair value of plan assets for defined benefit plans:

	2017	2016
Fair value of plan assets, beginning of year	31,660	33,147
Interest income	1,193	1,206
Employer contributions	1,314	138
Benefits paid	(2,661)	(3,772)
Remeasurement gain arising from financial assumptions	456	1,077
Plan administration expenses	(140)	(136)
Fair value of plan assets, end of year	31,822	31,660

Expense recognized in income or loss:

	2017	2016
Current service cost	591	541
Net interest cost	536	538
Plan administration expenses	140	136
Pension expense	1,267	1,215
Actual return on plan assets	1,649	2,283

Actuarial losses recognized in other comprehensive income:

	2017	2016
Amount accumulated in retained earnings, beginning of year	10,692	11,248
Recognized during the year	2,632	(556)
Amount accumulated in retained earnings, end of year	13,324	10,692
Recognized during the year, net of tax	1,930	(407)

The significant actuarial assumptions used (expressed as weighted average):

	2017	2016
Accrued benefit obligation:		
Discount rate at December 31	3.5%	3.9%
Future salary increases	1.2%	2.9%
Employee benefit expense:		
Discount rate at January 1	3.9%	3.9%
Rate of return on plan assets at January 1	3.9%	3.9%
Future salary increases	1.1%	2.9%

14. Employee benefits (continued)

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevity underlying the value of the liabilities in the defined benefit plans are as follows:

	2017	2016
Longevity at age 65 for current pensioners		
Males	21.7	21.6
Females	24.1	24.1
Longevity at age 65 for current members aged 45		
Males	22.8	22.7
Females	25.1	25.0

At December 31, 2017 the weighted-average duration of the defined benefit obligation was 12.0 years.

The following table presents the impact of changes of major assumptions on the defined benefit obligation for the years ended December 31:

	2017		2016	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(5,050)	6,173	(5,169)	6,304
Life expectancy (1-year movement)	1,145	(1,046)	1,065	(1,097)

Historical information:

	2017	2016	2015	2014	2013
Present value of the accrued benefit obligation	48,689	45,942	46,908	46,620	41,441
Fair value of plan assets	(31,822)	(31,660)	(33,147)	(32,973)	(28,888)
Deficit in the plan	16,867	14,282	13,761	13,647	12,553
Experience adjustments arising on plan obligations	3,088	521	738	5,201	(1,161)
Experience adjustments arising on plan assets	456	1,077	278	2,492	2,736

The Group expects approximately \$1.0 million in contributions to be paid to its defined benefit plans in 2018.

15. Provisions

	Self insurance	Other	Total
Balance at January 1, 2017	53,424	12,352	65,776
Provisions made during the year	65,694	11,310	77,004
Provisions used during the year	(61,318)	(7,088)	(68,406)
Provisions reversed during the year	(1,408)	(65)	(1,473)
Revaluation of provisions	(1,177)	—	(1,177)
Balance at December 31, 2017	55,215	16,509	71,724
2017			
Current provisions	26,992	5,352	32,344
Non-current provisions	28,223	11,157	39,380
2016			
Current provisions	21,370	—	21,370
Non-current provisions	32,054	12,352	44,406

15. Provisions (continued)

As at December 31, 2017, the current portion of provisions is being disclosed separately from the trade and other payables. The prior period comparative figures have been recasted for this change in presentation.

Self-insurance provisions represent the uninsured portion of outstanding claims at year-end. The current portion reflects the amount expected to be paid in the following year. Due to the long-term nature of the liability, the provision has been calculated using a discount rate of 3.0%.

16. Deferred tax assets and liabilities

	2017	2016*
Property and equipment	(181,628)	(270,191)
Intangible assets	(103,987)	(136,028)
Derivative financial instruments and investment in equity securities	(1,890)	1,248
Long-term debt	3,877	5,903
Employee benefits	9,730	7,102
Provisions	13,025	21,334
Tax losses	6,583	550
Other	(764)	(442)
Net deferred tax liabilities	(255,054)	(370,524)
Presented as:		
Deferred tax assets	5,138	8,410
Deferred tax liabilities	(260,192)	(378,934)

(*) Recasted (see note 5 c))

Movement in temporary differences during the year:

	Balance December 31, 2015	Recognized in income or loss from continuing operations	Recognized in income or loss from discontinued operations	Recognized directly in equity	Acquired in business combinations*	Transfer of deferred taxes to disposal group held for sale	Balance December 31, 2016*
Partnership investments	(9,953)	9,953	—	—	—	—	—
Property and equipment	(140,986)	(1,680)	218	2,151	(130,659)	765	(270,191)
Intangible assets	(117,351)	14,222	(1,299)	1,001	(32,976)	375	(136,028)
Long-term debt	10,553	(4,650)	13	—	—	(13)	5,903
Employee benefits	5,305	1,850	—	(53)	—	—	7,102
Provisions	10,671	1,886	(572)	—	9,457	(108)	21,334
Tax losses	14,284	(13,734)	—	—	—	—	550
Other	(386)	4,389	(2,046)	(3,166)	—	2,015	806
Net deferred tax liabilities	(227,863)	12,236	(3,686)	(67)	(154,178)	3,034	(370,524)

16. Deferred tax assets and liabilities (continued)

	Balance December 31, 2016	Recognized in income or loss from continuing operations	Recognized directly in equity	Acquired in business combinations	Balance December 31, 2017
Property and equipment	(270,191)	78,470	11,683	(1,590)	(181,628)
Intangible assets	(136,028)	37,880	4,834	(10,673)	(103,987)
Long-term debt	5,903	(2,026)	—	—	3,877
Employee benefits	7,102	1,862	766	—	9,730
Provisions	21,334	(7,274)	(1,135)	100	13,025
Tax losses	550	6,730	(697)	—	6,583
Other	806	(2,052)	(1,408)	—	(2,654)
Net deferred tax liabilities	(370,524)	113,590	14,043	(12,163)	(255,054)

(*) Restated (see note 5 c)

Tax losses expire between 2027 and 2037 and the related deferred tax assets have been recognized because it is probable that future taxable income will be available to benefit from these losses.

17. Share capital and other components of equity

The Company is authorized to issue an unlimited number of common shares and preferred shares, issuable in series. Both common and preferred shares are without par value. All issued shares are fully paid.

The common shares entitle the holders thereof to one vote per share. The holders of the common shares are entitled to receive dividends as declared from time to time. Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Company, the holders of the common shares are entitled to receive the remaining property of the Company upon its dissolution, liquidation or winding-up.

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by resolution of the Directors who shall determine the designation, rights, privileges, conditions and restrictions to be attached to the preferred shares of such series. There are no voting rights attached to the preferred shares except as prescribed by law. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of assets of the Company among its shareholders, the holders of the preferred shares of each series are entitled to receive, with priority over the common shares and any other shares ranking junior to the preferred shares of the Company, an amount equal to the redemption price for such shares, plus an amount equal to any dividends declared thereon but unpaid and not more. The preferred shares for each series are also entitled to such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined as to their respective series authorized to be issued. The preferred shares of each series shall be on a parity basis with the preferred shares of every other series with respect to payment of dividends and return of capital. There are no preferred shares currently issued and outstanding.

The following table summarizes the number of common shares issued:

(in number of shares)	Note	2017	2016
Balance, beginning of year		91,575,319	97,632,502
Repurchase and cancellation of own shares		(2,810,126)	(3,742,778)
Stock options exercised	19	358,395	385,519
Repurchase and cancellation of own shares - Substantial issuer bid		—	(2,699,924)
Balance, end of year		89,123,588	91,575,319

17. Share capital and other components of equity (continued)

The following table summarizes the share capital issued and fully paid:

	2017	2016
Balance, beginning of year	723,390	764,343
Repurchase and cancellation of own shares	(22,231)	(50,478)
Cash consideration of stock options exercised	6,234	6,517
Ascribed value credited to share capital on stock options exercised	1,514	1,742
Issuance of shares on settlement of RSUs	2,129	1,266
Balance, end of year	711,036	723,390

Pursuant to the renewal of the normal course issuer bid ("NCIB") which began on October 2, 2017 and expiring on October 1, 2018, the Company is authorized to repurchase for cancellation up to a maximum of 6,000,000 of its common shares under certain conditions. As at December 31, 2017, and since the inception of this NCIB, the Company has repurchased and cancelled 979,400 common shares under this NCIB.

During 2017, the Company repurchased 2,810,126 common shares at a price ranging from \$26.56 to \$32.00 per share for a total purchase price of \$81.6 million relating to the NCIB. During 2016, the Company repurchased 3,742,778 common shares at a price ranging from \$22.00 to \$27.30 per share for a total purchase price of \$91.8 million relating to a previous NCIB. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of \$59.3 million (2016 – \$62.4 million) was charged to retained earnings as share repurchase premium.

On February 11, 2016, the Company announced a substantial issuer bid ("SIB") to purchase, for cancellation, up to 10 million common shares for an aggregate purchase price not to exceed \$220 million (the 'Offer').

The Offer was made by way of a "modified Dutch Auction" pursuant to which shareholders may tender all or a portion of their shares (i) at a price not less than \$19.00 and not more than \$22.00 per share, in increments of \$0.10 per share, or (ii) without specifying a purchase price, in which case their shares would be purchased at the purchase price determined in accordance with the Offer.

The offer expired on March 28, 2016. The Company purchased and cancelled 2,699,924 common shares at a price of \$22.00 per share, for a total purchase price of \$59.4 million relating to this SIB. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of \$38.3 million was charged to retained earnings as share repurchase premium.

Contributed surplus

The contributed surplus account is used to record amounts arising on the issue of equity-settled share-based payment awards (see note 19).

Accumulated other comprehensive income ("AOCI")

At December 31, 2017 and 2016, AOCI is comprised of accumulated foreign currency translation differences arising from the translation of the financial statements of foreign operations, changes in fair value of available for sale financial assets (prior to the adoption of IFRS 9), financial assets measured at fair value through OCI, gain or loss on net investment hedge, realized gains on investments, cash flow hedges and defined benefit plan remeasurement gain or loss.

Dividends

In 2017, the Company declared dividends amounting to 78.0 cents per common share (2016 – 70.0 cents) for a total of \$70.3 million (2016 - \$64.9 million). After December 31, 2017 no dividends were declared by the Board of Directors.

18. Earnings per share***Basic earnings per share***

The basic earnings per share and the weighted average number of common shares outstanding have been calculated as follows:

(in thousands of dollars and number of shares)	2017	2016
Net income attributable to owners of the Company	157,988	639,579
Net income from continuing operations	157,988	157,059
Issued common shares, beginning of year	91,575,319	97,632,502
Effect of stock options exercised	109,479	94,049
Effect of repurchase of own shares	(1,191,059)	(4,017,885)
Weighted average number of common shares	90,493,739	93,708,666
Earnings per share – basic	1.75	6.83
Earnings per share from continuing operations – basic	1.75	1.68

Diluted earnings per share

The diluted earnings per share and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares have been calculated as follows:

(in thousands of dollars and number of shares)	2017	2016
Net income attributable to owners of the Company	157,988	639,579
Net income from continuing operations attributable to owners of the Company, adjusted for dilution effect	157,988	157,059
Weighted average number of common shares	90,493,739	93,708,666
Dilutive effect:		
Stock options and restricted share units	2,284,144	1,811,827
Weighted average number of diluted common shares	92,777,883	95,520,493
Earnings per share - diluted	1.70	6.70
Earnings per share from continuing operations - diluted	1.70	1.64

As at December 31, 2017, 394,056 stock options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive (2016 – 1,909,897).

The average market value of the Company's shares for purposes of calculating the dilutive effect of stock options was based on quoted market prices for the period during which the options were outstanding.

19. Share-based payment arrangements

Stock option plan

The Company offers a stock option plan for the benefit of certain of its employees. The maximum number of shares that can be issued upon the exercise of options granted under the current 2012 stock option plan is 5,979,201. Each stock option entitles its holder to receive one common share upon exercise. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing price of volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the grant date. The options vest in equal installments over three years and the expense is recognized following the accelerated method as each installment is fair valued separately. The table below summarizes the changes in the outstanding stock options:

(in thousands of options and in dollars)	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	5,496	18.02	4,934	16.67
Granted	395	35.02	1,039	24.64
Exercised	(358)	17.39	(386)	16.90
Forfeited	(40)	28.21	(91)	24.75
Balance, end of year	5,493	19.22	5,496	18.02
Options exercisable, end of year	4,170	16.52	3,764	14.92

The following table summarizes information about stock options outstanding and exercisable at December 31, 2017:

(in thousands of options and in dollars)	Options outstanding		Options exercisable
	Number of options	Weighted average remaining contractual life (in years)	Number of options
Exercise prices			
6.32	685	1.6	685
9.46	620	2.6	620
14.28	381	0.6	381
16.46	665	1.6	665
20.18	632	2.6	632
24.64	988	5.6	324
24.93	786	4.6	509
25.14	354	3.6	354
35.02	382	6.1	—
	5,493	3.3	4,170

Of the options outstanding at December 31, 2017, a total of 4,456,400 (2016 – 4,667,432) are held by key management personnel.

The weighted average share price at the date of exercise for stock options exercised in 2017 was \$31.79 (2016 – \$29.99).

In 2017, the Group recognized a compensation expense of \$3.4 million (2016 – \$3.1 million) with a corresponding increase to contributed surplus.

19. Share-based payment arrangements (continued)

On February 16, 2017, the Board of Directors approved the grant of 395,113 stock options under the Company's stock option plan of which 240,254 were granted to key management personnel. The options vest in equal installments over three years and have a life of seven years. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	February 16, 2017	July 21, 2016
Average expected option life	4.5 years	4.5 years
Risk-free interest rate	1.04%	0.56%
Expected stock price volatility	22.46%	23.01%
Average dividend yield	2.17%	2.83%
Weighted average fair value per option of options granted	\$ 5.34	\$ 3.33

Deferred share unit plan for board members

The Company offers a deferred share unit plan ("DSU") for its board members. Under this plan, board members may elect to receive cash, deferred share units or a combination of both for their compensation. The following table provides the number of units related to this plan:

(in units)	2017	2016
Balance, beginning of year	260,567	255,053
Board members compensation	27,633	36,031
Deferred share units redeemed	(13,428)	(38,108)
Dividends paid in units	6,551	7,591
Balance, end of year	281,323	260,567

In 2017, the Group recognized, as a result of deferred share units, a compensation expense of \$0.9 million (2016 - \$1.0 million) with a corresponding increase to trade and other payables. In addition, in other finance costs, the Group recognized a mark-to-market gain of \$0.3 million on deferred share units in 2017 (2016 – loss of \$3.2 million).

As at December 31, 2017, the total carrying amount of liabilities for cash-settled arrangements recorded in trade and other payables amounted to \$9.3 million (2016 - \$9.1 million).

Performance contingent restricted share unit plan

The Company offers an equity incentive plan to the benefits of senior employees of the Group. The plan provides for the issuance of restricted share units ("RSUs") under conditions to be determined by the Board of Directors. The RSUs will vest in December of the second year from the grant date. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

On February 16, 2017, the Company granted a total of 60,931 RSUs under the Company's equity incentive plan of which 36,494 were granted to key management personnel. The fair value of the RSUs is determined to be the share price fair value at the date of the grant and is recognized as a share-based compensation expense, through contributed surplus, over the vesting period. The fair value of the RSU's granted during the year was \$35.02 per unit.

19. Share-based payment arrangements (continued)

The table below summarizes changes to the outstanding RSUs:

(in thousands of RSUs and in dollars)	2017		2016	
	Number of RSUs	Weighted average exercise price	Number of RSUs	Weighted average exercise price
Balance, beginning of year	281	24.78	224	25.01
Granted	61	35.02	143	24.64
Reinvested	8	26.14	7	24.98
Settled	(143)	24.93	(86)	25.13
Forfeited	(1)	29.14	(7)	24.95
Balance, end of year	206	27.74	281	24.78

The following table summarizes information about RSUs outstanding and exercisable as at December 31, 2017:

(in thousands of RSUs and in dollars)	RSUs outstanding	
	Number of RSUs	Remaining contractual life (in years)
Exercise prices		
24.64	145	1.0
35.02	61	2.0
	206	1.3

The weighted average share price at the date of settlement of RSUs vested in 2017 was \$32.87 (2016 – \$33.53). The excess of the purchase price paid over the carrying value of shares repurchased for settlement of the award, in the amount of \$3.3 million (2016 – \$2.1 million), was charged to retained earnings as share repurchase premium.

In 2017, the Group recognized as a result of RSUs a compensation expense of \$3.4 million (2016 - \$3.0 million) with a corresponding increase to contributed surplus.

Of the RSUs outstanding at December 31, 2017, a total of 129,246 (2016 – 198,832) are held by key management personnel.

20. Operating expenses

The Group's operating expenses from continuing operations include: a) materials and services expenses, which are primarily costs related to independent contractors and vehicle operation; vehicle operation expenses, which primarily include fuel, repairs and maintenance, insurance, permits and operating supplies; b) personnel expenses; c) other operating expenses, which are primarily composed of costs related to offices' and terminals' rent, taxes, heating, telecommunications, maintenance and security and other general administrative expenses; and d) depreciation, amortization and gain or loss on disposition of rolling stock and equipment.

	2017	2016
Materials and services expenses		
Independent contractors	1,931,800	1,751,707
Vehicle operation expenses	808,034	600,887
	2,739,834	2,352,594
Personnel expenses	1,220,871	998,031
Other operating expenses	268,599	243,713
Depreciation of property and equipment	209,557	139,439
Amortization of intangible assets	61,200	53,647
Gain on sale of rolling stock and equipment	(2,766)	(11,481)
	4,497,295	3,775,943

21. Sale of assets held for sale

During the year ended December 31, 2017, the Group disposed of properties classified as assets held for sale for total consideration of \$174.8 million (2016 – nil). The Group has concluded a number of sale and leaseback transactions. The all-cash transactions totalling \$166.4 million resulted in a pre-tax gain of \$78.0 million. As a result of these transactions, commitments increased by \$112.1 million at December 31, 2017.

22. Personnel expenses

	Note	2017	2016
Short-term employee benefits		1,187,950	970,855
Contributions to defined contribution plans		11,499	12,394
Current and past service costs related to defined benefit plans	14	591	541
Termination benefits		13,091	7,063
Equity-settled share-based payment transactions	19	6,817	6,164
Cash-settled share-based payment transactions	19	923	1,014
		1,220,871	998,031

23. Finance income and finance costs*Recognized in income or loss:*

(Income) costs	2017	2016
Interest expense on long-term debt	56,758	41,201
Interest income and accretion on promissory note	(2,638)	(2,374)
Net foreign exchange loss	2,491	2,110
Net change in fair value of foreign exchange derivatives	(1,247)	(1,392)
Net change in fair value of interest rate derivatives	(365)	6,232
Other financial expenses	6,076	10,171
Reclassification to income of gain on investment in equity securities	—	(1,066)
Net finance costs	61,075	54,882
Presented as:		
Finance income	(4,250)	(4,832)
Finance costs	65,325	59,714

24. Income tax expense

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("U.S. Tax Reform"). The U.S. Tax Reform reduces the U.S. federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. The U.S. Tax Reform also allows for immediate capital expensing of new investments in certain qualified depreciable assets made after September 27, 2017, which will be phased down starting in year 2023. As a result of the U.S. Tax Reform, the Group's net deferred income tax liability decreased by \$76.1 million.

The U.S. Tax Reform introduces other important changes to U.S. corporate income tax laws that may significantly affect the Group in future years including the creation of a new Base Erosion Anti-abuse Tax (BEAT) that subjects certain payments from U.S. corporations to foreign related parties to additional taxes, and limitations to the deduction for net interest expense incurred by U.S. corporations. Future regulations and interpretations to be issued by U.S. authorities may also impact the Group's estimates and assumptions used in calculating its income tax provisions.

24. Income tax expense (continued)

Income tax recognized in income or loss:

	2017	2016
Current tax expense		
Current year	74,148	63,324
Adjustment for prior years	(1,200)	(4,816)
	72,948	58,508
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(34,455)	(14,548)
Variation in tax rate	(76,244)	(34)
Adjustment for prior years	(2,891)	2,346
	(113,590)	(12,236)
Income tax expense (recovery) from continuing operations	(40,642)	46,272

Income tax recognized in other comprehensive income:

	2017			2016		
	Before tax	Tax (benefit) expense	Net of tax	Before Tax	Tax (benefit) expense	Net of tax
Change in fair value of investment in equity securities	(133)	(17)	(116)	(1,217)	(163)	(1,054)
Foreign currency translation differences	(80,212)	—	(80,212)	(24,788)	—	(24,788)
Defined benefit plan remeasurement gains (losses)	(2,632)	(702)	(1,930)	556	149	407
Employee benefit	(212)	(64)	(148)	(316)	(95)	(221)
Reclassification to retained earnings of accumulated unrealized loss on investment in equity securities	(1,485)	(198)	(1,287)	(300)	(40)	(260)
Gain on net investment hedge	25,114	3,353	21,761	25,824	3,451	22,373
Gain on cash flow hedge	5,352	1,425	3,927	12,454	3,329	9,125
	(54,208)	3,797	(58,005)	12,213	6,631	5,582

Reconciliation of effective tax rate:

	2017		2016	
Income before income tax		117,346		203,331
Income tax using the Company's statutory tax rate	26.8%	31,449	26.9%	54,696
Increase (decrease) resulting from:				
Rate differential between jurisdictions	(31.0%)	(36,405)	(3.7%)	(7,588)
Variation in tax rate	(65.0%)	(76,244)	0.0%	(34)
Non deductible expenses	44.7%	52,460	1.9%	3,950
Tax exempt income	(9.0%)	(10,513)	(1.2%)	(2,365)
Adjustment for prior years	(3.5%)	(4,091)	(1.2%)	(2,470)
Others	2.3%	2,702	0.0%	83
	(34.7%)	(40,642)	22.7%	46,272

25. Financial instruments and financial risk management

Derivative financial instruments' fair values were as follows:

	Note	Measured at fair value through income or loss		Designated as effective cash flow hedge instruments	
		2017	2016	2017	2016
Current assets					
Interest rate derivatives	a	—	—	4,521	741
Non-current assets					
Interest rate derivatives	a	—	—	4,317	1,287
Current liabilities					
Embedded foreign exchange derivatives in finance leases		311	1,062	—	—
Interest rate derivatives	a	—	162	248	1,152
		311	1,224	248	1,152
Non-current liabilities					
Embedded foreign exchange derivatives in finance leases		—	496	—	—
Interest rate derivatives	a	—	—	373	3,211
		—	496	373	3,211

As at December 31, 2017 and 2016, the impact to income or loss and other comprehensive income is as follows:

	Finance loss (income)		Other comprehensive loss	
	2017	2016	2017	2016
Derivative financial instruments measured at fair value through income or loss:				
Cross currency interest rate swap contracts	—	11,375	—	—
Interest rate derivatives	(365)	6,232	—	—
Foreign exchange derivatives	—	177	—	—
Embedded foreign exchange derivatives in finance leases	(1,247)	(1,569)	—	—
Derivative financial instruments measured at fair value through other comprehensive income:				
Interest rate derivatives	—	—	(5,352)	(12,454)
	(1,612)	16,215	(5,352)	(12,454)

Risks

In the normal course of its operations and through its financial assets and liabilities, the Group is exposed to the following risks:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives and processes for managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

25. Financial instruments and financial risk management (continued)

Risk management framework

The Group's management identifies and analyzes the risks faced by the Group, sets appropriate risk limits and controls, and monitors risks and adherence to limits. Risk management is reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors has overall responsibility of the Group's risk management framework. The Board of Directors monitors the Group's risks through its audit committee. The audit committee reports regularly to the Board of Directors on its activities.

The Group's audit committee oversees how management monitors and manages the Group's risks and is assisted in its oversight role by the Group's internal audit. Internal audit undertakes both regular and ad hoc reviews of risk, the results of which are reported to the audit committee.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's trade receivables. The Group grants credit to its customers in the ordinary course of business. Management believes that the credit risk of trade receivables is limited due to the following reasons:

- There is a broad base of customers with dispersion across different market segments;
- No single customer accounts for more than 10% of the Group's revenue;
- Approximately 94.5% (2016 – 92.9%) of the Group's trade receivables are not past due or 30 days or less past due;
- Bad debt expense has been approximately 0.1% (2016 – 0.1%) of consolidated revenues for the last 3 years.

Exposure to credit risk

The Group's maximum credit exposure corresponds to the carrying amount of the financial assets. The maximum exposure to credit risk at the reporting date was:

	2017	2016
Trade and other receivables	567,106	569,181
Promissory note	20,739	18,962
Derivative financial assets	8,838	2,028
	596,683	590,171

Impairment losses

The aging of trade and other receivables at the reporting date was:

	Total 2017	Impairment 2017	Total 2016	Impairment 2016
Not past due	424,745	—	414,794	—
Past due 1 – 30 days	112,135	693	114,523	643
Past due 31 – 60 days	23,120	2,079	25,328	1,928
Past due more than 60 days	14,037	4,159	20,961	3,854
	574,037	6,931	575,606	6,425

25. Financial instruments and financial risk management (continued)

a) Credit risk (continued)

Impairment losses (continued)

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2017	2016
Balance, beginning of year	6,425	10,277
Business combinations	651	1,943
Bad debt expenses	2,147	113
Amount written off and recoveries	(2,292)	(5,908)
Balance, end of year	6,931	6,425

The impaired trade receivables are mostly due from customers that are experiencing financial difficulties.

The promissory note has been individually evaluated for impairment due to its significance.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Cash inflows and cash outflows requirements from Group's entities are monitored closely and separately to ensure the Group optimizes its cash return on investment. Typically, the Group ensures that it has sufficient cash to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Group monitors its short and medium-term liquidity needs on an ongoing basis using forecasting tools. In addition, the Group maintains a revolving facility, which has \$501.3 million availability at December 31, 2017 (2016 - \$410.0 million) and has an additional \$250 million credit available (C\$245 million and US\$5 million) under certain conditions under its syndicated bank agreement (2016 - \$250 million, C\$245 million and US\$5 million).

The following are the contractual maturities of the financial liabilities, including estimated interest payment:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2017						
Trade and other payables	425,815	425,815	425,815	—	—	—
Long-term debt	1,498,396	1,657,039	105,490	352,127	1,199,422	—
Derivatives financial liabilities	932	932	559	249	124	—
Other financial liability	14,581	17,000	1,300	6,555	9,145	—
	1,939,724	2,100,786	533,164	358,931	1,208,691	—
December 31, 2016						
Trade and other payables	455,175	455,175	455,175	—	—	—
Long-term debt	1,584,815	1,741,045	91,092	303,998	1,345,955	—
Derivatives financial liabilities	6,083	6,083	2,376	1,649	1,953	105
Other financial liability	5,447	5,692	1,300	1,300	3,092	—
	2,051,520	2,207,995	549,943	306,947	1,351,000	105

It is not expected that the contractual cash flows could occur significantly earlier, or at significantly different amounts.

25. Financial instruments and financial risk management (continued)

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group's management and it does not use derivatives for speculative purposes.

d) Currency risk

The Group is exposed to currency risk on financial assets and liabilities, sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. Primarily the Canadian entities are exposed to U.S. dollars and entities having a functional currency other than the Canadian dollars (foreign operations) are not significantly exposed to currency risk. The Group mitigates and manages its future US\$ cash flow by creating offsetting positions through the use of derivatives. These instruments include foreign exchange contracts and currency option instruments, which are commitments to buy or sell at a future date, and may be settled in cash.

To mitigate its financial net liabilities exposure to foreign currency risk related to Canadian entities, the Group designated a portion of its U.S. dollar denominated debt as a hedging item in a net investment hedge.

The Group's financial assets and liabilities exposure to foreign currency risk related to Canadian entities was as follows based on notional amounts:

(in thousands of U.S. dollars)	2017	2016
Trade and other receivables	35,437	37,644
Trade and other payables	(6,208)	(5,248)
Long-term debt	(328,167)	(332,539)
Balance sheet exposure	(298,938)	(300,143)
Long-term debt designated as investment hedge	325,000	325,000
Net balance sheet exposure	26,062	24,857

The Group estimates its annual net US\$ denominated cash flow from operating activities at approximately \$280 million (2016 - \$240 million). This cash flow is earned evenly throughout the year.

The following exchange rates applied during the year:

	2017	2016
Average US\$ for the year ended December 31	1.2982	1.3245
Closing US\$ as at December 31	1.2545	1.3427

Sensitivity analysis

A 1-cent increase in the U.S. dollar at the reporting date, assuming all other variables, in particular interest rates, remain constant, would have increased (decreased) equity and income or loss by the amounts shown below. The analysis is performed on the same basis for 2016.

	2017		2016	
	1-cent Increase	1-cent Decrease	1-cent Increase	1-cent Decrease
Balance sheet exposure	(2,383)	2,383	(2,235)	2,235
Long-term debt designated as investment hedge	2,591	(2,591)	2,420	(2,420)
Net balance sheet exposure	208	(208)	185	(185)

Net impact on change in fair value of foreign exchange derivatives is not significant.

25. Financial instruments and financial risk management (continued)

e) Interest rate risk

The Group's intention is to minimize its exposure to changes in interest rates by maintaining a significant portion of fixed-rate interest-bearing long-term debt. This is achieved by entering into interest rate swaps.

On October 27, 2016, pursuant to the adoption of IFRS 9, the Group entered into interest rate swaps designated for cash flow hedges at the inception of the swap for \$500 million. This variable interest debt sets interest using the 30-day Banker's Acceptance rate. In addition, on November 1, 2016, the Group further designated for cash flow hedges of pre-existing interest rate swaps of \$325 million to hedge variable interest debt set using the 30-day Libor rate. A \$5.4 million gain, \$4.0 million net of tax, (2016 - \$12.5 million gain, \$9.1 million net of tax) was recorded on the marking-to-market of the interest rate derivative to other comprehensive income for these cash flow hedges.

Ineffectiveness in hedging stems from differences between the hedged item and hedging instruments with respect to interest rate characteristics, currency, notional values and term. For the year ended December 31, 2017, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

At December 31, 2017 and 2016, the interest rate profile of the Group's carrying amount interest-bearing financial instruments excluding the effects of interest rate derivatives was:

	2017	2016
Fixed rate instruments	307,503	337,661
Variable rate instruments	1,190,893	1,247,154
	1,498,396	1,584,815

The Group's interest rate derivatives are as follows:

	2017					2016				
	Average B.A. rate	Notional Contract Amount CDN\$	Average Libor rate	Notional Contract Amount US\$	Fair value CDN\$	Average B.A. rate	Notional Contract Amount CDN\$	Average Libor rate	Notional Contract Amount US\$	Fair value CDN\$
Coverage period:										
Less than 1 year	0.98%	500,000	1.92%	325,000	4,273	0.98%	500,000	1.85%	350,000	(573)
1 to 2 years	0.99%	300,000	1.92%	325,000	3,129	0.98%	500,000	1.92%	325,000	(411)
2 to 3 years	—	—	1.89%	237,500	433	0.99%	300,000	1.92%	325,000	(605)
3 to 4 years	—	—	1.92%	100,000	218	—	—	1.89%	237,500	(661)
4 to 5 years	—	—	1.92%	75,000	164	—	—	1.92%	100,000	(141)
5 to 6 years	—	—	—	—	—	—	—	1.92%	75,000	(106)
Asset (liability)					8,217					(2,497)
Presented as:										
Current assets					4,521					741
Non-current assets					4,317					1,287
Current liabilities					(248)					(1,314)
Non-current liabilities					(373)					(3,211)

The fair value of the interest rate swaps has been estimated using industry standard valuation models which use rates published on financial capital markets.

25. Financial instruments and financial risk management (continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through income or loss. Therefore a change in interest rates at the reporting date would not affect income or loss.

Cash flow sensitivity analysis for variable rate instruments

A 1% change in interest rates at the reporting date would have increased (decreased) equity and net income or net loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	2017		2016	
	1% increase	1% decrease	1% increase	1% decrease
Interest on variable rate instrument	(2,070)	2,070	(2,272)	2,272
Interest on interest rate swaps	—	—	245	(245)
	(2,070)	2,070	(2,027)	2,027

Impact on instruments used in cash flow hedge:

	2017		2016	
	1% increase	1% decrease	1% increase	1% decrease
Interest on variable rate instrument	(6,635)	6,635	(6,845)	6,845
Interest on interest rate swaps	6,635	(6,635)	6,845	(6,845)
	—	—	—	—

Net impact on change in fair value of interest rate swaps is not significant.

f) Capital management

For the purposes of capital management, capital consists of share capital and retained earnings of the Group. The Group's objectives when managing capital are:

- To ensure proper capital investment in order to provide stability and competitiveness to its operations;
- To ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions;
- To maintain an appropriate debt level so that there are no financial constraints on the use of capital; and
- To maintain investors, creditors and market confidence.

The Group seeks to maintain a balance between the highest returns that might be possible with higher level of borrowings and the advantages and security by a sound capital position.

The Group monitors its long-term debt using the ratios below to maintain an appropriate debt level. The Group's debt-to-equity and debt-to-capitalization ratios are as follows:

	2017	2016
Long-term debt	1,498,396	1,584,815
Shareholders' equity	1,415,124	1,458,650
Debt-to-equity ratio	1.06	1.09
Debt-to-capitalization ratio	0.51	0.52

25. Financial instruments and financial risk management (continued)**f) Capital management (continued)**

There were no changes in the Group's approach to capital management during the year.

The Group's credit facility agreement requires monitoring two ratios on a quarterly basis. The first is a ratio of total debt plus letters of credit and some other long-term liabilities to earnings before interest, income taxes, depreciation and amortization ("EBITDA"). The second is a ratio of adjusted earnings before interest, income taxes, depreciation and amortization and rent expense ("EBITDAR"), and, including last twelve months adjusted EBITDAR from acquisitions to interest and net rent expenses. These ratios are measured on a consolidated last twelve-month basis and must be kept below a certain threshold so as not to breach a covenant in the Group's syndicated bank. At December 31, 2017 and December 31, 2016, the Group was in compliance with its financial covenants.

The Group has sufficient liquidity to continue both its operations as well as its acquisition strategy.

Upon maturity of the Group's long-term debt, the Group's management and its Board of Directors will assess if the long-term debt should be renewed at its original value, increased or decreased based on the then required capital need, credit availability and future interest rates.

g) Accounting classification and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Assets carried at fair value				
Derivative financial instruments	8,838	8,838	2,028	2,028
Investment in equity securities	6,310	6,310	15,884	15,884
Assets carried at amortized cost				
Cash and cash equivalents	—	—	3,654	3,654
Trade and other receivables	567,106	567,106	569,181	569,181
Promissory note	20,739	20,739	18,962	18,962
	602,993	602,993	609,709	609,709
Financial liabilities				
Liabilities carried at fair value				
Derivative financial instruments	932	932	6,083	6,083
Other financial liability	14,581	14,581	5,447	5,447
Liabilities carried at amortized cost				
Bank indebtedness	9,392	9,392	—	—
Trade and other payables	425,815	425,815	455,175	455,175
Long-term debt	1,498,396	1,563,730	1,584,815	1,647,483
	1,949,116	2,014,450	2,051,520	2,114,188

25. Financial instruments and financial risk management (continued)

g) Accounting classification and fair values (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at December 31 plus an adequate credit spread, and were as follows:

	2017	2016
Long-term debt	3.1%	3.1%

Fair value hierarchy

Group's financial assets and liabilities recorded at fair value on a recurring basis are investment in equity securities and the derivative financial instruments discussed above. Investment in equity securities are measured using level-1 inputs of the fair value hierarchy and derivative financials instruments are measured using level-2 inputs.

The forward purchase agreement liability and the promissory note are valued at the fair value using level 3 inputs in the fair value hierarchy. The fair value of the forward purchase agreement liability represents the present value of the exercise price of the forward and is measured by applying the income approach using the probability-weighted expected payment of the exit price and is based on discounted cash flows. Unobservable inputs within the fair value measurement include the exit price and the expected payment date for the written put options. The exit price is based on a formulaic variable price which is mainly a function of earnings levels in future periods and requires assumptions about revenue growth rates and operating margins and the expected payment date of the exit price. If the future earnings levels in the future periods would increase (decrease), the estimated fair value of forward purchase agreement liability would increase (decrease).

The fair value of the promissory note represents the present value of the future cash flows, based on the interest rate of the note, discounted by the company specific rate of the counterparty of the note. The company specific rate is comprised of a risk-free market rate and a company specific premium based on their risk profile. The counterparty to the note is GFL, a private company, for which limited publicly available information exist. At the issuance of the promissory note, the fair value was established using public information on the source of funding to acquire the Waste Management segment. Subsequent to the initial measurement, adjustments to the company risk premium are made based on the analysis of published financial information and on significant macro environmental factors impacting their segment. The risk-free market rate is publicly available.

26. Operating leases, contingencies, letters of credit and other commitments

a) Operating leases

The Group entered into operating leases expiring on various dates through March 2035, with respect to rolling stock, real estate and other. The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
Less than 1 year	128,345	128,339
Between 1 and 5 years	259,236	246,284
More than 5 years	146,581	100,898
	534,162	475,521

In 2017, expense of \$149.5 million was recognized in the consolidated statement of income in respect of operating leases (2016 – \$134.3 million).

26. Operating leases, contingencies, letters of credit and other commitments (continued)**b) Contingencies**

There are pending operational and personnel related claims against the Group. The Group has accrued \$6.9 million for claim settlements which are presented in long term provisions on the consolidated statements of financial position (2016 – \$6.7 million). In the opinion of management, these claims are adequately provided for and settlement should not have a significant impact on the Group's financial position or results of operations.

c) Letters of credit

As at December 31, 2017, the Group had \$40.1 million of outstanding letters of credit (2016 - \$40.1 million).

d) Other commitments

As at December 31, 2017, the Group had \$75 million of purchase and lease commitments materializing within a year (2016 – nil).

27. Related parties*Parent and ultimate controlling party*

There is no single ultimate controlling party. The shares of the Company are widely held.

Transactions with key management personnel

Board members of the Company, executive officers and top managers of major Group's entities are deemed to be key management personnel. Compensation totalling \$0.4 million (2016 – nil) was paid to a board member for consulting services provided during 2017. There were no other transactions with key management personnel other than their respective compensation.

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to board members and executive officers.

Executive officers also participate in the Company's stock option and performance contingent restricted share unit plans and board members are entitled to deferred share units, as described in note 19. Costs incurred for key management personnel in relation to these plans are detailed below.

Key management personnel compensation comprised:

	2017	2016
Short-term benefits	10,574	18,019
Post-employment benefits	1,035	975
Equity-settled share-based payment transactions	4,515	4,231
Cash-settled share-based payment transactions	923	934
	17,047	24,159

Corporate Information

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STOCK EXCHANGE LISTING

TFI International Inc. shares are listed on the Toronto Stock Exchange under the symbol TFII and on the OTCQX marketplace in the U.S. under the symbol TFIFF.

FINANCIAL INSTITUTIONS

National Bank of Canada
Royal Bank of Canada
Bank of America Merrill Lynch
Bank of Montreal
The Bank of Nova Scotia
Caisse Centrale Desjardins
JP Morgan Chase Bank
Toronto Dominion Bank
Bank of Tokyo-Mitsubishi UFJ (Canada)
Canadian Imperial Bank of Commerce
HSBC Bank Canada
PNC Bank Canada Branch
Alberta Treasury Branch

TRANSFER AGENT AND REGISTRAR

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Telephone: 1 800 564-6253
Fax: 1 888 453-0330

ANNUAL MEETING OF SHAREHOLDERS

Wednesday, April 25, 2018
at 1:30 p.m.
The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J2

*Si vous désirez recevoir la version française de ce rapport, veuillez écrire au secrétaire de la société :
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