2018 ANNUAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2018

GENERAL INFORMATION

The following is TFI International Inc.'s management discussion and analysis ("MD&A"). Throughout this MD&A, the terms "Company", "TFI International" and "TFI" 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, 2018 with the corresponding three-month period and year ended December 31, 2017 and it reviews the Company's financial position as of December 31, 2018. It also includes a discussion of the Company's affairs up to February 27, 2019, 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, 2018.

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") unless otherwise noted. 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 27, 2019. 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		
	2018	2017*	2018	2017*	2016**
Revenue before fuel surcharge	1,162,279	1,069,679	4,508,197	4,378,985	3,830,931
Fuel surcharge	159,166	123,199	615,011	458,429	320,720
Total revenue	1,321,445	1,192,878	5,123,208	4,837,414	4,151,651
Adjusted EBITDA[1]	180,654	131,017	686,283	514,481	442,351
Operating income	103,283	66,076	430,524	178,421	258,213
Net income	76,728	120,192	291,994	157,988	157,059
Adjusted net income[1]	86,262	53,945	321,612	192,188	187,517
Net cash from operating activities from continuing operations	173,848	116,148	543,503	372,601	337,908
Free cash flow from continuing operations[1]	103,917	102,432	339,707	376,487	288,340
Total assets	4,049,960	3,727,628	4,049,960	3,727,628	4,026,879
Total long-term debt	1,584,423	1,498,396	1,584,423	1,498,396	1,584,815
Per share data					
EPS – diluted	0.85	1.31	3.22	1.70	1.64
Adjusted EPS – diluted[1]	0.96	0.59	3.54	2.07	1.96
Dividends	0.24	0.21	0.87	0.78	0.70
As a percentage of revenue before fuel surcharge					
Adjusted EBITDA margin[1]	15.5%	12.2%	15.2%	11.7%	11.5%
Depreciation of property and equipment	4.5%	4.5%	4.4%	4.8%	3.6%
Amortization of intangible assets	1.3%	1.5%	1.4%	1.4%	1.4%
Operating margin[1]	8.9%	6.2%	9.5%	4.1%	6.7%
Adjusted operating ratio[1]	90.3%	93.8%	90.6%	94.4%	93.5%

(*) Recasted for changes in presentation (see note 3 of the audited consolidated financial statements).

(**) From continuing operations and recasted for changes in presentation.

Q4 Highlights

- The comparatives to the consolidated statement of income have been reclassified to conform to the current period presentation regarding the line items included within the subtotal of operating income, as stated in the audited consolidated financial statements. As a result, the following measures have changed from Q4 2017 and year-end 2017: operating income and operating margin.
- Record fourth quarter operating and financial results.
- Operating income increased to $103.3 million, up 56% from the same quarter last year, driven by strong execution across the organisation, increased quality of revenue, and cost efficiencies.
- Operating income and operating margin[1], a non-IFRS measure, increased meaningfully at all four of the Company's reportable segments with the exception of Logistics and Last Mile due to an impairment:
  - Package and Courier operating income increased 22% to $34.4 million, with the operating margin increasing 200 basis points to 19.4%;
  - Less-Than-Truckload operating income increased 77% to $23.5 million, with the operating margin increasing 360 basis points to 10.1%;

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

  - o Truckload operating income increased 129% to $52.3 million, with the operating margin increasing 520 basis points to 9.9%;
  - o Logistics and Last Mile operating income decreased to $2.9 million due primarily to a $12.6 million impairment to intangible assets related to a prior year business acquisition in the segment. This impairment was offset by a $13.0 million reduction in contingent consideration for the same acquisition, which was recorded in net finance costs. Excluding the $12.6 million impairment, operating income increased 9% to $15.4 million with the operating margin increasing 50 basis points to 6.5%.

- Net income of $76.7 million decreased by $43.5 million compared to Q4 2017, which included a $76.1 million reduction in income tax expense as a result of U.S. tax reform.
- Diluted earnings per share (diluted "EPS") of $0.85 compares to $1.31 in Q4 2017, with the decrease primarily attributable to the income tax expense reduction recorded in Q4 2017, partially offset by higher revenues and stronger operating margins.
- Adjusted net income[1], a non-IFRS measure, increased 60% to $86.3 million primarily due to higher revenues and stronger operating margins.
- Adjusted diluted EPS[1], a non-IFRS measure, increased 63% to $0.96 from $0.59 in Q4 2017.
- Net cash from operating activities from continuing operations increased to $173.8 million, compared to $116.1 million in Q4 2017.
- Debt-to-adjusted EBITDA ratio[1], a non-IFRS measure, stood at 2.3x as of December 31, 2018, down from 2.9x as of December 31, 2017.
- The Company returned $80.4 million to shareholders during the quarter, of which $18.5 million was through dividends and $61.9 million was through share repurchases.
- During the quarter, TFI International completed the acquisitions of six Canadian specialized truckload companies.
- On December 17, 2018, the Board of Directors of TFI declared a quarterly dividend of $0.24. This dividend represented a 14% increase over the $0.21 quarterly dividend declared in Q4 2017.

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 and Last Mile.

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. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

Human resources

The Company has 17,127 employees who work in TFI International's different business segments across North America. This compares to 17,044 employees as of December 31, 2017. The year-over-year increase of 83 is attributable to business acquisitions that added 1,098 employees offset by rationalizations affecting 1,015 employees mainly in the Less-Than-Truckload ("LTL") and Logistics and Last Mile segments. 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.

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

Equipment

The Company has the largest trucking fleet in Canada and a significant presence in the U.S. market. As at December 31, 2018, the Company had 7,465 power units, 26,487 trailers and 8,527 independent contractors. This compares to 7,058 power units, 24,617 trailers and 9,074 independent contractors as at December 31, 2017.

Facilities

TFI International's head office is in Montréal, Québec and its executive office is located in Etobicoke, Ontario. As at December 31, 2018, the Company had 369 facilities, as compared to 391 facilities as at December 31, 2017. Of these, 264 are located in Canada, including 170 and 94, respectively, in Eastern and Western Canada. The Company also had 93 facilities in the United States and 12 facilities in Mexico. In the last twelve months, 14 facilities were added from business acquisitions and the terminal consolidation decreased the total number of facilities by 36, mainly in the Logistics and Last Mile segment. In Q4 2018, the Company closed 11 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 operations. The Company has forged strategic partnerships with other transport companies in order to extend its service offering to customers across North America.

Revenue by Top Customers' Industry (58% of total revenue)	
Retail	30%
Manufactured Goods	14%
Automotive	8%
Metals & Mining	8%
Building Materials	7%
Food & Beverage	6%
Energy	5%
Forest Products	5%
Services	4%
Waste Management	3%
Chemicals & Explosives	3%
Maritime Containers	1%
Others	6%

(For the year ended December 31, 2018)

CONSOLIDATED RESULTS

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

2018 business acquisitions

In line with its growth strategy, the Company acquired nine businesses during 2018: Normandin Transit ("Normandin"), Brasseur Transport ("Brasseur"), Timeline Logistic ("Timeline"), Gorski Bulk Transport ("GBT"), Double-D Transport ("Double-D"), SAF Transport ("SAF"), A. Beaumont Transport ("Beaumont"), Hughson Trucking ("Hughson") and Cole Carriers Corp. ("Cole").

On April 3, 2018, TFI International completed the acquisition of Normandin. Based in Québec, Normandin provides cross-border LTL and Truckload ("TL") services.

On May 1, 2018, TFI International completed the acquisition of Brasseur. Based in Québec, Brasseur specializes in liquid bulk transportation across Canada and the U.S.

On July 1, 2018, TFI International completed the acquisition of Timeline. Based in Saskatchewan, Timeline provides specialized long-distance truckload transportation services across North America, primarily serving the oil and gas, forestry products, and manufactured products industries.

On October 1, 2018, TFI International acquired GBT. Based in Ontario, GBT has been in business for more than 60 years and specializes in the tank truck transportation of liquid and dry bulk commodities.

On November 1, 2018, TFI International acquired Double-D. Based in Ontario, Double-D has been in business since 1991 and specializes in transporting over-sized and over-dimensional freight between Canada and the U.S.

On November 21, 2018, TFI International acquired SAF. Based in Québec, SAF was founded in 1994 and offers specialized transportation and storage services.

On December 1, 2018, TFI International acquired Beaumont. Based in Québec, Beaumont was founded in 1987 and specializes in the bulk transport of a variety of products ranging from fertilizer to hydro sulfate.

On December 4, 2018, TFI International acquired certain assets of Hughson. Based in Alberta, Hughson offers transportation solutions to the oil and gas, forestry and lumber, agriculture, mining, construction, and food processing industries.

On December 14, 2018, TFI International acquired certain assets of Cole. Based in Ontario, Cole provides a complete integrated supply chain management system specializing in handling and transportation for the steel, aluminum and automotive industries.

Revenue

For the quarter ended December 31, 2018, total revenue reached $1,321.4 million, up 11%, or $128.6 million, from Q4 2017, attributable to organic growth of $70.7 million and the contribution from business acquisitions of $57.9 million. Excluding business acquisitions[1], fuel surcharge revenue increased by $29.7 million and revenue before fuel surcharge increased 4%, or $41.0 million, from a net increase of volume and pricing of $21.6 million mainly attributable to the Package and Courier segment and from a positive currency impact of $19.4 million. The average exchange rate used to convert TFI International's revenue generated in U.S. dollars was 3.9% higher this quarter (C$1.3204) than it was for the same quarter last year (C$1.2709).

For the year ended December 31, 2018, total revenue reached $5.12 billion, up 6%, or $285.8 million, from $4.84 billion in 2017 mainly due to the contribution from business acquisitions of $190.5 million.

Operating expenses

For the quarter ended December 31, 2018, the Company's operating expenses increased by $91.4 million, or 8%, to $1,218.2 million from $1,126.8 million in Q4 2017. The increase is mainly attributable to business acquisitions that added $53.7 million. Excluding business acquisitions, operating expenses increased 3%, or $37.6 million compared to Q4 2017, while total revenue increased by 6%. Operating improvements, better fleet utilization and lower material and services expenses as a percentage of revenue contributed to maintaining the operating expenses in the Company's existing operations below the Q4 2017 level as a percentage of total revenue.

For the quarter ended December 31, 2018, material and services expenses, net of fuel surcharge, decreased by 3.7 percentage points of revenue before fuel surcharge compared to the same period last year mainly due to lower subcontractors, rolling stock lease and accident costs as a percentage of revenue before fuel surcharge. Personnel expenses increased by 1.0 percentage point of revenue before fuel surcharge partially attributable to adjustments to driver compensation to improve retention and attract new drivers. Other operating expenses, which are primarily composed of costs related to office and terminal rent, taxes, heating, telecommunications, maintenance and security and other general administrative expenses increased $4.2 million in absolute terms, but decreased by 0.2 percentage points of revenue before fuel surcharge compared to last year same period, mainly as a result of higher building repairs and maintenance expenses. Depreciation of property and equipment increased by $4.1 million, or 8%, compared to last year same period. As a percentage of revenue before fuel surcharge, depreciation of property and equipment remained stable at 4.5% compared to Q4 2017. Intangible asset amortization decreased by $0.5 million compared to last year same period mainly due to intangible assets that were completely amortized during the last twelve months. Gain on sale of equipment increased by $5.2 million compared to last year same period mainly due to the Company's TL segment which incurred losses in Q4 2017, mainly generated by the CFI fleet renewal plan.

For the year ended December 31, 2018, the Company's operating expenses increased by $33.7 million, or 1%, from $4.66 billion in 2017 to $4.69 billion in 2018. The increase is mainly attributable to business acquisitions of $174.7 million and to lower gain on sale of property of $61.5 million, partially offset by operating improvements, better fleet utilization, lower material and services expenses in the Company's existing operations of $23.8 million or 1%, lower depreciation of $18.6 million or 9% and to lower impairment of intangible assets of $130.4 million.

[1] *After removing from the current period any contributions from business acquisitions for the portion of time that such business acquisitions have no comparable results.*

Impairment of intangible assets

In the quarter ended December 31, 2018, the Company recorded an impairment charge of $12.6 million on a customer relationship intangible asset related to a 2017 business acquisition in the Logistics and Last Mile segment. The difficulties in retaining and recruiting qualified subcontractors and the inability to successfully increase revenue impacted the current and expected future cash flow from that company. Accordingly, the contingent consideration recorded in the original purchase price allocation of that business acquisition was completely reversed as management determined that required minimum earning levels in future periods would not be reached. The resulting $13.0 million gain was presented as a change in fair value of contingent considerations in finance income and costs.

In 2017, impairment of intangible assets was $143.0 million, including $13.2 million for an impairment of 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 the second quarter.

Gain on sale of property

For the quarter ended December 31, 2018, 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 on sale of assets held for sale in the consolidated statements of income, was $1.8 million, compared to a loss of $0.7 million in Q4 2017. Three properties were disposed of in Q4 2018 for a total consideration of $4.1 million.

For the year ended December 31, 2018, the gain on sale of property was $16.1 million, compared to a gain of $77.7 million in 2017. Fifteen properties were disposed of in 2018 for a total consideration of $31.2 million. In Q3 2017, notably, four properties were sold in a sale-and-leaseback transaction for a consideration of $135.7 million.

Gain on sale of intangible assets

In the quarter ended December 31, 2018, the Company transferred several customer relationships located in a low-density region in the Package and Courier segment for a consideration of $3.0 million, generating a gain on sale of intangible assets of $1.2 million.

Operating income

For the quarter ended December 31, 2018, TFI International's operating income significantly increased, rising $37.2 million to $103.3 million compared to $66.1 million in the same quarter in 2017. The operating margin as a percentage of revenue before fuel surcharge increased 2.7 percentage points from 6.2% in Q4 2017 to 8.9% in Q4 2018. All reportable segments but Logistics and Last Mile, due to an impairment, reported margin increases. Notably, the TL segment reported a margin increase of 5.2 percentage points primarily as a result of better performance at U.S. TL operations.

Management's consistent focus on the quality of revenue in conjunction with rigorous cost control benefited the Company, resulting in a significant improvement in the Company's adjusted operating ratio[1], a non-IFRS measure, which reached 90.3% this quarter compared to 93.8% for Q4 2017.

For the year ended December 31, 2018, TFI International's operating income sharply increased by $252.1 million, or 141%, to $430.5 million compared to $178.4 million in 2017, driven by operating improvements and the $143.0 million of impairment to intangible assets recorded in 2017, partially offset by lower gain on sale of property of $61.5 million recorded in 2018 compared to 2017.

Finance income and costs

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
Finance costs (income)	2018	2017	2018	2017
Interest expense on long-term debt	13,159	13,102	54,609	56,758
Interest income and accretion on promissory note	(747)	(725)	(2,807)	(2,638)
Net change in fair value of contingent considerations and accretion expense	(12,686)	(955)	(12,189)	(523)
Net foreign exchange (gain) loss	1,611	(10)	630	2,491
Net change in fair value of foreign exchange derivatives	(12)	(126)	(311)	(1,247)
Net change in fair value of interest rate derivatives	—	193	(46)	(365)
Others	(1,365)	2,018	8,420	6,599
Net finance costs (income)	(40)	13,497	48,306	61,075

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

Interest expense on long-term debt

Interest expense on long-term debt for the three-month period ended December 31, 2018 was comparable to the same quarter last year. For the year ended December 31, 2018, it decreased by $2.1 million mainly due to lower borrowings.

Change in fair value of contingent considerations and accretion expense

The 2018 gain is mostly attributable to a write off of a contingent consideration liability relating to a prior year business acquisition. See more detail in the section "Impairment of intangible assets" above.

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, 2018, losses of $18.4 million and $30.8 million, respectively, of foreign exchange variations (losses of $16.0 million and $26.7 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 fair values of the Company's derivative financial instruments, which are used to mitigate foreign exchange and interest rate risks, are subject to market price fluctuations in foreign exchange and interest rates.

For the three-month period and year ended December 31, 2018, foreign exchange derivatives saw their fair values increase by $12,000 and $0.3 million, respectively, while in the same quarter last year and in 2017, their fair values increased by $0.1 million and $1.2 million, respectively.

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, 2018, losses of $7.1 million and $3.9 million on change in fair value of interest rate derivatives, respectively, were mostly designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge ($5.2 million and $2.8 million net of tax, respectively). For the three-month period and year ended December 31, 2017, of the $2.2 million and $5.7 million gains on change in fair value of interest rate derivatives, respectively, $2.3 million and $5.4 million, respectively ($1.7 million and $3.9 million net of tax, respectively), were designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge.

Others

The other financial expenses mainly comprise bank charges and the net change in fair value of the Company's deferred share unit liability. For the three-month period ended December 31, 2018, lower other financial expenses are mainly attributable to the $3.4 million decrease in the Company's deferred share unit liability's fair value, while for the year ended December 31, 2018, the fair value of the deferred share units liability increased $0.9 million as a result of the Company's share price fluctuation.

Income tax expense

For the quarter ended December 31, 2018, the effective tax rate was 25.8%. The income tax expense of $26.6 million reflects a $1.0 million favourable variance versus an anticipated income tax expense of $27.6 million based on the Company's statutory tax rate of 26.7%. The favourable variance is mainly due to positive differences between the statutory rate and the effective rates in other jurisdictions of $3.6 million.

For the year ended December 31, 2018, the effective tax rate was 23.6%. The income tax expense of $90.2 million reflects an $11.9 million favourable variance versus an anticipated income tax expense of $102.1 million based on the Company's statutory tax rate of 26.7%. The favourable variance is mainly due to positive differences between the statutory rate and the effective rates in other jurisdictions of $13.1 million.

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 reduced the U.S. federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018. As a result of U.S. tax reform, the Company's net deferred income tax liability decreased by $76.1 million. As a result, an income tax recovery of $76.1 million was recorded in Q4 2017.

Net income and adjusted net income

(unaudited) (in thousands of dollars, except per share data)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Net income	**76,728**	120,192	**291,994**	157,988
Amortization of intangible assets related to business acquisitions, net of tax	**10,992**	10,122	**44,033**	38,346
Net change in fair value of contingent considerations and accretion expense, net of tax	**(9,292)**	(700)	**(8,928)**	(383)
Net change in fair value of derivatives, net of tax	**(9)**	49	**(262)**	(1,182)
Net foreign exchange (gain) loss, net of tax	**1,180**	(7)	**461**	1,826
Impairment of intangible assets, net of tax	**9,129**	—	**9,129**	138,438
(Gain) loss on sale of land and buildings and assets held for sale, net of tax	**(1,551)**	424	**(13,900)**	(66,710)
Gain on sale of intangible assets, net of tax	**(915)**	—	**(915)**	—
U.S. tax reform	**—**	(76,135)	**—**	(76,135)
Adjusted net income[1]	**86,262**	53,945	**321,612**	192,188
Adjusted EPS – basic[1]	**0.99**	0.60	**3.66**	2.12
Adjusted EPS – diluted[1]	**0.96**	0.59	**3.54**	2.07

For the quarter ended December 31, 2018, TFI International's net income was $76.7 million compared to $120.2 million in Q4 2017. The decrease of $43.5 million is mainly attributable to the income tax recovery recorded in Q4 2017 as a result of U.S. tax reform for $76.1 million offset by stronger operating income in Q4 2018 compared to the same quarter last year. The Company's adjusted net income[1], a non-IFRS measure, which excludes items listed in the above table, was $86.3 million this quarter compared to $53.9 million in Q4 2017, up a significant 60% or $32.4 million. Fully diluted adjusted EPS increased by 63% to $0.96.

For the year ended December 31, 2018, net income was $292.0 million compared to $158.0 million in 2017. The increase of $134.0 million is mainly attributable to stronger operating income and to the impairment of intangible assets of $138.4 million, net of tax, recorded in 2017, offset by lower gain on sale of property of $52.8 million, net of tax, recorded in 2018 compared to 2017 and to the income tax recovery of $76.1 million recorded in Q4 2017 as a result of U.S. tax reform. The Company's adjusted net income was $321.6 million in 2018 compared to $192.2 million in 2017, up 67% or $129.4 million. Fully diluted adjusted EPS increased by 71% to $3.54.

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

SEGMENTED RESULTS

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

(unaudited) (in thousands of dollars)	Package and Courier	Less-Than-Truckload	Truckload	Logistics and Last Mile	Corporate	Eliminations	Total
Q4 2018							
Revenue before fuel surcharge[1]	**177,323**	**231,994**	**528,164**	**235,590**	**—**	**(10,792)**	**1,162,279**
% of total revenue[2]	**15%**	**20%**	**46%**	**19%**			**100%**
Adjusted EBITDA	**36,521**	**32,209**	**99,376**	**21,555**	**(9,007)**	**—**	**180,654**
Adjusted EBITDA margin[3]	**20.6%**	**13.9%**	**18.8%**	**9.1%**			**15.5%**
Operating income (loss)	**34,409**	**23,461**	**52,282**	**2,851**	**(9,720)**	**—**	**103,283**
Operating margin[3]	**19.4%**	**10.1%**	**9.9%**	**1.2%**			**8.9%**
Net capital expenditures[4, 5]	**8,342**	**5,197**	**55,469**	**365**	**558**		**69,931**
Q4 2017*							
Revenue before fuel surcharge[1]	162,041	204,136	480,951	234,975	—	(12,424)	1,069,679
% of total revenue[2]	15%	20%	45%	20%			100%
Adjusted EBITDA	31,194	22,262	68,695	20,509	(11,643)	—	131,017
Adjusted EBITDA margin[3]	19.3%	10.9%	14.3%	8.7%			12.2%
Operating income (loss)	28,144	13,221	22,813	14,098	(12,200)	—	66,076
Operating margin[3]	17.4%	6.5%	4.7%	6.0%			6.2%
Net capital expenditures[4, 6]	(14,569)	3,694	24,510	(17)	98		13,716
YTD 2018							
Revenue before fuel surcharge[1]	**633,046**	**902,320**	**2,064,588**	**953,727**	**—**	**(45,484)**	**4,508,197**
% of total revenue[2]	**14%**	**21%**	**46%**	**19%**			**100%**
Adjusted EBITDA	**125,197**	**117,006**	**380,707**	**91,348**	**(27,975)**	**—**	**686,283**
Adjusted EBITDA margin[3]	**19.8%**	**13.0%**	**18.4%**	**9.6%**			**15.2%**
Operating income (loss)	**113,214**	**85,132**	**207,723**	**54,492**	**(30,037)**	**—**	**430,524**
Operating margin[3]	**17.9%**	**9.4%**	**10.1%**	**5.7%**			**9.5%**
Total assets less intangible assets	**151,579**	**380,715**	**1,418,743**	**135,374**	**62,054**		**2,148,465**
Net capital expenditures[4, 5]	**17,770**	**14,593**	**169,059**	**2,118**	**256**		**203,796**
YTD 2017*							
Revenue before fuel surcharge[1]	611,359	877,489	1,974,098	965,526	—	(49,487)	4,378,985
% of total revenue[2]	14%	20%	45%	21%			100%
Adjusted EBITDA	107,982	85,659	275,506	79,001	(33,667)	—	514,481
Adjusted EBITDA margin[3]	17.7%	9.8%	14.0%	8.2%			11.7%
Operating income (loss)	102,281	122,181	(51,705)	41,579	(35,915)	—	178,421
Operating margin[3]	16.7%	13.9%	-2.6%	4.3%			4.1%
Total assets less intangible assets	136,653	321,140	1,243,722	130,325	63,514		1,895,354
Net capital expenditures[4, 6]	(8,147)	(139,769)	142,060	1,199	771		(3,886)

(*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements).

1 *Includes intersegment revenue.*
2 *Segment revenue including fuel and intersegment revenue to consolidated revenue including fuel and intersegment revenue.*
3 *As a percentage of revenue before fuel surcharge.*
4 *Additions to property and equipment, net of proceeds from sale of property and equipment and assets held for sale.*
5 *YTD 2018 net capital expenditures include proceeds from the sale of property for consideration of $6.1 million in the LTL segment ($1.6 million in Q4), of $24.3 million in the TL segment ($2.5 million in Q4) and of $0.8 million in the corporate segment (nil in Q4).*
6 *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).*

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, 2018, the composition of reportable segments was modified to better reflect the nature of the Company's operations. In particular, the Same-Day / Last Mile delivery operating companies, which were previously included in the Package and Courier operating segment, and the Logistics operating companies became part of a new segment named Logistics and Last Mile. Also, two Logistics operations, TLS Trailer Leasing Services and Centre Mécanique Henri-Bourassa, moved respectively into the LTL and the TL segments to which they primarily render services. Comparative figures have been recasted.

Package and Courier

(unaudited) – (in thousands of dollars)	Fourth quarters ended December 31				Years ended December 31			
	2018	%	2017*	%	2018	%	2017*	%
Total revenue	204,428		182,010		728,556		681,406	
Fuel surcharge	(27,105)		(19,969)		(95,510)		(70,047)	
Revenue	177,323	100.0%	162,041	100.0%	633,046	100.0%	611,359	100.0%
Materials and services expenses (net of fuel surcharge)	76,509	43.1%	70,609	43.6%	266,301	42.1%	262,720	43.0%
Personnel expenses	50,083	28.2%	46,747	28.8%	186,281	29.4%	186,349	30.5%
Other operating expenses	14,235	8.0%	13,541	8.4%	55,359	8.7%	54,519	8.9%
Depreciation of property and equipment	3,055	1.7%	3,337	2.1%	11,870	1.9%	13,811	2.3%
Amortization of intangible assets	306	0.2%	395	0.2%	1,362	0.2%	1,728	0.3%
Gain on sale of rolling stock and equipment	(25)	-0.0%	(50)	-0.0%	(92)	-0.0%	(211)	-0.0%
Gain on sale of land and buildings and assets held for sale	—	—	(682)	-0.4%	—	—	(9,838)	-1.6%
Gain on sale of intangible assets	(1,249)	-0.7%	—	—	(1,249)	-0.2%	—	—
Operating income	34,409	19.4%	28,144	17.4%	113,214	17.9%	102,281	16.7%
Adjusted EBITDA	36,521	20.6%	31,194	19.3%	125,197	19.8%	107,982	17.7%

(*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements).

Revenue

For the quarter ended December 31, 2018, revenue increased by $15.3 million, or 9%, from $162.0 million in 2017 to $177.3 million in 2018. This increase is attributable to an 11% increase in revenue per pound (excluding fuel surcharge) partially offset by a 1% decrease in tonnage. The decrease in tonnage was the result of a 7% decrease in weight per shipments offset by a 6% increase in number of shipments. Those two variations are directly related to the Canada Post strike that took place in the first two months of the fourth quarter of 2018.

For the year ended December 31, 2018, revenue increased by $21.6 million, or 4%, from $611.4 million to $633.0 million.

Operating expenses

For the quarter ended December 31, 2018, materials and services expenses, net of fuel surcharge revenue, increased $5.9 million or 8% mostly due to an increase in sub-contractor and external labor costs required to handle the additional volume brought by the Canada Post strike and its aftermath. Personnel expenses also increased $3.3 million or 7% to handle additional volume but as a percentage of revenue, it decreased 0.6 percentage points year over year, from 28.8% in 2017 to 28.2% in 2018. Other operating expense as a percentage of revenue also decreased from 8.4% in 2017 to 8.0% in 2018.

For the year ended December 31, 2018, materials and services expenses, net of fuel surcharge revenue, increased $3.6 million or 1% due to increased external labor costs, mostly to handle the additional volume in the last months of the year. Personnel expenses as a percentage of revenue decreased from 30.5% in 2017 to 29.4% in 2018. This reduction is mostly due to a $3.2 million decrease in employee termination costs year over year and the gains resulting from this restructuring. Other operating expenses as a percentage of revenue slightly decreased from 8.9% in 2017 to 8.7% in 2018. Depreciation of property and equipment decreased $1.9 million year over year due to full amortization of conveyors and other sorting equipment.

Gain on sale of intangible assets

In the quarter ended December 31, 2018, the Company transferred several customer relationships located in a low-density region for a consideration of $3.0 million, generating a gain of $1.2 million.

Operating income

Operating income for the fourth quarter ended December 31, 2018 increased by 22% or $6.3 million compared to the fourth quarter of 2017. The increase is attributable to increased volume, improvement in cost management and route optimization. For the quarter ended December 31, 2018, the operating margin improved 2.0 percentage points, from 17.4% in 2017 to 19.4% in 2018.

For the year ended December 31, 2018, operating income increased $10.9 million to $113.2 million. The operating margin improved 1.2 percentage points, from 16.7% in 2017 to 17.9% in 2018.

Less-Than-Truckload

(unaudited) – (in thousands of dollars)	Fourth quarters ended December 31				Years ended December 31			
	2018	%	2017*	%	2018	%	2017*	%
Total revenue	272,212		234,696		1,057,396		994,777	
Fuel surcharge	(40,218)		(30,560)		(155,076)		(117,288)	
Revenue	231,994	100.0%	204,136	100.0%	902,320	100.0%	877,489	100.0%
Materials and services expenses (net of fuel surcharge)	120,153	51.8%	109,384	53.6%	478,169	53.0%	490,313	55.9%
Personnel expenses	59,272	25.5%	52,127	25.5%	227,502	25.2%	225,745	25.7%
Other operating expenses	20,770	9.0%	20,853	10.2%	80,505	8.9%	76,260	8.7%
Depreciation of property and equipment	6,252	2.7%	5,208	2.6%	23,656	2.6%	21,663	2.5%
Amortization of intangible assets	2,750	1.2%	2,478	1.2%	10,792	1.2%	9,691	1.1%
Gain on sale of rolling stock and equipment	(410)	-0.2%	(490)	-0.2%	(862)	-0.1%	(488)	-0.1%
(Gain) loss on sale of land and buildings and assets held for sale	(254)	-0.1%	1,355	0.7%	(2,574)	-0.3%	(67,876)	-7.7%
Operating income	23,461	10.1%	13,221	6.5%	85,132	9.4%	122,181	13.9%
Adjusted EBITDA	32,209	13.9%	22,262	10.9%	117,006	13.0%	85,659	9.8%

(*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements)

Operational data

(unaudited)	Fourth quarters ended December 31				Years ended December 31			
	2018	2017	Variance	%	2018	2017	Variance	%
Adjusted operating ratio	90.0%	92.9%			90.9%	93.8%		
Revenue per hundredweight (including fuel)	$ 16.18	$ 13.11	$ 3.07	23.4%	$ 14.90	$ 13.27	$ 1.63	12.3%
Revenue per hundredweight (excluding fuel)	$ 13.79	$ 11.40	$ 2.39	21.0%	$ 12.71	$ 11.70	$ 1.01	8.6%
Revenue per shipment (including fuel)	$ 324.84	$ 254.55	$ 70.29	27.6%	$ 305.69	$ 254.87	$ 50.82	19.9%
Tonnage (in thousands of tons)	841	895	(54)	-6.0%	3,548	3,747	(199)	-5.3%
Shipments (in thousands)	838	922	(84)	-9.1%	3,459	3,903	(444)	-11.4%
Average weight per shipment (in lbs)	2,007	1,941	66	3.4%	2,051	1,920	131	6.8%
Average length of haul (in miles)	831	839	(8)	-1.0%	828	788	40	5.1%
Vehicle count, average	1,020	838	182	21.7%	992	898	94	10.5%
Revenue per week per vehicle (incl. fuel, in thousands of dollars)	$ 20.53	$ 21.54	$ (1.01)	-4.7%	$ 20.50	$ 21.30	$ (0.80)	-3.8%

On April 3, 2018, the Company acquired Normandin. Normandin provides LTL & TL freight shipments to and from U.S. and Canadian destinations and its results are included in the LTL segment.

Revenue

For the quarter ended December 31, 2018, revenue was $232.0 million, an increase of $27.9 million, or 14% when compared to the same period in 2017. This increase is mainly due to the Normandin acquisition. Excluding the Normandin acquisition, revenue increased by 3% or $5.7 million mainly due to a 32% increase in revenue per hundredweight (excluding fuel) partially offset by a 21% decrease in tonnage. The decrease in tonnage before acquisition was the result of a 12% decrease in shipments combined with a 10% decrease in weight per shipment. That volume decrease was mostly due to the termination of unprofitable domestic Canadian shipments in our over-the-road and intermodal operations. For the quarter ended December 31, 2018, the LTL segment improved its yield as reflected by the 23.4% increase in revenue per hundredweight that went from $13.11 in Q4 2017 to $16.18 in Q4 2018.

For the year ended December 31, 2018, revenue increased $24.8 million or 3% to $902.3 million. Excluding acquisitions, revenue decreased 5% or $45.5 million.

Operating expenses

For the quarter ended December 31, 2018, materials and services expenses, net of fuel surcharge revenue, increased $10.8 million, or 10%, mostly due to an increase in sub-contractor cost and rolling stock maintenance and repair cost. Personnel expenses as a percentage of revenue remained stable at 25.5% as an increase in operation salaries was totally offset by a reduction in administration salaries. Other operating expenses decreased $0.1 million in the fourth quarter of 2018. Depreciation of property and equipment as a percentage of revenue increased from 2.6% in the fourth quarter of 2017 to 2.7% in the fourth quarter of 2018, attributable to the Normandin acquisition. The increase in amortization of intangible assets was also related to the Normandin acquisition.

For the year ended December 31, 2018, material and service expenses, net of fuel surcharge, decreased $12.1 million, or 2%, due to a reduction in subcontractor costs partially offset by an increase in rolling stock maintenance and repair costs. Personnel expenses as a percentage of revenue decreased from 25.7% in 2017 to 25.2% in 2018, mostly due to administrative salary reductions. Other operating expenses as a percentage of revenue increased from 8.7% in 2017 to 8.9% in 2018, all attributable to real estate costs. This increase in real estate costs was mostly caused by additional rent that the LTL segment incurred following a sale-and-leaseback transaction of 3 properties that occurred in October of 2017 and higher building repair and maintenance expenses. Depreciation of property and equipment as a percentage of revenue slightly increased from 2.5% in 2017 to 2.6% in 2018 and amortization of intangible assets also increased by 0.1 percentage points. Both increases are related to the Normandin acquisition.

Gain on sale of land and buildings and assets held for sale

For the quarter ended December 31, 2018, a $0.1 million loss on sale of assets held for sale was recorded in the LTL segment following the sale of one property for a consideration of $0.4 million and a gain of $0.3 million on sale of land and buildings was recorded following the sale of another property.

For the year ended December 31, 2018, a $2.3 million gain on sale of assets held for sale was recorded following the sale of four properties for a total consideration of $4.9 million.

Operating income

Operating income for the fourth quarter ended December 31, 2018 increased $10.2 million, or 77% when compared to the same period in 2017. Although volume decreased year-over-year, operating income was favorably impacted in 2018 by tight asset management, cost optimisation, a focus on more profitable freight, and continued improvements in route density as well as the Normandin acquisition. The fourth quarter of 2018 adjusted operating ratio was 90.0%, a 2.9 percentage points improvement when compared to 92.9% in the same period in 2017.

For the year ended December 31, 2018, operating income decreased $37.0 million to $85.1 million, primarily due to a gain of $67.9 million in 2017 on sale of land and buildings and assets held for sale. The adjusted operating ratio improved 2.9 percentage points, from 93.8% in 2017 to 90.9% in 2018.

Truckload

(unaudited) – (in thousands of dollars)	Fourth quarters ended December 31				Years ended December 31			
	2018	%	2017*	%	2018	%	2017*	%
Total revenue	610,161		546,251		2,388,865		2,218,207	
Fuel surcharge	(81,997)		(65,300)		(324,277)		(244,109)	
Revenue	528,164	100.0%	480,951	100.0%	2,064,588	100.0%	1,974,098	100.0%
Materials and services expenses (net of fuel surcharge)	236,226	44.7%	241,647	50.2%	956,913	46.3%	998,863	50.6%
Personnel expenses	177,024	33.5%	152,108	31.6%	665,143	32.2%	634,726	32.2%
Other operating expenses	19,738	3.7%	17,322	3.6%	71,621	3.5%	66,878	3.4%
Depreciation of property and equipment	41,926	7.9%	38,589	8.0%	158,708	7.7%	168,846	8.6%
Amortization of intangible assets	6,728	1.3%	7,275	1.5%	27,464	1.3%	28,674	1.5%
Impairment of intangible assets	—	—	—	—	—	—	129,770	6.6%
(Gain) loss on sale of rolling stock and equipment	(4,200)	-0.8%	1,179	0.2%	(9,796)	-0.5%	(1,875)	-0.1%
(Gain) loss on sale of land and buildings and assets held for sale	(1,560)	-0.3%	18	0.0%	(13,188)	-0.6%	(79)	-0.0%
Operating income	52,282	9.9%	22,813	4.7%	207,723	10.1%	(51,705)	-2.6%
Adjusted EBITDA	99,376	18.8%	68,695	14.3%	380,707	18.4%	275,506	14.0%

(*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements).

Operational data

(unaudited) – (all Canadian dollars unless otherwise specified)	Fourth quarters ended December 31				Years ended December 31			
	2018	2017	Variance	%	2018	2017	Variance	%
U.S. based Conventional TL								
Revenue (in thousands of U.S. dollars)	**168,451**	164,500	3,951	2.4%	**678,983**	681,832	(2,849)	-0.4%
Adjusted operating ratio	**93.3%**	100.0%			**94.6%**	102.9%		
Total mileage (in thousands)	**90,658**	99,340	(8,682)	-8.7%	**381,195**	423,232	(42,037)	-9.9%
Tractor count, average	**3,053**	3,115	(62)	-2.0%	**3,083**	3,462	(379)	-10.9%
Trailer count, average	**11,180**	11,360	(180)	-1.6%	**11,199**	11,331	(132)	-1.2%
Tractor age	**2.0**	2.4	(0.4)	-16.7%	**2.0**	2.4	(0.4)	-16.7%
Trailer age	**6.8**	6.4	0.4	6.2%	**6.8**	6.4	0.4	6.2%
Number of owner operators, average	**408**	548	(140)	-25.5%	**457**	618	(161)	-26.0%
Canadian based Conventional TL								
Revenue (in thousands of dollars)	**79,017**	74,398	4,619	6.2%	**313,305**	303,613	9,692	3.2%
Adjusted operating ratio	**85.9%**	92.0%			**87.0%**	92.4%		
Total mileage (in thousands)	**26,019**	27,427	(1,408)	-5.1%	**106,167**	118,852	(12,685)	-10.7%
Tractor count, average	**708**	731	(23)	-3.1%	**712**	758	(46)	-6.1%
Trailer count, average	**3,043**	3,072	(29)	-0.9%	**3,088**	3,125	(37)	-1.2%
Tractor age	**2.7**	2.9	(0.2)	-6.9%	**2.7**	2.9	(0.2)	-6.9%
Trailer age	**5.5**	5.2	0.3	5.8%	**5.5**	5.2	0.3	5.8%
Number of owner operators, average	**363**	370	(7)	-1.9%	**367**	420	(53)	-12.6%
Specialized TL								
Revenue (in thousands of dollars)	**227,438**	198,098	29,340	14.8%	**877,463**	788,186	89,277	11.3%
Adjusted operating ratio	**89.2%**	91.5%			**87.9%**	89.8%		
Tractor count, average	**1,546**	1,346	200	14.9%	**1,450**	1,321	129	9.8%
Trailer count, average	**4,693**	4,663	30	0.6%	**4,653**	4,599	55	1.2%
Tractor age	**3.5**	3.5	0.0	0.0%	**3.5**	3.5	0.0	0.0%
Trailer age	**9.7**	10.7	(1.0)	-9.3%	**9.7**	10.7	(1.0)	-9.3%
Number of owner operators, average	**1,102**	1,242	(140)	-11.3%	**1,085**	1,192	(107)	-9.0%

On May 1, 2018, TFI International completed the acquisition of Brasseur. Based in Québec, Brasseur specializes in liquid bulk transportation across Canada and the U.S.

On July 1, 2018, TFI International completed the acquisition of Timeline. Based in Saskatchewan, Timeline provides specialized long-distance truckload transportation services across North America, primarily serving the oil and gas, forestry products, and manufactured products industries.

On October 1, 2018, TFI International acquired GBT. Based in Ontario, GBT has been in business for more than 60 years and specializes in the tank truck transportation of liquid and dry bulk commodities.

On November 1, 2018, TFI International acquired Double-D. Based in Ontario, Double-D has been in business since 1991 and specializes in transporting over-sized and over-dimensional freight between Canada and the U.S.

On November 21, 2018, TFI International acquired SAF. Based in Québec, SAF was founded in 1994 and offers specialized transportation and storage services.

On December 1, 2018, TFI International acquired Beaumont. Based in Québec, Beaumont was founded in 1987 and specializes in the bulk transport of a variety of products ranging from fertilizer to hydro sulfate.

On December 4, 2018, TFI International acquired certain assets of Hughson. Based in Alberta, Hughson offers transportation solutions to the oil and gas, forestry and lumber, agriculture, mining, construction, and food processing industries.

On December 14, 2018, TFI International acquired certain assets of Cole. Based in Ontario, Cole provides a complete integrated supply chain management system specializing in handling and transportation for the steel, aluminum and automotive industries.

Revenue

For the quarter ended December 31, 2018, TL revenue increased by $47.2 million or 10%, from $481.0 million in Q4 2017 to $528.2 million. Business acquisitions contributed $25.8 million to the TL segment and $12.1 million of the increase is due to favourable currency fluctuations, implying $9.3 million or 2% organic growth within the TL segment mainly due to improved pricing. In fact, while revenue increased compared to the same quarter last year, mileage decreased which indicates a strong improvement in revenue per mile along with better management of the existing trucking network. Average revenue per total mile for conventional TL operations increased 4% in the U.S. and 12% in Canada compared to Q4 2017.

As part of its asset-light strategy, the TL segment increased its brokerage revenue by 15%, or $9.2 million, to $69.5 million compared to the same quarter last year.

For the year ended December 31, 2018, TL revenue increased by $90.5 million or 5% from $1,974.1 million in 2017 to $2,064.6 million. This increase is due to recent business acquisitions which contributed $63.8 million while unfavourable currency fluctuations reduced revenue by $2.8 million. This resulted in organic growth of $29.5 million or 2% explained mainly by higher revenue per mile. On the brokerage side, revenue increased by 23% or $52.2 million while margins were steady.

Operating expenses

For the quarter ended December 31, 2018, operating expenses, net of fuel surcharge, increased by $17.7 million or 4% from $458.1 million in Q4 2017 to $475.9 million in Q4 2018. The TL segment continues to improve its cost structure and increase the productivity of its assets. The decline in miles positively impacted equipment operation costs. Personnel expenses increased by 1.9 percentage points of revenue mainly attributable to adjustments to driver compensation to improve retention and attract new drivers. Driver pay and retention remain challenging throughout the trucking industry and the Company is focused on cost effective methods of recruiting and retaining drivers. Although cost and efficiency improvements were seen this quarter, 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.

For the year ended December 31, 2018, TL operating expenses, net of fuel surcharge, decreased by $168.9 million or 8% which is attributable primarily to the $129.8 million goodwill impairment in the U.S. TL operating segment recorded in the second quarter of last year and to reduced miles.

Impairment of intangible assets

In 2017, impairment of intangible assets of $129.8 million was related to a goodwill impairment in the U.S. TL operating segment recorded in the second quarter.

Gain on sale of land and buildings and assets held for sale

For the quarter ended December 31, 2018, the Company disposed of a property for a total consideration of $2.5 million, creating a gain of $1.6 million.

For the year ended December 31, 2018, the Company disposed of nine properties generating $13.2 million in gains while adding $24.3 million of cash inflows.

Operating income

The Company's operating income in the TL segment for the quarter ended December 31, 2018 reached $52.3 million from $22.8 million in the prior year period, which represents an increase of 129%, mainly due to higher revenue per mile, lower costs, more miles per tractor, and a more efficient truckload freight network. Initiatives aimed at equipment cost reductions have continued to yield positive results including lower repairs and maintenance costs due to a newer fleet. Operating margin increased to 9.9% compared to 4.7% in 2017. Individually, each TL operating segment was able to significantly improve its adjusted operating ratio.

For the year ended December 31, 2018, the TL segment increased its operating income by $259.4 million from an operating loss of $51.7 million in 2017 to operating income of $207.7 million as a result of better performance, a $13.2 million gain on sale of property and a $129.8 million goodwill impairment recorded in the second quarter of 2017.

Logistics and Last Mile

(unaudited) – (in thousands of dollars)	Fourth quarters ended December 31				Years ended December 31			
	2018	%	2017*	%	2018	%	2017*	%
Total revenue	246,990		243,694		1,000,186		996,633	
Fuel surcharge	(11,400)		(8,719)		(46,459)		(31,107)	
Revenue	235,590	100.0%	234,975	100.0%	953,727	100.0%	965,526	100.0%
Materials and services expenses (net of fuel surcharge)	165,484	70.2%	161,947	68.9%	661,796	69.4%	678,815	70.3%
Personnel expenses	31,549	13.4%	34,734	14.8%	134,000	14.1%	141,548	14.7%
Other operating expenses	17,034	7.2%	17,856	7.6%	66,736	7.0%	66,398	6.9%
Depreciation of property and equipment	774	0.3%	853	0.4%	2,969	0.3%	3,873	0.4%
Amortization of intangible assets	5,348	2.3%	5,555	2.4%	21,298	2.2%	20,223	2.1%
Impairment of intangible assets	12,559	5.3%	—	—	12,559	1.3%	13,211	1.4%
(Gain) loss on sale of rolling stock and equipment	(32)	-0.0%	(71)	-0.0%	(153)	-0.0%	(236)	-0.0%
(Gain) loss on sale of land and buildings and assets held for sale	23	0.0%	3	0.0%	30	0.0%	115	0.0%
Operating income	2,851	1.2%	14,098	6.0%	54,492	5.7%	41,579	4.3%
Adjusted EBITDA	21,555	9.1%	20,509	8.7%	91,348	9.6%	79,001	8.2%

(*) Recasted for changes in composition of reportable segments (see note 4 of the audited consolidated financial statements) and changes in presentation (see note 3 of the audited consolidated financial statements).

Revenue

For the quarter ended December 31, 2018, revenue for the Logistics and Last Mile segment remained relatively constant at $235.6 million relative to $235.0 million the prior year period. Excluding business acquisitions, revenue decreased by 1%, or $3.0 million, mainly attributable to lower volumes, non-recurring business in the prior year period of $9.0 million and a positive foreign exchange impact of $6.0 million. Approximately 60% of the new Logistics and Last Mile segment's revenues in the quarter were generated from operations in the U.S. and Mexico and approximately 40% were generated from operations in Canada.

For the year ended December 31, 2018, revenue decreased by 1% or $11.8 million year-over-year, from $965.5 million to $953.7 million. Excluding business acquisitions, revenue decreased by 5%, or $47.7 million.

Operating expenses

For the quarter ended December 31, 2018, operating expenses increased by $11.9 million to $232.7 million compared to $220.9 million in the fourth quarter of 2017. The increase is mostly attributable to the impairment of intangible assets of $12.6 million. Materials and services expenses, net of fuel surcharge, representing 70.2% of revenue, increased by $3.5 million while personnel expenses decreased by $3.2 million, resulting in an overall improvement of 0.1 percentage points of revenue.

For the year ended December 31, 2018, operating expenses decreased by 3% or $24.7 million compared to 2017, from $923.9 million to $899.2 million. This decrease was mostly attributable to lower materials and services expenses, net of fuel surcharge, both in absolute terms and as a percentage of revenue.

Impairment of intangible assets

In the quarter ended December 31, 2018, the Company recorded an impairment charge of $12.6 million on a customer relationship intangible asset related to a 2017 business acquisition in the Logistics and Last Mile segment. The difficulties to retain and recruit qualified subcontractors and the inability to successfully increase the revenue impacted the current and expected future cash flow from that company. Accordingly, the contingent consideration recorded in the original purchase price allocation of that business acquisition was completely reversed as management determined that required minimum earning levels in future periods would not be reached. The resulting $13.0 million gain was presented as a change in fair value of contingent considerations in finance income and costs.

In 2017, impairment of intangible assets of $13.2 million was related to an impairment of the Dynamex trade name recorded in the first quarter.

Operating income

Operating income in the Logistics and Last Mile segment for the quarter ended December 31, 2018 decreased $11.2 million compared to the fourth quarter of 2017, from $14.1 million to $2.9 million as a result of the impairment. Excluding the $12.6 million impairment, operating income increased 9% to $15.4 million with the operating margin increasing 0.5 percentage points to 6.5%, as a result of higher quality of revenue and cost efficiency measures.

For the year ended December 31, 2018, operating income increased 31% or $12.9 million compared to 2017, from $41.6 million to $54.5 million. The Logistics and Last Mile segment's operating margin increased 1.4 percentage points to reach 5.7%.

LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Sources of cash:				
Net cash from operating activities from continuing operations	173,848	116,148	543,503	372,601
Proceeds from sale of property and equipment	25,461	20,833	81,051	88,773
Proceeds from sale of assets held for sale	2,782	19,140	29,226	174,779
Net variance in cash and bank indebtedness	—	—	3,237	13,046
Net proceeds from long-term debt	79,514	—	21,727	—
Others	3,029	3,055	19,874	14,148
Total sources	284,634	159,176	698,618	663,347
Uses of cash:				
Purchases of property and equipment	113,004	66,142	314,300	259,140
Business combinations, net of cash acquired	81,375	30,021	156,487	118,288
Net variance in cash and bank indebtedness	258	7,857	—	—
Net repayment of long-term debt	—	1,147	—	74,648
Dividends paid	18,475	17,086	74,096	69,016
Repurchase of own shares	61,891	30,580	139,622	81,565
Net cash used in discontinued operations	—	—	—	52,424
Others	9,631	6,343	14,113	8,266
Total usage	284,634	159,176	698,618	663,347

Cash flow from operating activities from continuing operations

For the year ended December 31, 2018, net cash from operating activities from continuing operations significantly increased by 46% from $372.6 million in 2017 to $543.5 million. This $170.9 million increase is mainly attributable to higher cash flow from operating activities from continuing operations before net change in non-cash operating working capital of $146.6 million. The net change in non-cash operating working capital was positive $12.6 million in 2018, compared to negative $11.6 million in 2017.

Cash flow from operating activities from discontinued operations

For the year ended December 31, 2017, discontinued operations had negative 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.

Cash flow used in investing activities

Property and equipment

The following table presents the additions of property and equipment by category for the three-month periods and years ended December 31, 2018 and 2017.

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Additions to property and equipment:				
Purchases as stated on cash flow statements	113,004	66,142	314,300	259,140
Non-cash adjustments	(14,830)	(12,453)	(227)	526
	98,174	53,689	314,073	259,666
Additions by category:				
Land and buildings	3,625	2,249	15,412	8,126
Rolling stock	91,520	48,716	284,459	238,812
Equipment	3,029	2,724	14,202	12,728
	98,174	53,689	314,073	259,666

The Company invests in new equipment to maintain its quality of service while minimizing maintenance costs. Its capital expenditures reflect the level of reinvestment required to keep its equipment in good order and to maintain a strategic allocation of its capital resources.

In the second half of 2018, rolling stock additions exceeded those of the prior year. This increase is largely due to that fact that since June of this year, we have been replacing leased tractors in Canada with purchased tractors.

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 by category for the three-month periods and years ended December 31, 2018 and 2017.

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Proceeds by category:				
Land and buildings	4,121	20,520	31,153	176,359
Rolling stock	24,095	19,409	79,049	87,107
Equipment	27	44	75	86
	28,243	39,973	110,277	263,552
Gains (losses) by category:				
Land and buildings	1,791	(694)	16,144	77,678
Rolling stock	4,707	(564)	11,007	2,851
Equipment	(40)	(4)	(104)	(85)
	6,458	(1,262)	27,047	80,444

For the year ended December 31, 2018, the Company disposed of 15 properties for total consideration of $31.2 million ($176.4 million in 2017), generating a gain of $16.1 million ($77.7 million in 2017).

Business acquisitions

For the year ended December 31, 2018, cash used in business acquisitions totalled $156.5 million ($118.3 million in 2017) to acquire nine businesses. Refer to the section of this report entitled "2018 business acquisitions" and further information can be found in note 5 of the December 31, 2018 audited consolidated financial statements.

Free cash flow from continuing operations

(unaudited) (in thousands of dollars, except per share data)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Net cash from operating activities from continuing operations	173,848	116,148	543,503	372,601
Additions to property and equipment	(98,174)	(53,689)	(314,073)	(259,666)
Proceeds from sale of property and equipment	25,461	20,833	81,051	88,773
Proceeds from sale of assets held for sale	2,782	19,140	29,226	174,779
Free cash flow from continuing operations[1]	103,917	102,432	339,707	376,487

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, 2018, TFI International generated free cash flow from continuing operations of $339.7 million, compared to $376.5 million in 2017, which represents a year-over-year decrease of $36.8 million. This decrease is mainly due to lower proceeds from the sale of assets held for sale of $145.6 million and to higher additions to property and equipment of $54.4 million offset by higher net cash from operating activities from continuing operations of $170.9 million.

Based on the December 31, 2018 closing share price of $35.30, the free cash flow from continuing operations generated by the Company in the last twelve months ($339.7 million) represented a yield of 10.9%.

Financial position

(unaudited) (in thousands of dollars)	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016
Total assets	4,049,960	3,727,628	4,026,879
Long-term debt	1,584,423	1,498,396	1,584,815
Shareholders' equity	1,576,854	1,415,124	1,458,650
Debt-to-equity ratio[2]	1.00	1.06	1.09
Debt-to-capitalization ratio[3]	0.50	0.51	0.52

Compared to December 31, 2017, the Company's total assets increased mainly as a result of business acquisitions and to U.S. denominated assets converting at a higher rate. The debt-to-equity ratio and the debt-to-capitalization ratio were similar to those of December 31, 2017. 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 reductions as appropriate.

As at December 31, 2018, the Company's working capital (current assets less current liabilities) was $52.8 million compared to $116.7 million as at December 31, 2017. The decrease is mainly attributable to a $75.0 million term loan due within 12 months that is now presented in current liabilities.

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, 2018, 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 2022*	**743,698**	—	—	743,698	—
Unsecured term loan – *June 2020 & 2021*	**500,000**	—	500,000	—	—
Unsecured debentures – *December 2020*	**125,000**	—	125,000	—	—
Unsecured term loan – *August 2019*	**75,000**	75,000	—	—	—
Finance lease liabilities	**9,164**	5,489	2,474	1,201	—
Conditional sales contracts	**136,141**	41,919	57,772	35,566	884
Operating leases and other commitments (see commitments)	**557,086**	178,510	167,071	86,395	125,110
Total contractual obligations	**2,146,089**	**300,918**	**852,317**	**866,860**	**125,994**

As at December 31, 2018, the Company had $39.4 million of outstanding letters of credit ($40.1 million on December 31, 2017).

On May 9, 2018, the Company extended its existing revolving credit facility, by one year, to June 2022.

On May 9, 2018, the Company extended the maturity of its $500 million term loan by one year for each tranche. This term loan is within the confines of the credit facility for the specific purpose of acquiring CFI. It remains at a total of $500 million, with $200 million now due in June 2020 and $300 million due in June 2021. Early repayment in part or whole is permitted, and would permanently reduce the amount borrowed. The terms and conditions of the facility are the same as the credit facility and it is subject to the same covenants.

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, 2018*
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	2.27
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	4.26

Commitments, contingencies and off-balance sheet arrangements

The following table indicates the Company's commitments with their respective terms at December 31, 2018.

(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	**81,847**	35,212	37,537	8,213	885
Operating leases – real estate & others	**424,264**	92,323	129,534	78,182	124,225
Other commitments	**50,975**	50,975	—	—	—
Total off-balance sheet obligations	**557,086**	**178,510**	**167,071**	**86,395**	**125,110**

Long-term real estate leases, totalling $424.3 million, include nine significant real estate commitments for an aggregate value of $207.6 million, which expire between 2024 and 2035. A total of 268 properties constitute the remaining real estate operating leases.

Dividends and outstanding share data

Dividends

The Company declared $20.7 million in dividends, or 24 cents per common share, in the fourth quarter of 2018. For the year ended December 31, 2018, dividends declared were $76.1 million, or 87 cents per common share. On October 22, 2018, the Board of Directors of TFI approved a $0.24 quarterly dividend, a 14% increase over its previous quarterly dividend of $0.21 per share.

On February 27, 2019, the Board of Directors declared a quarterly dividend of $0.24 per outstanding common share of the Company's capital for an expected aggregate payment of $20.4 million which will be paid on April 15, 2019 to shareholders of record at the close of business on March 29, 2019.

NCIB on common shares

Pursuant to the renewal of the normal course issuer bid ("NCIB"), which began on October 2, 2018 and will expire on October 1, 2019, 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, 2018, the Company repurchased 3,755,002 common shares (as compared to 2,810,126 in 2017) at a price ranging from approximately $32 to $44 per share for a total purchase price of $139.6 million (as compared to $81.6 million in 2017).

Outstanding shares, stock options and restricted share units

A total of 86,397,588 common shares were outstanding as at December 31, 2018 (December 31, 2017 – 89,123,588). Between December 31, 2018 and February 27, 2019, the Company repurchased 1,500,000 common shares at a price ranging from approximately $34 to $40 per share for a total purchase price of $56.7 million.

As at December 31, 2018, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 5,031,161 (December 31, 2017 – 5,493,286) of which 3,863,610 were exercisable (December 31, 2017 – 4,169,819). On February 20, 2018, the Board of Directors approved the grant of 617,735 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, 2018, the number of restricted share units (''RSUs'') granted under the Company's equity incentive plan to its senior employees was 147,081 (December 31, 2017 – 206,396). On February 20, 2018, the Board of Directors approved the grant of 95,243 RSUs under the Company's equity incentive plan. The RSUs will vest in December of the second year following 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, has been provided for in the financial statements.

Subsequent events

On February 1, 2019, the unsecured term loan was amended to increase the balance from $500 million to $575 million. On February 11, 2019, the funds were used to reimburse the unsecured term loan of $75 million that was expected to mature in August 2019.

On February 19, 2019, the Company completed the acquisition of Toronto Tank Lines ("TTL"). Based in Hamilton, Ontario, TTL specializes in the transportation and storage of food grade liquids, industrial chemicals, specialty oils and waxes throughout Canada, the United States and Mexico.

On February 25, 2019, the Company acquired Schilli Corporation ("Schilli"). Based in St. Louis, Missouri, Schilli specializes in the transportation of dry and liquid bulk and offers dedicated fleet solutions and other value-add services throughout Midwest, Southeast and Gulf Coast regions of the United States.

The Company paid $98.9 million for the two business acquisitions, subject to customary closing adjustments.

OUTLOOK

North American economic growth continues and economic conditions remain supportive for the transportation and logistics industry. Unemployment is near multi-decade lows, and consumer confidence and business optimism are currently solid, having benefitted in 2018 from U.S. tax law changes. Given this backdrop, the Company sees the potential for additional upward pressure on freight volumes and shipping rates.

Potential risks in this environment include, among other things, the possibility of more pronounced driver shortages and accompanying upward pressure on wages, along with increasing fuel, insurance, interest rate and other costs. In addition, while the U.S., Canada and Mexico continue to negotiate over revising or replacing NAFTA, a continually evolving international trade environment, including between the U.S. and China, could result in higher tariffs that could slow North American business expansion.

While continually monitoring the economic outlook, internally TFI International seeks to generate strong free cash flow by executing on the fundamentals of the business regardless of the economic cycle. This approach includes focusing on profitable business, improving efficiency, rationalizing assets, and tightly controlling costs. In addition, the Company plans to capture M&A-related operating synergies and continue its disciplined pursuit of acquisition candidates in the fragmented North American transportation and logistics market.

In Package and Courier, TFI's priorities include the deployment of cutting-edge technology, optimizing the business mix and asset utilization, and driving efficiencies and additional savings through the consolidation of routes and terminals, administration and IT platforms.

In LTL, TFI remains disciplined in adapting supply to demand, as overcapacity continues to affect the industry. The Company expects to continue to emphasize major cities, cross-border, and high-density regions to enhance value, is focused on further cost rationalization, especially for its domestic Canadian business, is deploying customer-facing technology, and leveraging its capabilities in asset-light intermodal activities that it believes will generate higher returns.

In TL, TFI is cost-conscious and focused on improving the efficiency and profitability of its existing modern fleet and its network of independent contractors. The Company has long established partner carrier relationships to benefit customer service. Within TL, management is focused on extracting costs from both its U.S. and Specialized TL operations. Further, the expected implementation of an electronic logging device (ELD) requirement in Canada may have a similar effect on the Canadian truckload environment as it had in the United States.

In Logistics and Last Mile, the Company believes both online and conventional retailers increasingly view last mile delivery solutions as strategic to their business, and e-commerce continues to increase as a share of overall retail sales. TFI expects to continue to capitalize on the growing importance of e-commerce through its extensive logistics experience and last mile infrastructure.

TFI International aims to distinguish itself by providing innovative, value-added solutions to its growing North American customer base. The Company is embracing an asset-light business model, and deploying capital toward initiatives that it believes provide strong returns and solid cash flow. In the short term, having achieved targeted leverage ratios, TFI expects to use its cash flow primarily for opportunistic share repurchases, dividends, and business acquisitions.

TFI International believes it is uniquely positioned to benefit from the current dynamics in the North American freight environment, including the continued strength across the Canadian and U.S. transportation markets. Management believes that adherence to its operating principles, with the same discipline and rigour that have made the Company a North American leader in the transportation and logistics industry, will continue to grow shareholder value.

SUMMARY OF EIGHT MOST RECENT QUARTERLY RESULTS

(unaudited) – (in millions of dollars, except per share data)	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17	Q1'17
Total revenue*	1,321.4	1,287.6	1,317.7	1,196.5	1,192.9	1,176.6	1,263.8	1,204.1
Adjusted EBITDA[1]	180.7	190.0	186.7	129.0	131.0	128.2	145.7	109.5
Operating income (loss)**	103.3	128.2	123.6	75.4	66.1	130.6	(47.2)	28.9
Net income (loss)	76.7	86.7	80.4	48.2	120.2	98.8	(75.0)	14.1
EPS – basic	0.88	0.99	0.92	0.54	1.34	1.10	(0.82)	0.15
EPS – diluted	0.85	0.96	0.89	0.53	1.31	1.07	(0.82)	0.15
Adjusted net income[1]	86.3	95.0	89.9	50.4	53.9	48.9	56.4	32.9
Adjusted EPS – diluted[1]	0.96	1.05	0.99	0.55	0.59	0.53	0.61	0.35

(*) 2017 quarters have been recasted for changes in presentation (see note 3 of the audited consolidated financial statements).

(**) All of the quarters have been reclassified to conform to the current period presentation of line items included within the subtotal of operating income.

The differences between the quarters are mainly the result of seasonality (softer in Q1) and business acquisitions. Higher 2018 operating income was also driven by strong execution across the organization, increased quality of revenue, cost efficiencies and improvement in the Company's U.S. TL operating segment. In Q4 2017, higher net income, as well as higher basic and diluted EPS, is mainly due to an income tax gain of $76.1 million as a result of U.S. tax reform. In Q3 2017, higher operating income, net income, as well as higher basic and diluted EPS, is mainly due to gain on sale of property of $70.1 million, or $59.7 million after-tax. In Q2 2017, the Company recorded an operating loss, 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).

NON-IFRS FINANCIAL MEASURES

Financial data have been prepared in conformity with IFRS, including the following measures:

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

Operating income (loss): Net income or loss before finance income and costs and income tax expense (recovery), as stated in the audited consolidated financial statements.

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: Net income or loss excluding amortization of intangible assets related to business acquisitions, net change in the fair value of contingent considerations and accretion expense and derivatives, net foreign exchange gain or loss, impairment of intangible assets, and gain or loss on sale of land and buildings, assets held for sale and intangible assets, net of tax, and impact from the U.S. tax reform. In presenting an adjusted net income and adjusted EPS, 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. In 2018, the Company added an adjustment to exclude the net change in fair value of contingent consideration and recasted the comparative measures to conform to the current year presentation. See reconciliation on page 8.

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

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

Adjusted EPS – diluted: Adjusted net income divided by the weighted average number of diluted common shares.

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

Consolidated adjusted EBITDA reconciliation:

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Net income	**76,728**	120,192	**291,994**	157,988
Net finance costs (income)	**(40)**	13,497	**48,306**	61,075
Income tax expense (recovery)	**26,595**	(67,613)	**90,224**	(40,642)
Depreciation of property and equipment	**52,392**	48,298	**198,492**	209,557
Amortization of intangible assets	**15,460**	15,949	**62,101**	61,200
Impairment of intangible assets	**12,559**	—	**12,559**	142,981
Gain on sale of land and buildings	**(312)**	(394)	**(524)**	(232)
(Gain) loss on sale of assets held for sale	**(1,479)**	1,088	**(15,620)**	(77,446)
Gain on sale of intangible assets	**(1,249)**	—	**(1,249)**	—
Adjusted EBITDA	**180,654**	131,017	**686,283**	514,481

Segmented adjusted EBITDA reconciliation:

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017	2018	2017
Package and Courier				
Operating income	34,409	28,144	113,214	102,281
Depreciation of property and equipment	3,055	3,337	11,870	13,811
Amortization of intangible assets	306	395	1,362	1,728
Gain on sale of land and buildings	—	(682)	—	(682)
Gain on sale of assets held for sale	—	—	—	(9,156)
Gain on sale of intangible assets	(1,249)	—	(1,249)	—
Adjusted EBITDA	36,521	31,194	125,197	107,982
Less-Than-Truckload				
Operating income	23,461	13,221	85,132	122,181
Depreciation of property and equipment	6,252	5,208	23,656	21,663
Amortization of intangible assets	2,750	2,478	10,792	9,691
(Gain) loss on sale of land and buildings	(336)	267	(275)	242
(Gain) loss on sale of assets held for sale	82	1,088	(2,299)	(68,118)
Adjusted EBITDA	32,209	22,262	117,006	85,659
Truckload				
Operating income (loss)	52,282	22,813	207,723	(51,705)
Depreciation of property and equipment	41,926	38,589	158,708	168,846
Amortization of intangible assets	6,728	7,275	27,464	28,674
Impairment of intangible assets	—	—	—	129,770
(Gain) loss on sale of land and buildings	1	18	(279)	93
Gain on sale of assets held for sale	(1,561)	—	(12,909)	(172)
Adjusted EBITDA	99,376	68,695	380,707	275,506
Logistics and Last Mile				
Operating income	2,851	14,098	54,492	41,579
Depreciation of property and equipment	774	853	2,969	3,873
Amortization of intangible assets	5,348	5,555	21,298	20,223
Impairment of intangible assets	12,559	—	12,559	13,211
Loss on sale of land and buildings	23	3	30	115
Adjusted EBITDA	21,555	20,509	91,348	79,001
Corporate				
Operating loss	(9,720)	(12,200)	(30,037)	(35,915)
Depreciation of property and equipment	385	311	1,289	1,364
Amortization of intangible assets	328	246	1,185	884
Gain on sale of assets held for sale	—	—	(412)	—
Adjusted EBITDA	(9,007)	(11,643)	(27,975)	(33,667)

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

Debt-to-adjusted EBITDA ratio is calculated by dividing the total long-term debt by the adjusted EBITDA.

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 19.

Operating margin is calculated as operating income (loss) as a percentage of revenue before fuel surcharge.

Adjusted operating ratio: Operating expenses before impairment of intangible assets and gain or loss on sale of land and buildings, assets held for sale and intangible assets ("**Adjusted operating expenses**"), net of fuel surcharge revenue, divided by revenue before fuel surcharge. Although the adjusted operating ratio is not a recognized financial measure defined by IFRS, it is a widely recognized measure in the transportation industry, which the Company believes it 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.

Consolidated adjusted operating ratio reconciliation:

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017*	2018	2017*
Operating expenses	1,218,162	1,126,802	4,692,684	4,658,993
Impairment of intangible assets	(12,559)	—	(12,559)	(142,981)
Gain on sale of land and buildings	312	394	524	232
Gain (loss) on sale of assets held for sale	1,479	(1,088)	15,620	77,446
Gain on sale of intangible assets	1,249	—	1,249	—
Adjusted operating expenses	1,208,643	1,126,108	4,697,518	4,593,690
Fuel surcharge revenue	(159,166)	(123,199)	(615,011)	(458,429)
Adjusted operating expenses, net of fuel surcharge revenue	1,049,477	1,002,909	4,082,507	4,135,261
Revenue before fuel surcharge	1,162,279	1,069,679	4,508,197	4,378,985
Adjusted operating ratio	90.3%	93.8%	90.6%	94.4%

(*) Recasted for changes in presentation (see note 3 of the audited consolidated financial statements).

Less-Than-Truckload and Truckload reportable segment adjusted operating ratio reconciliation and Truckload operating segments reconciliations:

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017*	2018	2017*
Less-Than-Truckload				
Total revenue	272,212	234,696	1,057,396	994,777
Total operating expenses	248,751	221,475	972,264	872,596
Operating income	23,461	13,221	85,132	122,181
Operating expenses	248,751	221,475	972,264	872,596
Gain (loss) on sale of land and buildings and assets held for sale	254	(1,355)	2,574	67,876
Adjusted operating expenses	249,005	220,120	974,838	940,472
Fuel surcharge revenue	(40,218)	(30,560)	(155,076)	(117,288)
Adjusted operating expenses, net of fuel surcharge revenue	208,787	189,560	819,762	823,184
Revenue before fuel surcharge	231,994	204,136	902,320	877,489
Adjusted operating ratio	90.0%	92.9%	90.9%	93.8%
Truckload				
Total revenue	610,161	546,251	2,388,865	2,218,207
Total operating expenses	557,879	523,438	2,181,142	2,269,912
Operating income (loss)	52,282	22,813	207,723	(51,705)
Operating expenses	557,879	523,438	2,181,142	2,269,912
Impairment of intangible assets	—	—	—	(129,770)
Gain (loss) on sale of land and buildings and assets held for sale	1,560	(18)	13,188	79
Adjusted operating expenses	559,439	523,420	2,194,330	2,140,221
Fuel surcharge revenue	(81,997)	(65,300)	(324,277)	(244,109)
Adjusted operating expenses, net of fuel surcharge	477,442	458,120	1,870,053	1,896,112
Revenue before fuel surcharge	528,164	480,951	2,064,588	1,974,098
Adjusted operating ratio	90.4%	95.3%	90.6%	96.0%
Truckload – Revenue before fuel surcharge				
U.S. based Conventional TL	223,128	209,174	880,631	885,978
Canadian based Conventional TL	79,017	74,398	313,305	303,613
Specialized TL	227,438	198,098	877,463	788,186
Eliminations	(1,419)	(719)	(6,811)	(3,679)
	528,164	480,951	2,064,588	1,974,098
Truckload – Fuel surcharge revenue				
U.S. based Conventional TL	43,034	36,674	170,673	135,058
Canadian based Conventional TL	12,257	10,098	49,693	39,767
Specialized TL	26,815	18,728	104,464	69,631
Eliminations	(109)	(200)	(553)	(347)
	81,997	65,300	324,277	244,109
Truckload – Operating income (loss)				
U.S. based Conventional TL	15,012	(15)	47,820	(155,471)
Canadian based Conventional TL	11,172	6,049	47,793	23,243
Specialized TL	26,098	16,779	112,110	80,523
	52,282	22,813	207,723	(51,705)

(*) Recasted for changes in presentation (see note 3 of the audited consolidated financial statements).

(unaudited) (in thousands of dollars)	Fourth quarters ended December 31		Years ended December 31	
	2018	2017*	2018	2017*
U.S. based Conventional TL				
Operating expenses**	251,150	245,863	1,003,484	1,176,507
Impairment of intangible assets	—	—	—	(129,770)
Loss on sale of land and buildings and assets held for sale	—	(119)	—	(214)
Adjusted operating expenses	251,150	245,744	1,003,484	1,046,523
Fuel surcharge revenue	(43,034)	(36,674)	(170,673)	(135,058)
Adjusted operating expenses, net of fuel surcharge revenue	208,116	209,070	832,811	911,465
Revenue before fuel surcharge	223,128	209,174	880,631	885,978
Adjusted operating ratio	93.3%	100.0%	94.6%	102.9%
Canadian based Conventional TL				
Operating expenses**	80,102	78,447	315,205	320,137
Gain on sale of land and buildings and assets held for sale	—	101	7,023	101
Adjusted operating expenses	80,102	78,548	322,228	320,238
Fuel surcharge revenue	(12,257)	(10,098)	(49,693)	(39,767)
Adjusted operating expenses, net of fuel surcharge revenue	67,845	68,450	272,535	280,471
Revenue before fuel surcharge	79,017	74,398	313,305	303,613
Adjusted operating ratio	85.9%	92.0%	87.0%	92.4%
Specialized TL				
Operating expenses**	228,155	200,047	869,817	777,294
Gain on sale of land and buildings and assets held for sale	1,560	—	6,165	192
Adjusted operating expenses	229,715	200,047	875,982	777,486
Fuel surcharge revenue	(26,815)	(18,728)	(104,464)	(69,631)
Adjusted operating expenses, net of fuel surcharge revenue	202,900	181,319	771,518	707,855
Revenue before fuel surcharge	227,438	198,098	877,463	788,186
Adjusted operating ratio	89.2%	91.5%	87.9%	89.8%

(*) Recasted for changes in presentation (see note 3 of the audited consolidated financial statements).

(**) Operating expenses excluding intra TL eliminations.

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 its profitability and could have a material adverse effect on the Company's results of operations. In addition, the Company faces growing competition from other transporters in Canada, the United States and Mexico. These factors, including the following, could impair the Company's ability to maintain or improve its profitability and could have a material adverse effect on the Company's results of operations:

- the Company competes with many other transportation companies of varying sizes, including Canadian, U.S. 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 companies that also operate their own private trucking fleets, and they may decide to transport more of their own freight or bundle transportation with other services;
- 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 is highly competitive, particularly in the Company's growing U.S. operations, and the Company's inability to attract and retain drivers could reduce its equipment utilization and 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 recently-enacted regulations, such as regulations requiring the use of electronic logging devices in the United States, which may allow such competitors to take advantage of additional driver productivity;
- advances in technology, such as advanced safety systems, automated package sorting, handling and delivery, vehicle platooning, alternative fuel vehicles and digitization of freight services, 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;
- the Company's competitors may have better safety records than the Company or a perception of better safety records, which could impair the Company's ability to compete;
- some high-volume package shippers, such as Amazon.com, are developing and implementing in-house delivery capabilities and utilizing independent contractors for deliveries, which could in turn reduce the Company's revenues and market share;
- competition from freight brokerage companies may materially adversely affect the Company's customer relationships and freight rates; 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 material 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 U.S. and Mexican regulatory authorities is also required for the transportation of goods in the United States, in Mexico and 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. 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 significant additional costs. Higher costs incurred by the Company, or by the Company's suppliers who pass the costs onto the Company through higher supplies and materials pricing, could adversely affect the Company's results of operations.

The Company is increasing its operations in the United States, where the transportation industry is subject to regulation from various federal, state and local agencies, including the Department of Transportation ("DOT") (in part through the Federal Motor Carrier Safety Administration ("FMCSA")), the Environmental Protection Agency and the Department of Homeland Security. 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 Company also may become subject to new or more restrictive regulations relating to fuel efficiency, exhaust emissions, hours of service, drug and alcohol testing, ergonomics, on-board reporting of operations, collective bargaining, security at ports, speed limitations, driver training and other matters affecting safety or operating methods.

In the United States, under the FMCSA's Compliance, Safety, Accountability ("CSA") program, fleets are evaluated and ranked against their peers based on certain safety-related standards. As a result, the Company's fleet could be ranked poorly as compared to peer carriers. The Company recruits first-time drivers to be part of its fleet, and these drivers may have a higher likelihood of creating adverse safety events under CSA. The occurrence of future deficiencies could affect driver recruitment in the United States by causing high-quality drivers to seek employment with other carriers or limit the pool of available drivers or could cause the Company's customers to direct their business away from the Company and to carriers with higher fleet safety rankings, either of which would materially adversely affect the Company's business, financial condition and results of operations. In addition, future deficiencies could increase the Company's insurance expenses. Additionally, competition for drivers with favourable safety backgrounds may increase, which could necessitate increases in driver-related compensation costs. Further, the Company may incur greater than expected expenses in its attempts to improve unfavourable scores.

Based on the ratings of the Company's U.S. subsidiaries in a number of the seven CSA safety-related categories, the Company may be prioritized for roadside inspection, which could have an adverse effect on the Company's business, financial condition and results of operations.

In December 2015, the U.S. Congress passed a new highway funding bill called *Fixing America's Surface Transportation Act* (the "FAST Act"), which calls for significant CSA reform. The FAST Act directs the FMCSA to conduct studies of the scoring system used to generate CSA rankings to determine if it is

effective in identifying high-risk carriers and predicting future crash risk. This study was conducted and delivered to the FMCSA in June 2017 with several recommendations to make the CSA program more fair, accurate and reliable. In June 2018, the FMCSA provided a report to the U.S. Congress outlining the changes it may make to the CSA program in response to the study. Such changes include the testing and possible adoption of a revised risk modeling theory, potential collection and dissemination of additional carrier data and revised measures for intervention thresholds. The adoption of such changes is contingent on the results of the new modeling theory and additional public feedback. Thus, it is unclear if, when and to what extent such changes to the CSA program will occur. However, any changes that increase the likelihood of the Company receiving unfavourable scores could materially adversely affect the Company's results of operations and profitability.

In December 2016, the FMCSA issued a final rule establishing a national clearinghouse for drug and alcohol testing results and requiring motor carriers and medical review officers to provide records of violations by commercial drivers of FMCSA drug and alcohol testing requirements. Motor carriers in the United States will be required to query the clearinghouse to ensure drivers and driver applicants do not have violations of federal drug and alcohol testing regulations that prohibit them from operating commercial motor vehicles. The compliance date for this rule is early 2020. In addition, other rules have been recently proposed or made final by the FMCSA, including (i) a rule requiring the use of speed-limiting devices on heavy-duty tractors to restrict maximum speeds, which was proposed in 2016 and (ii) a rule setting out minimum driver training standards for new drivers applying for commercial driver's licenses for the first time and to experienced drivers upgrading their licenses or seeking a hazardous materials endorsement, which was made final in December 2016 with a compliance date in February 2020. In July 2017, the DOT announced that it would no longer pursue a speed limiter rule, but left open the possibility that it could resume such a pursuit in the future. The effect of these rules, to the extent they become effective, could result in a decrease in fleet production and/or driver availability, either of which could materially adversely affect the Company's business, financial condition and results of operations.

The Company currently has a satisfactory DOT rating for each of its U.S. operations, which is the highest available rating under the current safety rating scale. If the Company were to receive a conditional or unsatisfactory DOT safety rating, it could materially adversely affect the Company's business, financial condition and results of operations as customer contracts may require a satisfactory DOT safety rating, and a conditional or unsatisfactory rating could materially adversely affect or restrict the Company's operations.

The FMCSA has proposed regulations that would modify the existing rating system and the safety labels assigned to motor carriers evaluated by the DOT. Under regulations that were proposed in 2016, the methodology for determining a carrier's DOT safety rating would be expanded to include the on-road safety performance of the carrier's drivers and equipment, as well as results obtained from investigations. Exceeding certain thresholds based on such performance or results would cause a carrier to receive an unfit safety rating. The proposed regulations were withdrawn in March 2017, but the FMCSA noted that a similar process may be initiated in the future. If similar regulations were enacted and the Company were to receive an unfit or other negative safety rating, the Company's business would be materially adversely affected in the same manner as if it received a conditional or unsatisfactory safety rating under the current regulations. In addition, poor safety performance could lead to increased risk of liability, increased insurance, maintenance and equipment costs and potential loss of customers, which could materially adversely affect the Company's business, financial condition and results of operations.

The U.S. National Highway Traffic Safety Administration, the Environmental Protection Agency and certain U.S. states, including California, have adopted regulations that are aimed at reducing tractor emissions and/or increasing fuel economy of the equipment the Company uses. Certain of these regulations are currently effective, with stricter emission and fuel economy standards becoming effective over the next several years. Other regulations have been proposed in the United States that would similarly increase these standards. The effects of these regulations have been and may continue to be increases in new tractor and trailer prices, additional parts and maintenance costs, impaired productivity and uncertainty as to the reliability of the newly-designed diesel engines and the residual values of the Company's equipment. Such effects could materially adversely affect the Company's business, financial condition and results of operations. 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.

In March 2014, the U.S. Ninth Circuit Court of Appeals held that the application of California state wage and hour laws to interstate truck drivers is not pre-empted by U.S. federal law. The case was appealed to the U.S. Supreme Court, which denied *certiorari* in May 2015, and accordingly, the Ninth Circuit Court of Appeals decision stands. Current and future U.S. state and local wage and hour laws, including laws related to employee meal breaks and rest periods, may vary significantly from U.S. federal law. As a result, the Company, along with other companies in the industry, is subject to an uneven patchwork of wage and hour laws throughout the United States. There is proposed federal legislation to solidify the pre-emption of state and local wage and hour laws applied to interstate truck drivers; however, passage of such legislation is uncertain. If U.S. federal legislation is not passed, the Company will either need to continue complying with the most restrictive state and local laws across its entire fleet in the United States, or revise its management systems to comply with varying state and local laws. Either solution

could result in increased compliance and labour costs, driver turnover and decreased efficiency.

Changes in existing regulations and implementation of new regulations, such as those related to trailer size limits, emissions and fuel economy, hours of service, mandating electronic logging devices and drug and alcohol testing in Canada, the United States and Mexico, could increase capacity in the industry or improve the position of certain competitors, either of which could negatively impact pricing and volumes or require additional investments by the Company. The short-term and long-term impacts of changes in legislation or regulations are difficult to predict and could materially adversely affect the Company's results of operations.

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.

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, changes to trade agreements and other treaties, 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-corruption and 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. The Company cannot guarantee compliance with all applicable laws, and violations could result in substantial fines, sanctions, civil or criminal penalties, competitive or reputational harm, litigation or regulatory action and other consequences that might adversely affect the Company's results of operations.

Recent activity by the Trump Administration has led to the imposition of tariffs on certain imported steel and aluminum. The implementation of these tariffs, as well as the imposition of additional tariffs or quotas or changes to certain trade agreements could, among other things, increase the costs of the materials used by the Company's suppliers to produce new revenue equipment or increase the price of fuel. Such cost increases for the Company's revenue equipment suppliers would likely be passed on to the Company, and to the extent fuel prices increase, the Company may not be able to fully recover such increases through rate increases or the Company's fuel surcharge program, either of which could have a material adverse effect on the Company's business.

In December 2017, the United States enacted comprehensive tax legislation, commonly referred to as the *2017 Tax Cuts and Jobs Act*. The new law requires complex computations not previously required by U.S. tax law. As such, the application of accounting guidance for such items is currently uncertain. Further, compliance with the new law and the accounting for such provisions require preparation and analysis of information not previously required or regularly produced. In addition, the U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how the Company will apply the law and impact the Company's results of operations in future periods. The timing and scope of such regulations and interpretative guidance are uncertain. In addition, there is a risk that states within the United States or foreign jurisdictions may amend their tax laws in response to these tax reforms, which could have a material adverse effect on the Company's results.

In addition, if the Company is unable to maintain its Free and Secure Trade ("FAST") and U.S. Customs Trade Partnership Against Terrorism ("C-TPAT") certification statuses, it may have significant border delays, which could cause its cross-border operations to be less efficient than those of competitor truckload carriers that obtain or continue to maintain FAST and C-TPAT certifications.

Operating Environment and Seasonality. 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 its liability insurance premiums and the number and dollar amount of claims, may exceed historical levels, which would require the Company to incur additional costs and could reduce the Company's earnings;
- a decline 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;
- tractor and trailer vendors may reduce their manufacturing output in response to lower demand for their products in economic downturns or shortages of component parts, which may materially adversely affect the Company's ability to purchase a quantity of new revenue equipment that is sufficient to sustain its desired growth rate; and

- 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.

The Company's tractor productivity decreases during the winter season because inclement weather impedes operations and some shippers reduce their shipments after the winter holiday season. Revenue may also be adversely affected by inclement weather and holidays, since revenue is directly related to available working days of shippers. At the same time, operating expenses increase and fuel efficiency declines because of engine idling and harsh weather creating higher accident frequency, increased claims and higher equipment repair expenditures. The Company also may suffer from weather-related or other unforeseen events such as tornadoes, hurricanes, blizzards, ice storms, floods, fires, earthquakes and explosions. These events may disrupt fuel supplies, increase fuel costs, disrupt freight shipments or routes, affect regional economies, damage or destroy the Company's assets or adversely affect the business or financial condition of the Company's customers, any of which could materially adversely affect the Company's results of operations or make the Company's results of operations more volatile.

General Economic, Credit, and Business 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 material adverse effect on the Company's operating results.

The Company's industry is subject to cyclical pressures, and the Company's business is dependent on a number of factors that may have a material adverse effect on its 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 in which 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 its 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 assets and customers' freight demand;
- the Company may be forced to accept more loads from freight brokers, where freight rates are typically lower, or may be forced to incur more non-revenue generating miles to obtain loads;
- the Company may increase the size of its fleet during periods of high freight demand during which its competitors also increase their capacity, and the Company may experience losses in greater amounts than such competitors during subsequent cycles of softened freight demand if the Company is required to dispose of assets at a loss to match reduced 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 its 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 it 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. Strikes or other work stoppages at the Company's service centres or at customer, port, border or other shipping locations, deterioration of Canada, the U.S. and Mexico transportation infrastructure and reduced investment in such infrastructure, or actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against a foreign state or group located in a foreign state or heightened security requirements could lead to wear, tear and damage to

the Company's equipment, driver dissatisfaction, reduced economic demand, reduced availability of credit, increased prices for fuel or temporary closing of the shipping locations or borders between Canada, the United States and Mexico. Further, the Company may not be able to appropriately adjust its costs and staffing levels to meet changing market demands. In periods of rapid change, it is more difficult to match the Company's staffing level to its business needs.

The Company's operations, with the exception of its brokerage operations, are capital intensive and asset heavy. If anticipated demand differs materially from actual usage, the Company may have too many or too few assets. During periods of decreased customer demand, the Company's asset utilization may suffer, and it may be forced to sell equipment on the open market or turn in equipment under certain equipment leases in order to right size its fleet. This could cause the Company to incur losses on such sales or require payments in connection with equipment the Company turns in, particularly during times of a softer used equipment market, either of which could have a material adverse effect on the Company's profitability.

Although the Company's business volume is not highly concentrated, its customers' financial failures or loss of customer business may materially adversely affect the Company. If the Company were unable to generate sufficient cash from operations, it would need to seek alternative sources of capital, including financing, to meet its capital requirements. In the event that the Company were unable to generate sufficient cash from operations or obtain financing on favourable terms in the future, it may have to limit its fleet size, enter into less favourable financing arrangements or operate its revenue equipment for longer periods, any of which could have a materially adverse effect on its profitability.

Interest Rate Fluctuations. Changes in interest rates may result in fluctuations in the Company's future cash flows related to variable-rate financial liabilities. Future cash flows related to variable-rate financial liabilities 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 the Canadian dollar, primarily the U.S. dollar. The exchange rates between these currencies and the Canadian dollar have fluctuated in recent years and will likely 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, commodity futures trading, currency fluctuations, natural man-made disasters, terrorist activities and armed conflicts 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 have a material adverse effect on 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, such as has occurred in the past. There can be no assurance that such fuel surcharges can be maintained indefinitely or that they will be fully effective.

Insurance. The Company's operations are subject to risks inherent in the transportation sector, including personal injury, property damage, workers' 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 in the industry, the Company self-insures a significant portion of the claims exposure related to cargo loss, bodily injury, workers' 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 in excess of the amounts originally assessed. Further, the Company's self-insured retention levels could change and result in more volatility than in recent years.

The Company holds a fully-fronted policy of $10 million limit per occurrence for automobile bodily injury, property damage and commercial general liability for its Canadian Insurance Program (subject to certain exceptions) and a deductible of $2 million for certain U.S. subsidiaries on their primary $10 million limit policies for automobile bodily injury, property damage and commercial general liability. The Company retains deductibles of up to $1 million per occurrence for workers' compensation claims, said deductibles making the Company's insurance and claims expense higher or more volatile than if it maintained lower retentions. The Company's liability coverage has a total limit of $100 million per occurrence.

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 will 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 its 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 which the Company has in place.

The Company accrues the costs of the uninsured portion of pending claims based on estimates derived from the Company's evaluation of the nature and severity of individual claims and an estimate of future claims development based upon historical claims development trends. Actual settlement of the Company's retained claim liabilities could differ from its estimates due to a number of uncertainties, including evaluation of severity, legal costs and claims that have been incurred but not reported. Due to the Company's high retained amounts, it has significant exposure to fluctuations in the number and severity of claims. If the Company were required to accrue or pay additional amounts because its estimates are revised or the claims ultimately prove to be more severe than originally assessed, its financial condition and results of operations may be materially adversely affected.

Employee Relations. 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 U.S. operations. Although the Company believes that its relations with its 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 or that employees in the United States will not attempts to unionize. 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 or non-unionized workers engage in a strike or other work stoppage or interruption, the Company could experience a significant disruption of, or inefficiencies in, its operations or incur higher labour costs, which could have a material adverse effect on the Company's business, results of operations, financial condition and liquidity.

At the date hereof, the collective agreements between the Company and the vast majority of its unionized employees have been renewed. The renewed collective agreements have a variety of expiration dates, ranging from December 31, 2018 to June 30, 2023. The Company cannot predict the effect which any new collective agreements or the failure to enter into such agreements upon the expiry of the current agreements may have on its operations.

Drivers. Increases in driver compensation or difficulties attracting and retaining qualified drivers could have a material 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 (TL) 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 negatively impact the Company's ability to engage a sufficient number of drivers, and the Company's inability to do so may negatively impact its operations. Further, the compensation the Company offers its drivers and independent contractor expenses are subject to market conditions, and the Company may find it necessary to increase driver and independent contractor compensation in future periods.

In addition, the Company and many other trucking companies suffer from a high turnover rate of drivers in the U.S. TL market. This high turnover rate requires the Company to continually recruit a substantial number of new drivers in order to operate existing revenue equipment. Driver shortages are exacerbated during periods of economic expansion, in which alternative employment opportunities, including in the construction and manufacturing industries, which may offer better compensation and/or more time at home, are more plentiful and freight demand increases, or during periods of economic downturns, in which unemployment benefits might be extended and financing is limited for independent contractors who seek to purchase equipment, or the scarcity or growth of loans for students who seek financial aid for driving school. The lack of adequate tractor parking along some U.S. highways and congestion caused by inadequate highway funding may make it more difficult for drivers to comply with hours of service

regulations and cause added stress for drivers, further reducing the pool of eligible drivers. The Company's use of team-driven tractors for expedited shipments requires two drivers per tractor, which further increases the number of drivers the Company must recruit and retain in comparison to operations that require one driver per tractor. The Company also employs driver hiring standards, which could further reduce the pool of available drivers from which the Company would hire. 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.

Independent Contractors. The Company's contracts with U.S. independent contractors are governed by U.S. federal leasing regulations, which impose specific requirements on the Company and the independent contractors. If more stringent U.S. federal leasing regulations are adopted, U.S. independent contractors could be deterred from becoming independent contractor drivers, which could materially adversely affect the Company's goal of maintaining its current fleet levels of independent contractors.

The Company provides financing to certain qualified Canadian independent contractors and financial guarantees to a small number of U.S. independent contractors. If the Company were unable to provide such financing or guarantees in the future, due to liquidity constraints or other restrictions, it may experience a decrease in the number of independent contractors it is able to engage. Further, if independent contractors the Company engages default under or otherwise terminate the financing arrangements and the Company is unable to find replacement independent contractors or seat the tractors with its drivers, the Company may incur losses on amounts owed to it with respect to such tractors.

Pursuant to the Company's fuel surcharge program with independent contractors, the Company pays independent contractors with which it contracts a fuel surcharge that increases with the increase in fuel prices. A significant increase or rapid fluctuation in fuel prices could cause the Company's costs under this program to be higher than the revenue the Company receives under its customer fuel surcharge programs.

U.S. tax and other regulatory authorities, as well as U.S. independent contractors themselves, have increasingly asserted that U.S. independent contractor drivers in the trucking industry are employees rather than independent contractors, and the Company's classification of independent contractors has been the subject of audits by such authorities from time to time. U.S. federal legislation has been introduced in the past that would make it easier for tax and other authorities to reclassify independent contractors as employees, including legislation to increase the recordkeeping requirements for those that engage independent contractor drivers and to increase the penalties for companies who misclassify their employees and are found to have violated employees' overtime and/or wage requirements. Additionally, U.S. federal legislators have sought to abolish the current safe harbor allowing taxpayers meeting certain criteria to treat individuals as independent contractors if they are following a long-standing, recognized practice, to extend the U.S. *Fair Labor Standards Act* to independent contractors and to impose notice requirements based on employment or independent contractor status and fines for failure to comply. Some U.S. states have put initiatives in place to increase their revenue from items such as unemployment, workers' compensation and income taxes, and a reclassification of independent contractors as employees would help states with this initiative. Further, U.S. class actions and other lawsuits have been filed against certain members of the Company's industry seeking to reclassify independent contractors as employees for a variety of purposes, including workers' compensation and health care coverage. In addition, companies that use lease purchase independent contractor programs, such as the Company, have been more susceptible to reclassification lawsuits, and several recent decisions have been made in favour of those seeking to classify independent contractor truck drivers as employees. U.S. taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If the independent contractors with whom the Company contracts are determined to be employees, the Company would incur additional exposure under U.S. federal and state tax, workers' compensation, unemployment benefits, labour, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings, and the Company's business, financial condition and results of operations could be materially adversely affected.

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 drivers, 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 and 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 and 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. The representations made by the sellers expire at varying periods after 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 in order 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 and increase the Company's indebtedness. 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 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, such as interest rates 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 the incurring of additional indebtedness.

Environmental Matters. The Company uses storage tanks at certain of its Canadian and U.S. transportation terminals. Canadian and U.S. laws and regulations generally impose potential liability on the present and 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 them. 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 material 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 and 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.

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 environmental-contamination 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 key 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 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 its 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 under 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 share 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 is in compliance with all of its 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. The Company's indebtedness may increase from time to time in the future for various reasons, including fluctuations in results of operations, capital expenditures and potential acquisitions. 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 material 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 December 31, 2018. Generally, the Company does not have long-term contracts with its 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 its technology and communications service providers are vulnerable to interruption by natural and man-made disasters and other events beyond the Company's control, including cybersecurity breaches and threats, such as hackers, malware and viruses, fire, earthquake, power loss, telecommunications failure, terrorist attacks and Internet failures. If any of the Company's critical information systems fail, are breached or become otherwise unavailable, the Company's ability to manage its 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, cybersecurity breach or other system disruption could interrupt or delay the Company's operations, damage its reputation, cause the Company to lose customers, cause the Company to incur costs to repair its systems, pay fines or in respect of litigation or impact the Company's ability to manage its operations and report its financial performance, any of which could have a material 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 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. The Company may at some future date be subject to such a class-action lawsuit. 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 material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Internal Control. Effective internal controls over financial reporting are necessary for the Company to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Inferior internal controls could cause investors to lose confidence in the Company's reported financial information, which could have a negative effect on the trading price of its shares.

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 and the measurement of identified assets and liabilities acquired in business combinations. 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, 2018 and have 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

Annual Improvements to IFRS Standards (2014-2016 cycle)

Except modifications from the adoption of IFRS 15 as reported in note 3, these new standards did not have a material 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, 2018, and have not been applied in preparing the audited consolidated financial statements:

IFRS 16, Leases

IFRIC 23, Uncertainty over Income Tax Treatments

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

Annual Improvements to IFRS Standards (2015-2017 cycle)

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Definition of a business (Amendments to IFRS 3)

Further information can be found in note 3 of the December 31, 2018 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, 2018, 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, 2018.

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, 2018, 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, 2018, 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, 2018 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.

Alain Bédard, FCPA, FCA
Chairman of the Board,
President and Chief Executive Officer
February 27, 2019

INDEPENDENT AUDITORS' REPORT

To the Shareholders of TFI International Inc.

Opinion

We have audited the consolidated financial statements of TFI International Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT (continued)

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

INDEPENDENT AUDITORS' REPORT (continued)

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

KPMG LLP*

The engagement partner on the audit resulting in this auditors' report is Girolamo Cordi.

Montréal, Canada
February 27, 2019

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

DECEMBER 31, 2018 AND 2017

(In thousands of Canadian dollars)	Note	As at December 31, 2018	As at December 31, 2017
Assets			
Trade and other receivables	6	631,727	567,106
Inventoried supplies		12,755	9,296
Current taxes recoverable		13,015	14,852
Prepaid expenses		38,546	33,228
Derivative financial instruments	24	5,430	4,521
Assets held for sale		7,572	23,409
Current assets		709,045	652,412
Property and equipment	8	1,396,389	1,197,613
Intangible assets	9	1,901,495	1,832,274
Other assets	10	33,676	35,874
Deferred tax assets	15	6,409	5,138
Derivative financial instruments	24	2,946	4,317
Non-current assets		3,340,915	3,075,216
Total assets		4,049,960	3,727,628
Liabilities			
Bank indebtedness		12,334	9,392
Trade and other payables	11	475,585	425,815
Current taxes payable		18,951	13,913
Provisions	14	25,063	32,344
Other financial liabilities		1,972	1,300
Derivative financial instruments	24	—	559
Long-term debt	12	122,340	52,427
Current liabilities		656,245	535,750
Long-term debt	12	1,462,083	1,445,969
Employee benefits	13	16,130	17,559
Provisions	14	42,801	39,380
Other long-term liabilities		5,907	13,281
Derivative financial instruments	24	—	373
Deferred tax liabilities	15	289,940	260,192
Non-current liabilities		1,816,861	1,776,754
Total liabilities		2,473,106	2,312,504
Equity			
Share capital	16	704,510	711,036
Contributed surplus	16, 18	20,448	21,995
Accumulated other comprehensive income		64,790	(2,811)
Retained earnings		787,106	684,904
Equity attributable to owners of the Company		1,576,854	1,415,124
Operating leases, contingencies, letters of credit and other commitments	25		
Subsequent events	27		
Total liabilities and equity		4,049,960	3,727,628

The notes on pages 50 to 94 are an integral part of these consolidated financial statements.

On behalf of the Board:

Director
Alain Bédard

Director
André Bérard

YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Canadian dollars, except per share amounts)	Note	2018	2017*
Revenue		4,508,197	4,378,985
Fuel surcharge		615,011	458,429
Total revenue		5,123,208	4,837,414
Materials and services expenses	19	2,913,996	2,836,229
Personnel expenses	21	1,253,975	1,220,871
Other operating expenses		279,857	268,599
Depreciation of property and equipment	8	198,492	209,557
Amortization of intangible assets	9	62,101	61,200
Impairment of intangible assets	9	12,559	142,981
Gain on sale of rolling stock and equipment		(10,903)	(2,766)
Gain on sale of land and buildings		(524)	(232)
Gain on sale of assets held for sale		(15,620)	(77,446)
Gain on sale of intangible assets		(1,249)	—
Total operating expenses		4,692,684	4,658,993
Operating income		430,524	178,421
Finance (income) costs			
Finance income	22	(15,353)	(4,773)
Finance costs	22	63,659	65,848
Net finance costs		48,306	61,075
Income before income tax		382,218	117,346
Income tax expense (recovery)	23	90,224	(40,642)
Net income for the year attributable to owners of the Company		291,994	157,988
Earnings per share attributable to owners of the Company			
Basic earnings per share	17	3.32	1.75
Diluted earnings per share	17	3.22	1.70

(*) Recasted for changes in presentation due to adoption of IFRS 15 (see note 3).

The notes on pages 50 to 94 are an integral part of these consolidated financial statements.

YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Canadian dollars)	2018	2017
Net income for the year attributable to owners of the Company	291,994	157,988
Other comprehensive income (loss)		
Items that may be reclassified to income or loss in future years:		
Foreign currency translation differences	101,972	(80,212)
Net investment hedge, net of tax	(26,677)	21,761
Changes in fair value of cash flow hedge, net of tax	(2,842)	3,927
Employee benefits, net of tax	(159)	(148)
Items that may never be reclassified to income or loss in future years:		
Defined benefit plan remeasurement gains (losses), net of tax	1,181	(1,930)
Items directly reclassified to retained earnings:		
Unrealized loss on investment in equity securities measured at fair value through OCI, net of tax	(4,693)	(1,403)
Other comprehensive income (loss) for the year, net of tax	68,782	(58,005)
Total comprehensive income for the year attributable to owners of the Company	360,776	99,983

The notes on pages 50 to 94 are an integral part of these consolidated financial statements.

YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Accumulated unrealized loss on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences and net investment hedge	Accumulated unrealized loss on investment in equity securities	Retained earnings	Total equity attributable to owners of the Company
Balance as at December 31, 2017		711,036	21,995	(369)	13,052	(14,324)	(1,170)	684,904	1,415,124
Net income for the year		—	—	—	—	—	—	291,994	291,994
Other comprehensive income (loss) for the year, net of tax		—	—	(159)	(2,842)	75,295	(4,693)	1,181	68,782
Total comprehensive income (loss) for the year		—	—	(159)	(2,842)	75,295	(4,693)	293,175	360,776
Share-based payment transactions	18	—	5,926	—	—	—	—	—	5,926
Stock options exercised	16, 18	20,840	(4,009)	—	—	—	—	—	16,831
Dividends to owners of the Company	16	—	—	—	—	—	—	(76,114)	(76,114)
Repurchase of own shares	16	(30,122)	—	—	—	—	—	(109,500)	(139,622)
Restricted share units exercised	16, 18	2,756	(3,464)	—	—	—	—	(5,359)	(6,067)
Total transactions with owners, recorded directly in equity		(6,526)	(1,547)	—	—	—	—	(190,973)	(199,046)
Balance as at December 31, 2018		704,510	20,448	(528)	10,210	60,971	(5,863)	787,106	1,576,854
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, net of tax		—	—	—	—	—	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	18	—	6,817	—	—	—	—	—	6,817
Stock options exercised	16, 18	7,748	(1,514)	—	—	—	—	—	6,234
Dividends to owners of the Company	16	—	—	—	—	—	—	(70,334)	(70,334)
Repurchase of own shares	16	(22,231)	—	—	—	—	—	(59,334)	(81,565)
Restricted share units exercised	16, 18	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

The notes on pages 50 to 94 are an integral part of these consolidated financial statements.

YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Canadian dollars)	Note	2018	2017
Cash flows from operating activities			
Net income for the year		291,994	157,988
Adjustments for			
Depreciation of property and equipment	8	198,492	209,557
Amortization of intangible assets	9	62,101	61,200
Impairment of intangible assets	9	12,559	142,981
Share-based payment transactions	18	5,926	6,817
Net finance costs	22	48,306	61,075
Income tax expense (recovery)	23	90,224	(40,642)
Gain on sale of property and equipment		(11,427)	(2,998)
Gain on sale of assets held for sale		(15,620)	(77,446)
Gain on sale of intangible assets		(1,249)	—
Provisions and employee benefits		(8,289)	3,809
		673,017	522,341
Net change in non-cash operating working capital	7	12,647	(11,649)
Cash generated from operating activities		685,664	510,692
Interest paid		(62,629)	(64,538)
Income tax paid		(79,532)	(73,553)
Net cash from operating activities from continuing operations		543,503	372,601
Net cash used in operating activities from discontinued operations		—	(52,424)
		543,503	320,177
Cash flows from investing activities			
Purchases of property and equipment		(314,300)	(259,140)
Proceeds from sale of property and equipment		81,051	88,773
Proceeds from sale of assets held for sale		29,226	174,779
Purchases of intangible assets	9	(4,421)	(2,083)
Proceeds from sale of intangible assets		2,975	—
Business combinations, net of cash acquired	5	(156,487)	(118,288)
Purchases of investments		(604)	—
Proceeds from sale of investments		—	7,914
Others		68	(1,522)
Net cash used in investing activities from continuing operations		(362,492)	(109,567)
Cash flows from financing activities			
Increase in bank indebtedness		3,237	9,392
Proceeds from long-term debt	12	88,907	48,316
Repayment of long-term debt	12	(67,180)	(122,964)
Payment of other financial liability		(3,021)	—
Dividends paid		(74,096)	(69,016)
Repurchase of own shares		(139,622)	(81,565)
Proceeds from exercise of stock options		16,831	6,234
Repurchase of shares for exercise of restricted share units		(6,067)	(4,661)
Net cash used in financing activities from continuing operations		(181,011)	(214,264)
Net change in cash and cash equivalents		—	(3,654)
Cash and cash equivalents, beginning of year		—	3,654
Cash and cash equivalents, end of year		—	—

The notes on pages 50 to 94 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, 2018 and 2017 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"). The comparatives to the consolidated statement of income have been reclassified to conform to the current year presentation regarding the line items included within the subtotal of operating income.

These consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2019.

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 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, income tax provisions and the self-insurance and other provisions and contingencies. 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; and

Note 9 – Determining estimates and assumptions related to impairment tests for long-lived assets and goodwill.

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.

iii) 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.

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.

3. Significant accounting policies (continued)

c) 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.

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.

3. Significant accounting policies (continued)

c) Financial instruments (continued)

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 contingent consideration 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 and stock options are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased, share capital is reduced by the amount equal to historical cost of repurchased equity. The excess 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.

d) 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.

3. Significant accounting policies (continued)

d) Hedge accounting (continued)

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 in 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.

e) 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)

e) 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.

f) 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	5–20 years
Trademarks*	5–20 years
Non-compete agreements	3–10 years
Information technology	5–7 years

(*) Includes indefinite useful life assets. They are reviewed at least annually for impairment (see note 9).

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

g) 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.

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

3. Significant accounting policies (continued)

i) 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.

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.

j) 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.

k) 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.

3. Significant accounting policies (continued)

k) Employee benefits (continued)

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.

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.

3. Significant accounting policies (continued)

l) 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.

m) Revenue recognition

The Group's normal business operations consist of the provision of transportation and logistics services. All revenue relating to normal business operations is recognized 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 days completed to date compared to the estimated total days of the service. Revenue is presented net of trade discounts and volume rebates. Revenue is recognized as services are rendered, when the control of promised services is transferred to customers in an amount that reflects the consideration the Group expects to be entitled to receive in exchange for those services measured based on the consideration specified in a contract with the customers. The Group considers the contract with customers to include the general transportation service agreement and the individual bill of ladings with customers.

n) 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.

o) 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.

p) 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.

3. Significant accounting policies (continued)

p) Income taxes (continued)

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.

q) 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.

r) 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.

3. Significant accounting policies (continued)

s) 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, 2018. These have 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*. IFRS 15 replaces 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's normal business operations consist of the provision of transportation and logistics services. All revenue relating to transportation and logistics is recognized 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 days completed to date compared to the estimated total days of the service. Revenue is presented net of trade discounts and volume rebates. Revenue is recognized as services are rendered, when the control of promised services is transferred to customers in an amount that reflects the consideration the Group expects to be entitled to receive in exchange for those services measured based on the consideration specified in a contract with the customers.

Having completed the five-step analysis, the Group identified contracts with customers and performance obligations therein, determined transaction price and its allocation to performance obligations and confirmed the appropriateness of its revenue recognition policy being over time as the transportation and logistics services are rendered, based on costs incurred as described above. Adoption of IFRS 15 did not have a material impact on the Group's overall revenue recognition policy or its operating income in the consolidated financial statements.

The standard also requires that the Group evaluates whether there is a performance obligation 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 the previous standard. Based on the evaluation of the control model, it was determined that certain businesses, mainly in the Less-Than-Truckload segment, act as the principal rather than the agent within their revenue arrangements. This change requires 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. This resulted in a change in presentation only for the related revenues and expenses in the consolidated financial statements as noted below. There is no impact on net income, retained earnings or assets and liabilities as a result of this change.

The Group adopted IFRS 15 retrospectively, by restating comparatives. The table below summarizes the impact of adopting IFRS 15 on the Group's consolidated statement of income for its previously reported year ended December 31, 2017.

	As reported	Adjustments	Restated
2017			
Total revenue	4,741,019	96,395	4,837,414
Materials and services expenses	(2,739,834)	(96,395)	(2,836,229)

3. Significant accounting policies (continued)

s) New standards and interpretations adopted during the year (continued)

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 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.

Adoption of the amendments to IFRS 2 did not have a material impact on the Group's consolidated 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 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 was applied prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized as of January 1, 2018. Adoption of IFRIC 22 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 two 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:

- Removal of outdated exemptions for first time adopters under IFRS 1 *First-time Adoption of International Financial Reporting Standards*;
- 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.

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

t) New standards and interpretations not yet adopted

The following new standards are not yet effective for the year ending December 31, 2018, and have not been applied in preparing these consolidated 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. IFRS 16 will replace IAS 17 *Leases* and the related interpretations. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases but you can elect to exclude those with a term of less than 12 months, or those where 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 also 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 finalizing its review of its lease agreements in accordance with the new standard. In preparation for the adoption of the new standard, the Group is implementing a new lease module to enable the tracking and accounting of leases. Available transitional provisions have been reviewed and the Group has finalized its position with regards to the following transitional provisions:

3. Significant accounting policies (continued)

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

- The Group will be applying the standard using a modified retrospective approach. This approach allows for two transition options to measure the right-of-use asset at transition; option 1 calculates the right-of-use asset as if the standard was applied at the initial date of the lease discounted at the transition rate or option 2 where the right-of-use asset is equal to the lease liability on the date of transition. As allowed by this approach, the Group has chosen to apply a mixture of both options on a lease by lease basis. The comparative figures will not be adjusted.
- The Group will elect to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied transitional provisions of IFRS 16 only to contracts which were previously identified as leases. New definition of a lease will be applied for leases entered into after January 1, 2019.
- The Group will elect to apply the practical expedient to not include any leases whose term will end within twelve months of the adoption date. The leases will be treated as short term under IFRS 16.
- The Group will apply the exemption for low value items. These low value items continue to be classified as a lease expense.

The Group's preliminary assessment of the impact of the adoption of the standard is an increase of the lease liability of approximately $475 million and an increase in the right-of-use asset of approximately $435 million on the consolidated statement of financial position. As amounts previously recognized as lease expenses will be replaced by the depreciation of the right-of-use asset and the lease liability finance costs, the consolidated statement of income and comprehensive income will be affected.

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. 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 will not have a material impact on consolidated financial statements.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19): On February 7, 2018, the IASB issued *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*. The amendments apply for plan amendments, curtailments or settlements that occur on or after January 1, 2019, or the date on which they are first applied. The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan.

The Group intends to adopt the amendments to IAS 19 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments will not be material.

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. 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;

3. Significant accounting policies (continued)

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

- 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. They also clarify that an entity includes funds borrowed specifically to obtain an asset other than a qualifying asset as part of general borrowings.

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 will not be material.

Prepayment Features with Negative Compensation (Amendments to IFRS 9): In October 2017, the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2019. The amendments to IFRS 9 clarify that negative compensation may be regarded as reasonable compensation irrespective of the cause of early termination. Financial assets with these prepayment features are eligible to be measured at amortized cost or at fair value through other comprehensive income if they meet the other relevant requirements of IFRS 9. The Group intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The impact of adoption of the amendments will not have a material impact on the Group's consolidated financial statements.

Definition of a business (Amendments to IFRS 3): On October 22, 2018, the IASB issued amendments to IFRS 3 *Business Combinations*, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The Group intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2020. The extent of the impact of adoption of the amendments has not yet been determined and would be dependent on future transactions.

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. 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 and Last Mile:	Logistics services and last mile delivery of both small parcels and larger, heavy goods.

(a) The Truckload reporting 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 judgment 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.

4. Segment reporting (continued)

During the first quarter of 2018, the composition of the reportable segments was modified to better reflect the nature of the Group's operations. In particular, the Last Mile delivery operating companies, which were previously included in the Package and Courier operating segment, are now presented in the newly named Logistics and Last Mile segment (previously the Logistics segment). The Last Mile delivery operating companies and the logistics companies have similar economic characteristics such as expected gross margins and levels of capital expenditure. These similarities are achieved through the employment of asset and personnel-light operating models. The corresponding information for the comparative period is recast to conform to the new reportable segments.

	Package and Courier	Less-Than-Truckload	Truckload	Logistics and Last Mile	Corporate	Eliminations	Total
2018							
External revenue	627,819	889,283	2,044,831	946,264	—	—	4,508,197
External fuel surcharge	94,798	154,169	320,064	45,980	—	—	615,011
Inter-segment revenue and fuel surcharge	5,939	13,944	23,970	7,942	—	(51,795)	—
Total revenue	728,556	1,057,396	2,388,865	1,000,186	—	(51,795)	5,123,208
Operating income (loss)	113,214	85,132	207,723	54,492	(30,037)	—	430,524
Selected items:							
Depreciation and amortization	13,232	34,448	186,172	24,267	2,474	—	260,593
Impairment of intangible assets	—	—	—	12,559	—	—	12,559
Gain (loss) on sale of land and buildings	—	275	279	(30)	—	—	524
Gain on sale of assets held for sale	—	2,299	12,909	—	412	—	15,620
Gain on sale of intangible assets	1,249	—	—	—	—	—	1,249
Intangible assets	247,280	256,009	1,065,624	329,460	3,122	—	1,901,495
Total assets	398,859	636,724	2,484,367	464,834	65,176	—	4,049,960
Total liabilities	66,057	146,852	432,010	111,097	1,717,090	—	2,473,106
Additions to property and equipment	18,268	29,345	262,719	2,675	1,066	—	314,073
2017*							
External revenue	604,477	868,622	1,948,691	957,195	—	—	4,378,985
External fuel surcharge	69,353	116,895	241,481	30,700	—	—	458,429
Inter-segment revenue and fuel surcharge	7,576	9,260	28,035	8,738	—	(53,609)	—
Total revenue	681,406	994,777	2,218,207	996,633	—	(53,609)	4,837,414
Operating income (loss)	102,281	122,181	(51,705)	41,579	(35,915)	—	178,421
Selected items:							
Depreciation and amortization	15,539	31,354	197,520	24,096	2,248	—	270,757
Impairment of intangible assets	—	—	129,770	13,211	—	—	142,981
Gain (loss) on sale of land and buildings	682	(242)	(93)	(115)	—	—	232
Gain on sale of assets held for sale	9,156	68,118	172	—	—	—	77,446
Intangible assets	250,368	242,345	990,310	346,885	2,366	—	1,832,274
Total assets	387,021	563,485	2,234,032	477,210	65,880	—	3,727,628
Total liabilities	76,000	155,497	377,815	100,376	1,602,816	—	2,312,504
Additions to property and equipment	12,607	12,640	231,936	1,712	771	—	259,666

(*) Recasted for changes in composition of reportable segments and changes in presentation due to adoption of IFRS 15 (see note 3).

4. Segment reporting (continued)

Geographical information

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

Total revenue	Package and Courier	Less-Than-Truckload	Truckload	Logistics and Last Mile	Eliminations	Total
2018						
Canada	728,556	882,495	1,006,340	317,561	(50,699)	2,884,253
United States	—	174,901	1,382,525	659,975	(1,096)	2,216,305
Mexico	—	—	—	22,650	—	22,650
Total	728,556	1,057,396	2,388,865	1,000,186	(51,795)	5,123,208
2017						
Canada	681,406	882,471	913,329	323,304	(52,475)	2,748,035
United States	—	112,306	1,304,878	652,211	(1,134)	2,068,261
Mexico	—	—	—	21,118	—	21,118
Total	681,406	994,777	2,218,207	996,633	(53,609)	4,837,414

Segment assets are based on the geographical location of the assets.

	2018	2017
Property and equipment and intangible assets		
Canada	1,927,241	1,693,190
United States	1,347,574	1,314,635
Mexico	23,069	22,062
	3,297,884	3,029,887

5. Business combinations

a) Business combinations

In line with the Group's growth strategy, the Group acquired nine businesses during 2018, one of which was considered significant. These transactions were concluded in order to add density in the Group's current network and further expand value-added services.

On April 3, 2018, the Group completed the acquisition of Normandin Transit Inc. ("Normandin"). Based in Quebec, Normandin focuses on the transportation of less-than-truckload and full truckload freight shipments to and from the United States and Canada. The purchase price for this business acquisition totalled $55.9 million, of which $50.5 million has been paid in cash and the remaining consists of a contingent consideration of $5.3 million (see note 5 c)). Normandin contributed revenue and net income of $78.8 million and $8.1 million during the year ended December 31, 2018, respectively.

If the Group acquired the nine businesses on January 1, 2018, per management's best estimates, the revenue and net income for these entities would have been $286.8 million and $19.0 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 acquisitions occurred on January 1, 2018.

During 2018, transaction costs of $0.2 million have been expensed in other operating expenses in the consolidated statements of income in relation to the above-mentioned business acquisitions.

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 the 2018 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 allocations 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	Normandin	Others*	2018	2017
Cash and cash equivalents		2,071	489	**2,560**	1,006
Trade and other receivables		15,100	26,671	**41,771**	22,112
Inventoried supplies and prepaid expenses		2,115	4,293	**6,408**	5,950
Property and equipment	8	41,834	58,224	**100,058**	27,213
Intangible assets	9	17,429	20,182	**37,611**	70,873
Other assets		—	428	**428**	859
Trade and other payables		(7,202)	(16,374)	**(23,576)**	(17,081)
Income tax payable		(130)	193	**63**	(1,673)
Long-term debt		(12,289)	(11,106)	**(23,395)**	(9,030)
Deferred tax liabilities		(9,820)	(10,920)	**(20,740)**	(12,163)
Total identifiable net assets		49,108	72,080	**121,188**	88,066
Total consideration transferred		55,894	108,499	**164,393**	130,958
Goodwill	9	6,786	36,419	**43,205**	42,892
Cash		50,548	108,499	**159,047**	119,294
Contingent consideration	c)	5,346	—	**5,346**	11,664
Total consideration transferred		55,894	108,499	**164,393**	130,958

(*) Includes non material adjustments to prior year acquisitions.

The trade receivables comprise of gross amounts due of $34.0 million, of which $0.1 million was expected to be uncollectible at the acquisition date.

Of the goodwill and intangible assets acquired through business combinations in 2018, $7.2 million is deductible for tax purposes (2017 – $28.6 million).

During 2017, the Group acquired seven businesses, 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.

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	2018*	2017**
Package and Courier	Package and Courier	—	(4,461)
Less-Than-Truckload	Less-Than-Truckload	6,786	8,927
Specialized Truckload	Truckload	37,410	19,352
Logistics and Last Mile	Logistics and Last Mile	(991)	19,074
		43,205	42,892

(*) Includes non material adjustments to prior year acquisitions.

(**) Includes non material adjustments to prior year acquisitions, recasted for changes in composition of reportable segments.

c) Contingent consideration

The contingent consideration relates to the Normandin business combination and is recorded in the original purchase price allocation. The fair value was determined using expected cash flows 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 three years is $2.0 million for a total consideration of $6.0 million. At December 31, 2018, the fair value of the contingent arrangement was estimated at $5.6 million and is currently presented in other financial liabilities on the consolidated statements of financial position.

Contingent consideration related to prior year business combination was revalued with fair value adjustment recorded in finance income of the consolidated statements of income (see note 9).

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

The 2017 annual consolidated financial statements included details of the Group's business combination and set out provisional fair values relating to the consideration paid and net assets acquired. These acquisitions were 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. No significant adjustments were required to the provisions for prior year business combinations.

6. Trade and other receivables

	2018	2017
Trade receivables	605,320	546,160
Other receivables	26,407	20,946
	631,727	567,106

The Group's exposure to credit and currency risks related to trade and other receivables is disclosed in note 24 a) and d).

Trade receivables at December 31, 2018 include $10.8 million of in-transit revenue balances (2017 – $10.1 million).

7. Additional cash flow information

Net change in non-cash operating working capital

	2018	2017
Trade and other receivables	(2,624)	14,548
Inventoried supplies	434	(238)
Prepaid expenses	(980)	9,060
Trade and other payables	15,817	(35,019)
	12,647	(11,649)

8. Property and equipment

	Land and buildings	Rolling stock	Equipment	Total
Cost				
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
Additions through business combinations	25,415	72,427	2,216	100,058
Other additions	15,412	284,459	14,202	314,073
Disposals	(3,235)	(172,941)	(12,501)	(188,677)
Reclassification to assets held for sale	(24,330)	(3,420)	—	(27,750)
Reclassification from assets held for sale	23,834	—	—	23,834
Effect of movements in exchange rates	6,154	52,321	459	58,934
Balance at December 31, 2018	376,715	1,527,249	156,846	2,060,810
Depreciation				
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
Depreciation for the year	10,928	174,407	13,157	198,492
Disposals	(1,858)	(104,867)	(12,328)	(119,053)
Reclassification to assets held for sale	(5,157)	(2,964)	—	(8,121)
Reclassification from assets held for sale	1,974	—	—	1,974
Effect of movements in exchange rates	958	7,811	(365)	8,404
Balance at December 31, 2018	76,521	486,172	101,728	664,421
Net carrying amounts				
At December 31, 2017	263,789	882,618	51,206	1,197,613
At December 31, 2018	300,194	1,041,077	55,118	1,396,389

8. Property and equipment (continued)

As at December 31, 2018, nil is included in trade and other payables for the purchases of property and equipment (2017 – $0.5 million).

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 12). At December 31, 2018, the net carrying amount of leased assets was $25.7 million (2017 – $32.3 million). During the year ended December 31, 2018, the Group acquired leased assets in the amount of $0.3 million (2017 – $0.4million) under finance lease agreements and all other new leased assets come from business acquisitions.

Security
At December 31, 2018 certain rolling stock are pledged as security for conditional sales contracts, with a carrying amount of $179.0 million (2017 – $120.4 million) (see note 12).

9. Intangible assets

		Other intangible assets				
	Goodwill	Customer relationships	Trademarks	Non-compete agreements	Information technology	Total
Cost						
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
Additions through business combinations	43,205	31,982	2,640	2,250	739	80,816
Other additions	—	1,863	—	—	2,558	4,421
Disposals	—	(2,137)	—	—	—	(2,137)
Extinguishments	—	(7,612)	—	(28)	(2,796)	(10,436)
Effect of movements in exchange rates	54,923	20,697	5,647	439	263	81,969
Balance at December 31, 2018	1,674,789	582,932	110,913	11,625	24,725	2,404,984
Amortization and impairment losses						
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
Amortization for the year	—	50,542	7,100	1,826	2,633	62,101
Impairment loss	—	12,559	—	—	—	12,559
Disposals	—	(411)	—	—	—	(411)
Extinguishments	—	(7,612)	—	(28)	(2,796)	(10,436)
Effect of movements in exchange rates	10,970	8,386	1,924	102	217	21,599
Balance at December 31, 2018	196,420	237,682	46,602	3,614	19,171	503,489
Net carrying amounts						
At December 31, 2017	1,391,211	363,921	65,048	7,250	4,844	1,832,274
At December 31, 2018	1,478,369	345,250	64,311	8,011	5,554	1,901,495

9. Intangible assets (continued)

In Q2 2018, the Group reassessed the useful lives of some operational trade names from finite to indefinite. Brand recognition, dominance in geographical area, resilience to economic and social changes as well as management intent to keep the brands indefinitely were decisive factors leading to this conclusion. At the time of change in estimate, which was applied prospectively, the Group tested these trade names for impairment. The Group estimated the value in use to be $38.6 million compared to its carrying value of $32.7 million, resulting in no impairment charge. Management used the relief-from-royalty method and discount rates between 9.5% and 10.5% in its analysis.

At December 31, 2018, the Group performed its annual impairment testing for indefinite life trade names. The Group estimated the value in use to be $38.9 million compared to its carrying value of $34.4 million, resulting in no impairment charge. Management used the relief-from-royalty method and discount rates between 9.7% and 10.7% in its analysis.

In 2018, difficulties in retaining and recruiting qualified subcontractors and the inability to successfully increase revenue impacted the current and expected future cash flows of one of the 2017 business acquisitions. This was identified as an indicator of impairment for its customer relationships. The Group estimated the value in use of the customer relationships to be $15.0 million using the discounted cash flow approach, adopting the excess cash flow methodology compared to its carrying value of $27.6 million, resulting in an impairment charge of $12.6 million. Management assumed that the customer relationships have a value for 10 years and used a discount rate of 12.9% in its analysis. The Group also revalued the contingent consideration related to the above mentioned business combination. This consideration was contingent on achieving specified earning levels in future periods. The fair value was determined using expected cash flows based on probability weighted scenario. A reversal of $13.2 million was recorded in finance income of the consolidated statements of income.

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.

At December 31, 2018, 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	2018	2017*
Package and Courier	**241,181**	241,181
Less-Than-Truckload	**169,349**	162,564
Truckload		
Canadian Truckload	**109,964**	110,298
U.S. Truckload	**330,458**	303,885
Specialized Truckload	**394,122**	350,780
Logistics and Last Mile	**233,295**	222,503
	1,478,369	1,391,211

(*) Recasted for changes in composition of reportable segments.

The results as at December 31, 2018 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.

9. Intangible assets (continued)

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	2018	2017*
Package and Courier	10.0%	10.1%
Less-Than-Truckload	9.5%	10.1%
Truckload		
Canadian Truckload	12.0%	11.9%
U.S. Truckload	11.0%	11.3%
Specialized Truckload	11.5%	11.9%
Logistics and Last Mile	10.0%	10.1%

(*) Recasted for changes in composition of reportable segments.

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 50.0% (2017 – 40.0%) at a market interest rate of 7.8% (2017 – 7.0%).

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% (2017 – 2.0%) in revenues and margins were adjusted where deemed appropriate. The terminal value growth rate was 2.0% (2017 – 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).

In Q2 2017, management determined that an impairment 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. 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.

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% 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% at a market interest rate of 6.8%.

First year cash flows were projected based on previous operating results and reflected current economic conditions. For a further 4-year period, cash flows were extrapolated using an average growth rate of 2.0% in revenues and margins were adjusted where deemed appropriate. The terminal value growth rate was 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 as compared to a carrying amount of $999.5 million on June 30, 2017.

10. Other assets

	2018	2017
Promissory note	22,686	20,739
Restricted cash	4,267	4,294
Security deposits	3,445	3,748
Investments in equity securities	1,498	6,310
Other	1,780	783
	33,676	35,874

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

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

11. Trade and other payables

	2018	2017
Trade payables and accrued expenses	337,470	305,781
Personnel accrued expenses	117,380	101,317
Dividend payable	20,735	18,717
	475,585	425,815

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

12. 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 24.

	2018	2017
Non-current liabilities		
Unsecured revolving facility	740,556	690,893
Unsecured term loans	498,805	572,788
Unsecured debentures	124,825	124,738
Conditional sales contracts	94,222	52,553
Finance lease liabilities	3,675	4,997
	1,462,083	1,445,969

	2018	2017
Current liabilities		
Current portion of conditional sales contracts	41,919	33,502
Current portion of finance lease liabilities	5,489	9,959
Current portion of other long-term debt	—	8,966
Current portion of unsecured term loans	74,932	—
	122,340	52,427

12. Long-term debt (continued)

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

					2018		2017	
		Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Unsecured revolving facility	a	C$	BA + 1.70%	2022	**274,832**	**273,208**	250,400	248,720
Unsecured revolving facility	a	US$	Libor + 1.70%	2022	**344,617**	**467,348**	354,851	442,173
Unsecured term loan	a	C$	BA + 1.70%	2020-2021	**500,000**	**498,805**	500,000	497,957
Unsecured debentures	b	C$	3.00%–3.45%	2020	**125,000**	**124,825**	125,000	124,738
Unsecured term loan	c	C$	3.95%	2019	**75,000**	**74,932**	75,000	74,831
Conditional sales contracts	d	Mainly C$	1.99%–5.23%	2019-2025	**136,141**	**136,141**	86,055	86,055
Finance lease liabilities	e	Mainly C$	2.35%–5.50%	2019-2023	**9,164**	**9,164**	14,956	14,956
Other long-term debt		—	—	—	**—**	**—**	8,966	8,966
						1,584,423		1,498,396

The table below summarizes changes to the long-term debt:

	Note	2018	2017
Balance at December 31, 2017		**1,498,396**	1,584,815
Proceeds		**88,907**	48,316
Business combinations	5	**23,395**	9,030
Repayment including deferred financing fees		**(67,180)**	(122,964)
Amortization of deferred financing fees		**2,335**	2,489
Effect of movements in exchange rates		**7,489**	1,824
Effect of movements in exchange rates – OCI		**30,796**	(25,114)
Other		**285**	—
Balance at December 31, 2018		**1,584,423**	1,498,396

a) Unsecured revolving credit facility

On May 9, 2018, the Group extended its existing revolving credit facility, by one year, to June 2022. 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, 2018, the credit facility's interest rate on CAD denominated debt was 4.0% (2017 – 3.5%) and on US$ denominated debt was 4.2% (2017 – 3.7%). 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 24 (f)). Deferred financing fees of $0.9 million were recognized on the extension.

On May 9, 2018, the Group extended the maturity of the $500 million term loan by one year for each tranche. This term loan is within the confines of the credit facility for the specific purpose of acquiring CFI. It remains at a total of $500 million, with $200 million now due in June 2020 and $300 million due in June 2021. 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 $0.3 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.

12. Long-term debt (continued)

c) Unsecured term loan
This loan takes the form of an unsecured term loan carrying an interest rate of 3.95% and with an August 2019 maturity date. It may be repaid prior to the maturity without penalty subject to the approval of the Group's syndicate of bank lenders (see note 27).

d) Conditional sales contracts
Conditional sales contracts are secured by rolling stock having a carrying value of $179.0 million (2017 – $120.4 million) (see note 8).

e) Finance lease liabilities
Finance lease liabilities are secured by rolling stock having a carrying value of $25.7 million (2017 – $32.3 million) (see note 8). Finance lease liabilities are payable as follows:

	Less than 1 year	1 to 5 years	More than 5 years	Total
Future minimum lease payments	5,750	3,893	—	9,643
Interest	(261)	(218)	—	(479)
Present value of minimum lease payments	5,489	3,675	—	9,164

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
Unsecured revolving facility	—	743,698	—	743,698
Unsecured term loans	75,000	500,000	—	575,000
Unsecured debentures	—	125,000	—	125,000
Conditional sales contracts	41,919	93,338	884	136,141
	116,919	1,462,036	884	1,579,839

13. Employee benefits
The Group sponsors defined benefit pension plans for 239 of its employees (2017 – 259).

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 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, 2017 and the next required valuation will be as of December 31, 2018.

In addition to the above-mentioned defined benefit plans, the Group sponsors an employee severance plan in Mexico. At December 31, 2018, total obligation under this arrangement amounted to $1.1 million ($0.7 million in 2017).

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

	2018	2017
Accrued benefit obligation	37,623	48,689
Fair value of plan assets	(22,620)	(31,822)
Plan deficit – employee benefit liability	15,003	16,867

13. Employee benefits (continued)

Plan assets comprise:

	2018	2017
Equity securities	31%	33%
Debt securities	57%	59%
Other	12%	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:

	2018	2017
Accrued benefit obligation, beginning of year	48,689	45,942
Current service cost	695	591
Interest cost	1,526	1,729
Benefits paid	(10,860)	(2,661)
Remeasurement (gain) loss arising from:		
- Demographic assumptions	234	—
- Financial assumptions	(2,129)	1,839
- Experience	(532)	1,249
Accrued benefit obligation, end of year	37,623	48,689

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

	2018	2017
Fair value of plan assets, beginning of year	31,822	31,660
Interest income	950	1,193
Employer contributions	1,685	1,314
Benefits paid	(10,860)	(2,661)
Remeasurement gain (loss) arising from financial assumptions	(815)	456
Plan administration expenses	(162)	(140)
Fair value of plan assets, end of year	22,620	31,822

Expense recognized in income or loss:

	2018	2017
Current service cost	695	591
Net interest cost	576	536
Plan administration expenses	162	140
Pension expense	1,433	1,267
Actual return on plan assets	135	1,649

13. Employee benefits (continued)

Actuarial losses recognized in other comprehensive income:

	2018	2017
Amount accumulated in retained earnings, beginning of year	13,324	10,692
Recognized during the year	(1,612)	2,632
Amount accumulated in retained earnings, end of year	11,712	13,324
Recognized during the year, net of tax	(1,181)	1,930

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

	2018	2017
Accrued benefit obligation:		
Discount rate at December 31	4.0%	3.5%
Future salary increases	1.5%	1.2%
Employee benefit expense:		
Discount rate at January 1	3.5%	3.9%
Rate of return on plan assets at January 1	3.5%	3.9%
Future salary increases	1.2%	1.1%

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

	2018	2017
Longevity at age 65 for current pensioners		
Males	21.9	21.7
Females	24.6	24.1
Longevity at age 65 for current members aged 45		
Males	23.4	22.8
Females	26.0	25.1

At December 31, 2018 the weighted-average duration of the defined benefit obligation was 11.3 years.

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

	2018		2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(5,112)	6,244	(5,050)	6,173
Life expectancy (1-year movement)	1,130	(1,088)	1,145	(1,046)

Historical information:

	2018	2017	2016	2015	2014
Present value of the accrued benefit obligation	37,623	48,689	45,942	46,908	46,620
Fair value of plan assets	(22,620)	(31,822)	(31,660)	(33,147)	(32,973)
Deficit in the plan	15,003	16,867	14,282	13,761	13,647
Experience adjustments arising on plan obligations	(2,427)	3,088	521	738	5,201
Experience adjustments arising on plan assets	(815)	456	1,077	278	2,492

The Group expects approximately $1.2 million in contributions to be paid to its defined benefit plans in 2019.

14. Provisions

	Self insurance	Other	Total
Balance at January 1, 2018	55,215	16,509	**71,724**
Provisions made during the year	66,441	10,058	**76,499**
Provisions used during the year	(64,198)	(9,524)	**(73,722)**
Provisions reversed during the year	(7,721)	678	**(7,043)**
Revaluation of provisions	406	—	**406**
Balance at December 31, 2018	50,143	17,721	**67,864**
2018			
Current provisions	21,761	3,302	**25,063**
Non-current provisions	28,382	14,419	**42,801**
2017			
Current provisions	26,992	5,352	32,344
Non-current provisions	28,223	11,157	39,380

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 2.6%.

15. Deferred tax assets and liabilities

	2018	2017
Property and equipment	**(213,238)**	(181,628)
Intangible assets	**(104,610)**	(103,987)
Derivative financial instruments and investment in equity securities	**(1,259)**	(1,890)
Long-term debt	**2,297**	3,877
Employee benefits	**7,449**	9,730
Provisions	**17,162**	13,025
Tax losses	**9,950**	6,583
Other	**(1,282)**	(764)
Net deferred tax liabilities	**(283,531)**	(255,054)
Presented as:		
Deferred tax assets	**6,409**	5,138
Deferred tax liabilities	**(289,940)**	(260,192)

15. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year:

	Balance December 31, 2016	Recognized in income or loss	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)

	Balance December 31, 2017	Recognized in income or loss	Recognized directly in equity	Acquired in business combinations	Balance December 31, 2018
Property and equipment	(181,628)	(7,475)	(10,599)	(13,536)	(213,238)
Intangible assets	(103,987)	11,977	(3,357)	(9,243)	(104,610)
Long-term debt	3,877	(2,803)	7	1,216	2,297
Employee benefits	9,730	(1,918)	(363)	—	7,449
Provisions	13,025	2,303	1,011	823	17,162
Tax losses	6,583	2,548	819	—	9,950
Other	(2,654)	(1,644)	1,757	—	(2,541)
Net deferred tax liabilities	(255,054)	2,988	(10,725)	(20,740)	(283,531)

Certain tax losses expire in 2037 with the remainder of tax losses not expiring. The related deferred tax assets have been recognized because it is probable that future taxable income will be available to benefit from these losses.

16. 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.

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

The following table summarizes the number of common shares issued:

(in number of shares)	Note	2018	2017
Balance, beginning of year		89,123,588	91,575,319
Repurchase and cancellation of own shares		(3,755,002)	(2,810,126)
Stock options exercised	18	1,029,002	358,395
Balance, end of year		86,397,588	89,123,588

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

	2018	2017
Balance, beginning of year	711,036	723,390
Repurchase and cancellation of own shares	(30,122)	(22,231)
Cash consideration of stock options exercised	16,831	6,234
Ascribed value credited to share capital on stock options exercised	4,009	1,514
Issuance of shares on settlement of RSUs	2,756	2,129
Balance, end of year	704,510	711,036

Pursuant to the normal course issuer bid ("NCIB") which began on October 2, 2018 and expiring on October 1, 2019, 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, 2018, and since the inception of this NCIB, the Company has repurchased and cancelled 1,574,654 common shares.

During 2018, the Company repurchased 3,755,002 common shares at a price ranging from $32.18 to $44.00 per share for a total purchase price of $139.6 million relating to the 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 a previous NCIB. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of $109.5 million (2017 – $59.3 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 18).

Accumulated other comprehensive income ("AOCI")
At December 31, 2018 and 2017, 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 2018, the Company declared dividends amounting to 87.0 cents per common share (2017 – 78.0 cents) for a total of $76.1 million (2017 – $70.3 million). On February 27, 2019, the Board of Directors declared a quarterly dividend of $0.24 per outstanding common share of the Company's capital for an expected aggregate payment of $20.4 million which will be paid on April 15, 2019 to shareholders of record at the close of business on March 29, 2019.

17. 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)	2018	2017
Net income attributable to owners of the Company	291,994	157,988
Issued common shares, beginning of year	89,123,588	91,575,319
Effect of stock options exercised	512,020	109,479
Effect of repurchase of own shares	(1,669,980)	(1,191,059)
Weighted average number of common shares	87,965,628	90,493,739
Earnings per share – basic	3.32	1.75

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)	2018	2017
Net income attributable to owners of the Company	291,994	157,988
Weighted average number of common shares	87,965,628	90,493,739
Dilutive effect:		
Stock options and restricted share units	2,838,361	2,284,144
Weighted average number of diluted common shares	90,803,989	92,777,883
Earnings per share – diluted	3.22	1.70

As at December 31, 2018, no stock options were excluded from the calculation of diluted earnings per share (2017 – 394,056 as these options were deemed to be anti-dilutive).

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.

18. Share-based payment arrangements

Stock option plan (equity-settled)

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 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 and recorded over the respective vesting periods. The table below summarizes the changes in the outstanding stock options:

(in thousands of options and in dollars)		2018		2017
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	5,493	19.22	5,496	18.02
Granted	618	29.92	395	35.02
Exercised	(1,029)	16.36	(358)	17.39
Forfeited	(51)	29.65	(40)	28.21
Balance, end of year	5,031	21.01	5,493	19.22
Options exercisable, end of year	3,864	18.44	4,170	16.52

18. Share-based payment arrangements (continued)

Stock option plan (equity-settled) (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2018:

(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	509	0.6	509
9.46	586	1.6	586
16.46	561	0.6	561
20.18	579	1.6	579
24.64	859	4.6	535
24.93	677	3.6	677
25.14	312	2.6	312
29.92	603	6.1	—
35.02	345	5.1	105
	5,031	3.0	3,864

Of the options outstanding at December 31, 2018, a total of 3,836,102 (2017 – 4,456,400) are held by key management personnel.

The weighted average share price at the date of exercise for stock options exercised in 2018 was $42.77 (2017 – $31.79).

In 2018, the Group recognized a compensation expense of $3.0 million (2017 – $3.4 million) with a corresponding increase to contributed surplus.

On February 20, 2018, the Board of Directors approved the grant of 617,735 stock options under the Company's stock option plan of which 437,361 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 20, 2018	February 16, 2017
Exercise price	$ 29.92	$ 35.02
Average expected option life	4.5 years	4.5 years
Risk-free interest rate	1.83%	1.04%
Expected stock price volatility	21.92%	22.46%
Average dividend yield	2.56%	2.17%
Weighted average fair value per option of options granted	$ 4.55	$ 5.34

18. Share-based payment arrangements (continued)

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

(in units)	2018	2017
Balance, beginning of year	281,323	260,567
Board members compensation	27,666	27,633
Deferred share units redeemed	(9,418)	(13,428)
Dividends paid in units	6,471	6,551
Balance, end of year	306,042	281,323

In 2018, the Group recognized, as a result of DSUs, a compensation expense of $1.1 million (2017 – $0.9 million) with a corresponding increase to trade and other payables. In addition, in other finance costs, the Group recognized a mark-to-market loss on DSUs of $0.9 million for the year ended December 31, 2018 (2017 – gain of $0.3 million).

As at December 31, 2018, the total carrying amount of liabilities for cash-settled arrangements recorded in trade and other payables amounted to $10.8 million (2017 – $9.3 million).

Performance contingent restricted share unit plan (equity-settled)
The Company offers an equity incentive plan for the benefit 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 20, 2018, the Company granted a total of 95,243 RSUs under the Company's equity incentive plan of which 66,506 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 RSUs granted during the year was $29.92 per unit.

The table below summarizes changes to the outstanding RSUs:

(in thousands of RSUs and in dollars)		2018		2017
	Number of RSUs	Weighted average exercise price	Number of RSUs	Weighted average exercise price
Balance, beginning of year	206	27.74	281	24.78
Granted	95	29.92	61	35.02
Reinvested	7	28.30	8	26.14
Settled	(144)	24.78	(143)	24.93
Forfeited	(17)	29.83	(1)	29.14
Balance, end of year	147	31.84	206	27.74

18. Share-based payment arrangements (continued)

Performance contingent restricted share unit plan (equity-settled) (continued)

The following table summarizes information about RSUs outstanding and exercisable as at December 31, 2018:

(in thousands of RSUs and in dollars)	RSUs outstanding	
Exercise prices	Number of RSUs	Remaining contractual life (in years)
29.92	90	2.0
35.02	57	1.0
	147	1.6

The weighted average share price at the date of settlement of RSUs vested in 2018 was $43.49 (2017 – $32.87). The excess of the purchase price paid over the carrying value of shares repurchased for settlement of the award, in the amount of $5.4 million (2017 – $3.3 million), was charged to retained earnings as share repurchase premium.

In 2018, the Group recognized, as a result of RSUs, a compensation expense of $3.0 million (2017 – $3.4 million) with a corresponding increase to contributed surplus.

Of the RSUs outstanding at December 31, 2018, a total of 87,486 (2017 – 129,246) are held by key management personnel.

19. Materials and services expenses

The Group's materials and services expenses are primarily costs related to independent contractors and vehicle operation; vehicle operation expenses, primarily fuel, repairs and maintenance, vehicle leasing costs, insurance, permits and operating supplies.

	2018	2017*
Independent contractors	2,054,767	1,995,599
Vehicle operation expenses	859,229	840,630
	2,913,996	2,836,229

(*) Recasted for changes in presentation due to adoption of IFRS 15 (see note 3).

20. Sale of assets held for sale

During the year ended December 31, 2018, the Group disposed of properties classified as assets held for sale for total consideration of $29.2 million (2017 – $174.8 million). The Group has not concluded any sale and leaseback transactions in 2018. In 2017, the all-cash sale and leaseback transactions totalling $166.4 million resulted in a pre-tax gain of $78.0 million. As a result of these transactions, operating lease commitments increased by $112.1 million at December 31, 2017.

21. Personnel expenses

	Note	2018	2017
Short-term employee benefits		1,225,901	1,187,950
Contributions to defined contribution plans		11,355	11,499
Current and past service costs related to defined benefit plans	13	695	591
Termination benefits		8,972	13,091
Equity-settled share-based payment transactions	18	5,926	6,817
Cash-settled share-based payment transactions	18	1,126	923
		1,253,975	1,220,871

22. Finance income and finance costs

Recognized in income or loss:

(Income) costs	Note	2018	2017
Interest expense on long-term debt		54,609	56,758
Interest income and accretion on promissory note		(2,807)	(2,638)
Net change in fair value of contingent considerations and accretion expense	9	(12,189)	(523)
Net foreign exchange loss		630	2,491
Net change in fair value of foreign exchange derivatives		(311)	(1,247)
Net change in fair value of interest rate derivatives		(46)	(365)
Other financial expenses		8,420	6,599
Net finance costs		48,306	61,075
Presented as:			
Finance income		(15,353)	(4,773)
Finance costs		63,659	65,848

23. 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 at December 31, 2017 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. At December 31, 2018, $2.3 million of long-term income tax payable related to repatriation tax is included in other long-term liabilities (2017 – nil).

Income tax recognized in income or loss:

	2018	2017
Current tax expense		
Current year	96,480	74,148
Adjustment for prior years	(3,268)	(1,200)
	93,212	72,948
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(5,408)	(34,455)
Variation in tax rate	(221)	(76,244)
Adjustment for prior years	2,641	(2,891)
	(2,988)	(113,590)
Income tax expense (recovery)	90,224	(40,642)

23. Income tax expense (continued)

Income tax recognized in other comprehensive income:

	2018			2017		
	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	(5,416)	(723)	(4,693)	(133)	(17)	(116)
Foreign currency translation differences	101,972	—	101,972	(80,212)	—	(80,212)
Defined benefit plan remeasurement gains (losses)	1,612	431	1,181	(2,632)	(702)	(1,930)
Employee benefit	(227)	(68)	(159)	(212)	(64)	(148)
Reclassification to retained earnings of accumulated unrealized loss on investment in equity securities	—	—	—	(1,485)	(198)	(1,287)
Gain (loss) on net investment hedge	(30,796)	(4,119)	(26,677)	25,114	3,353	21,761
Gain (loss) on cash flow hedge	(3,876)	(1,034)	(2,842)	5,352	1,425	3,927
	63,269	(5,513)	68,782	(54,208)	3,797	(58,005)

Reconciliation of effective tax rate:

	2018		2017	
Income before income tax		382,218		117,346
Income tax using the Company's statutory tax rate	26.7%	102,052	26.8%	31,449
Increase (decrease) resulting from:				
Rate differential between jurisdictions	(3.4%)	(13,106)	(31.0%)	(36,405)
Variation in tax rate	(0.1%)	(221)	(65.0%)	(76,244)
Non deductible expenses	0.7%	2,593	44.7%	52,460
Tax exempt income	(0.8%)	(3,038)	(9.0%)	(10,513)
Adjustment for prior years	(0.2%)	(627)	(3.5%)	(4,091)
Others	0.7%	2,571	2.3%	2,702
	23.6%	90,224	(34.7%)	(40,642)

24. Financial instruments and financial risk management

Derivative financial instruments' fair values were as follows:

		Measured at fair value through income or loss		Designated as effective cash flow hedge instruments	
	Note	2018	2017	2018	2017
Current assets					
Interest rate derivatives	a	—	—	5,430	4,521
Non-current assets					
Interest rate derivatives	a	—	—	2,946	4,317
Current liabilities					
Embedded foreign exchange derivatives in finance leases		—	311	—	—
Interest rate derivatives	a	—	—	—	248
		—	311	—	248
Non-current liabilities					
Interest rate derivatives	a	—	—	—	373

As at December 31, 2018 and 2017, the impact to income or loss and other comprehensive income is as follows:

	Finance loss (income)		Other comprehensive (loss) income	
	2018	2017	2018	2017
Derivative financial instruments measured at fair value through income or loss:				
Interest rate derivatives	(46)	(365)	—	—
Embedded foreign exchange derivatives in finance leases	(311)	(1,247)	—	—
Derivative financial instruments measured at fair value through other comprehensive income:				
Interest rate derivatives	—	—	3,876	(5,352)
	(357)	(1,612)	3,876	(5,352)

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.

24. 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 94.6% (2017 – 94.5%) 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% (2017 – 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:

	2018	2017
Trade and other receivables	631,727	567,106
Promissory note	22,686	20,739
Derivative financial assets	8,376	8,838
	662,789	596,683

Impairment losses

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

	Total 2018	Impairment 2018	Total 2017	Impairment 2017
Not past due	474,320	—	424,745	—
Past due 1 – 30 days	123,991	695	112,135	693
Past due 31 – 60 days	22,007	2,085	23,120	2,079
Past due more than 60 days	18,360	4,171	14,037	4,159
	638,678	6,951	574,037	6,931

24. Financial instruments and financial risk management (continued)

Impairment losses (continued)

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

	2018	2017
Balance, beginning of year	**6,931**	6,425
Business combinations	**104**	651
Bad debt expenses	**1,944**	2,147
Amount written off and recoveries	**(2,028)**	(2,292)
Balance, end of year	**6,951**	6,931

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 $455.3 million availability at December 31, 2018 (2017 – $501.3 million) and has an additional $250 million credit available (C$245 million and US$5 million) under certain conditions under its syndicated bank agreement (2017 – $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, 2018						
Bank indebtedness	**12,334**	**12,334**	**12,334**	**—**	**—**	**—**
Trade and other payables	**475,585**	**475,585**	**475,585**	**—**	**—**	**—**
Long-term debt	**1,584,423**	**1,754,909**	**181,932**	**411,567**	**1,160,505**	**905**
Other financial liability	**5,594**	**6,000**	**2,000**	**2,000**	**2,000**	**—**
	2,077,936	**2,248,828**	**671,851**	**413,567**	**1,162,505**	**905**
December 31, 2017						
Bank indebtedness	9,392	9,392	9,392	—	—	—
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	—
	1,949,116	2,110,178	542,556	358,931	1,208,691	—

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

24. 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 foreign exchange contracts and US$ debt.

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)	2018	2017
Trade and other receivables	38,030	35,437
Trade and other payables	(3,108)	(6,208)
Long-term debt	(330,447)	(328,167)
Balance sheet exposure	(295,525)	(298,938)
Long-term debt designated as investment hedge	325,000	325,000
Net balance sheet exposure	29,475	26,062

The Group estimates its annual net US$ denominated cash flow from operating activities at approximately $310 million (2017 – $280 million). This cash flow is earned evenly throughout the year.

The following exchange rates applied during the year:

	2018	2017
Average US$ for the year ended December 31	1.2957	1.2982
Closing US$ as at December 31	1.3642	1.2545

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 2017.

	2018		2017	
	1-cent increase	1-cent decrease	1-cent increase	1-cent decrease
Balance sheet exposure	(2,166)	2,166	(2,383)	2,383
Long-term debt designated as investment hedge	2,382	(2,382)	2,591	(2,591)
Net balance sheet exposure	216	(216)	208	(208)

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

24. 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 $3.9 million loss, $2.8 million net of tax, (2017 – $5.4 million gain, $3.9 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, 2018, 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, 2018 and 2017, the interest rate profile of the Group's carrying amount interest-bearing financial instruments excluding the effects of interest rate derivatives was:

	2018	2017
Fixed rate instruments	345,062	307,503
Variable rate instruments	1,239,361	1,190,893
	1,584,423	1,498,396

The Group's interest rate derivatives are as follows:

	2018					2017				
	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	0.99%	225,000	1.92%	325,000	5,430	0.98%	500,000	1.92%	325,000	4,273
1 to 2 years	—	—	1.89%	237,500	1,812	0.99%	300,000	1.92%	325,000	3,129
2 to 3 years	—	—	1.92%	100,000	648	—	—	1.89%	237,500	433
3 to 4 years	—	—	1.92%	75,000	486	—	—	1.92%	100,000	218
4 to 5 years	—	—	—	—	—	—	—	1.92%	75,000	164
Asset					8,376					8,217
Presented as:										
Current assets					5,430					4,521
Non-current assets					2,946					4,317
Current liabilities					—					(248)
Non-current liabilities					—					(373)

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

24. 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 2017.

		2018		2017
	1% increase	1% decrease	1% increase	1% decrease
Interest on variable rate instrument	(3,633)	3,633	(2,070)	2,070

Impact on instruments used in cash flow hedge:

		2018		2017
	1% increase	1% decrease	1% increase	1% decrease
Interest on variable rate instrument	(4,896)	4,896	(6,635)	6,635
Interest on interest rate swaps	4,896	(4,896)	6,635	(6,635)
	—	—	—	—

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:

	2018	2017
Long-term debt	1,584,423	1,498,396
Shareholders' equity	1,576,854	1,415,124
Debt-to-equity ratio	1.00	1.06
Debt-to-capitalization ratio[1]	0.50	0.51

[1] Long-term debt divided by the sum of shareholders' equity and long-term debt.

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, 2018 and December 31, 2017, the Group was in compliance with its financial covenants.

24. Financial instruments and financial risk management (continued)

f) Capital management (continued)

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:

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Assets carried at fair value				
Derivative financial instruments	8,376	8,376	8,838	8,838
Investment in equity securities	1,498	1,498	6,310	6,310
Assets carried at amortized cost				
Trade and other receivables	631,727	631,727	567,106	567,106
Promissory note	22,686	22,686	20,739	20,739
	664,287	664,287	602,993	602,993
Financial liabilities				
Liabilities carried at fair value				
Derivative financial instruments	—	—	932	932
Other financial liability	5,594	5,594	14,581	14,581
Liabilities carried at amortized cost				
Bank indebtedness	12,334	12,334	9,392	9,392
Trade and other payables	475,585	475,585	425,815	425,815
Long-term debt	1,584,423	1,647,146	1,498,396	1,563,730
	2,077,936	2,140,659	1,949,116	2,014,450

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:

	2018	2017
Long-term debt	3.9%	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 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.

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

a) Operating leases

The Group has 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:

	2018	2017
Less than 1 year	**127,535**	128,345
Between 1 and 5 years	**253,466**	259,236
More than 5 years	**125,110**	146,581
	506,111	534,162

In 2018, expense of $152 million, was recognized in the consolidated statement of income for the operating leases (2017 – $149.5 million).

b) Contingencies

There are pending operational and personnel related claims against the Group. The Group has accrued $10.3 million for claim settlements which are presented in long term provisions on the consolidated statements of financial position (2017 – $6.9 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, 2018, the Group had $39.4 million of outstanding letters of credit (2017 – $40.1 million).

d) Other commitments

As at December 31, 2018, the Group had $51 million of purchase and lease commitments materializing within a year (2017 – $75 million).

26. 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 $0.1 million (2017 – $0.4 million) was paid to a board member for consulting services provided during 2018. 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 18. Costs incurred for key management personnel in relation to these plans are detailed below.

Key management personnel compensation comprised:

	2018	2017
Short-term benefits	**14,756**	10,574
Post-employment benefits	**959**	1,035
Equity-settled share-based payment transactions	**4,193**	4,515
Cash-settled share-based payment transactions	**1,126**	923
	21,034	17,047

27. Subsequent events

Long-term debt

On February 1, 2019, the unsecured term loan was amended to increase the balance from $500 million to $575 million. On February 11, 2019, the funds were used to reimburse the unsecured term loan of $75 million that was expected to mature in August 2019.

NCIB

Between December 31, 2018 and February 27, 2019, the Company repurchased 1,500,000 common shares at a price ranging from $33.89 to $39.57 for a total purchase price of $56.7 million.

Business combinations

On February 19, 2019, the Group completed the acquisition of Toronto Tank Lines ("TTL"). Based in Hamilton, Ontario, TTL specializes in the transportation and storage of food grade liquids, industrial chemicals, specialty oils and waxes throughout Canada, the United States and Mexico.

On February 25, 2019, the Group acquired Schilli Corporation ("Schilli"). Based in St. Louis, Missouri, Schilli specializes in the transportation of dry and liquid bulk and offers dedicated fleet solutions and other value-add services throughout Midwest, Southeast and Gulf Coast regions of the United States.

The Group paid $98.9 million for the two business acquisitions, subject to customary closing adjustments.

CORPORATE
INFORMATION

EXECUTIVE OFFICE

96 Disco Road
Etobicoke, Ontario M9W 0A3
Telephone : 647 725-4500

HEAD OFFICE

8801 Trans-Canada Highway, Suite 500
Montreal, Quebec H4S 1Z6
Telephone : 514 331-4000
Fax: 514 337-4200

Web site: www.tfiintl.com
E-mail: administration@tfiintl.com

AUDITORS

KPMG LLP

STOCK EXCHANGE LISTING

TFI International Inc. shares are listed on the Toronto Stock Exchange under the symbol TFII and on the OTCQX market-place 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

Computershare Trust Company of Canada
100 University Avenue, 8th floor
Toronto, Ontario M5J 2Y1
Telephone : 1 800 564-6253
Fax: 1 888 453-0330

ANNUAL MEETING OF SHAREHOLDERS

Tuesday, April 23, 2019
at 1:30 p.m.

The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J2

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8801, route Transcanadienne, bureau 500
Montréal (Québec) H4S 1Z6

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