2019 ANNUAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2019

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, 2019 with the corresponding three-month period and year ended December 31, 2018 and it reviews the Company's financial position as of December 31, 2019. It also includes a discussion of the Company's affairs up to February 10, 2020, 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, 2019.

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 10, 2020. 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", "might", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", "to its knowledge", "could", "design", "forecast", "goal", "hope", "intend", "likely", "predict", "project", "seek", "should", "target", "will", "would" or "continue" 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 subsequent obligation 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)	Three months ended December 31			Years ended December 31		
	2019	2018*	2017*	**2019**	2018*	2017*
Revenue before fuel surcharge	**1,166,476**	1,162,279	1,069,679	**4,613,629**	4,508,197	4,378,985
Fuel surcharge	**139,011**	159,166	123,199	**565,235**	615,011	458,429
Total revenue	**1,305,487**	1,321,445	1,192,878	**5,178,864**	5,123,208	4,837,414
Adjusted EBITDA from continuing operations[1]	**217,512**	180,654	131,017	**864,500**	686,283	514,481
Operating income from continuing operations	**124,290**	103,283	66,076	**511,620**	430,524	178,421
Net income	**74,828**	76,728	120,192	**310,283**	291,994	157,988
Net income from continuing operations	**76,543**	76,728	120,192	**324,476**	291,994	157,988
Adjusted net income from continuing operations[1]	**79,173**	86,262	53,945	**336,393**	321,612	192,188
Net cash from continuing operating activities	**176,177**	173,848	116,148	**665,292**	543,503	372,601
Free cash flow from continuing operations[1]	**103,240**	103,917	102,432	**462,983**	339,707	376,487
Total assets	**4,557,255**	4,049,960	3,727,628	**4,557,255**	4,049,960	3,727,628
Total long-term debt and lease liabilities	**2,206,529**	1,584,423	1,498,396	**2,206,529**	1,584,423	1,498,396
Per share data						
EPS – diluted	**0.90**	0.85	1.31	**3.63**	3.22	1.70
EPS from continuing operations – diluted	**0.92**	0.85	1.31	**3.80**	3.22	1.70
Adjusted EPS from continuing operations – diluted[1]	**0.95**	0.96	0.59	**3.94**	3.54	2.07
Dividends	**0.26**	0.24	0.21	**0.98**	0.87	0.78
As a percentage of revenue before fuel surcharge						
Adjusted EBITDA margin from continuing operations [1]	**18.6%**	15.5%	12.2%	**18.7%**	15.2%	11.7%
Depreciation of property and equipment	**5.1%**	4.5%	4.5%	**4.9%**	4.4%	4.8%
Depreciation of right-of-use assets	**2.2%**	—	—	**2.2%**	—	—
Amortization of intangible assets	**1.4%**	1.3%	1.5%	**1.4%**	1.4%	1.4%
Operating margin from continuing operations [1]	**10.7%**	8.9%	6.2%	**11.1%**	9.5%	4.1%
Adjusted operating ratio from continuing operations[1]	**90.1%**	90.3%	93.8%	**89.8%**	90.6%	94.4%

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

Q4 Highlights

- Record fourth quarter operating income from continuing operations increased to $124.3 million, up 20% from the same quarter last year, driven by strong execution across the organization, increased quality of revenue, an asset-light approach, and cost efficiencies.
- Operating margin from continuing operations[1], a non-IFRS measure, was up to 10.7% from 8.9% in the prior year quarter.

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

- Net income from continuing operations of $76.5 million compares to $76.7 million in Q4 2018.
- Diluted earnings per share (diluted "EPS") from continuing operations of $0.92 compares favorably to $0.85 in Q4 2018.
- Adjusted net income from continuing operations[1], a non-IFRS measure, of $79.2 million compared to $86.3 million in Q4 2018.
- Adjusted diluted EPS from continuing operations[1], a non-IFRS measure, of $0.95 compared to $0.96 in Q4 2018.
- Net cash from continuing operating activities was $176.2 million, as compared to $173.8 million in Q4 2018, benefitting from stronger operating performance and the impact of the adoption of IFRS 16.
- Free cash flow from continuing operation[1], a non-IFRS measure, of $103.2 million, impacted negatively by a one-time real estate purchase of $38.0 million, compares to $103.9 million in Q4 2018.
- The Company's reportable segments performed as follows:
  - Package and Courier operating income decreased 13% to $29.9 million, as the comparable period benefited from the Canada Post strike;
  - Less-Than-Truckload operating income increased 9% to $25.5 million;
  - Truckload operating income increased 17% to $61.3 million; and
  - Logistics operating income of $18.8 million compares to $2.9 million the prior year, which was impacted by $12.6 million of impairment of intangibles.
- The Company returned $49.8 million to shareholders during the quarter, of which $19.7 million was through dividends and $30.1 million was through share repurchases.
- On December 17, 2019, the Board of Directors of TFI declared a quarterly dividend of $0.26, an 8% increase over the prior quarterly dividend, as was announced on October 24, 2019.
- The Company borrowed $150 million in U.S. dollars under a new seven-year senior notes carrying a fixed interest rate of 3.85%, and used the proceeds to pay down its existing unsecured revolving credit facility. In addition, the Company's existing term loan was increased by $75 million, to a new amount of $200 million bearing interest at a rate of 3.77% with an extended expiration date in 2024. As a result, the Company's availability on its revolving credit facility has increased to approximately $585 million.

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 (previously named 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 generally the weakest. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

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

Human resources

As at December 31, 2019 the Company had 17,150 employees in TFI International's various business segments across North America. This compares to 17,127 employees as at December 31, 2018. The year-over-year increase of 23 is attributable to business acquisitions that added 1,033 employees offset by rationalizations affecting 1,010 employees mainly in the Less-Than-Truckload ("LTL") and Truckload segments. The Company believes that it has a relatively low turnover rate among its employees in Canada, and a normal turnover rate in the U.S. comparable to other U.S. carriers, and that its employee relations are very good.

Equipment

The Company believes it has the largest trucking fleet in Canada and a significant presence in the U.S. market. As at December 31, 2019, the Company had 7,772 tractors, 25,505 trailers and 9,826 independent contractors. This compares to 7,465 tractors, 26,487 trailers and 8,527 independent contractors as at December 31, 2018.

Facilities

TFI International's head office is in Montréal, Québec and its executive office is in Etobicoke, Ontario. As at December 31, 2019, the Company had 380 facilities, as compared to 369 facilities as at December 31, 2018. Of these, 246 are located in Canada, including 158 and 88 in Eastern and Western Canada, respectively. The Company also had 122 facilities in the United States and 12 facilities in Mexico. In the last twelve months, 44 facilities were added from business acquisitions, and terminal consolidation decreased the total number of facilities by 33, mainly in the Logistics segment. In Q4 2019, the Company closed 10 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 offerings and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry would not be 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 offerings to customers across North America.

Revenue by Top Customers' Industry (64% of total revenue)	
Retail	25%
Manufactured Goods	16%
Building Materials	9%
Automotive	9%
Metals & Mining	8%
Food & Beverage	7%
Forest Products	5%
Chemicals & Explosives	4%
Energy	4%
Services	3%
Waste Management	2%
Maritime Containers	1%
Others	7%

(For the year ended December 31, 2019)

CONSOLIDATED RESULTS

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

2019 business acquisitions

In line with its growth strategy, the Company acquired eight businesses during 2019, all prior to the fourth quarter: Toronto Tank Lines ("TTL"), Schilli Corporation ("Schilli"), Les Services JAG ("JAG"), Aulick Leasing Corp. ("Aulick"), certain assets of BeavEx Incorporated ("BeavEx"), Piston Tank Corporation ("Piston"), selected assets of AT Group US Logistics, LLC ("US Logistics"), and Craler Inc. ("Craler").

On February 15, 2019, TFI International completed the acquisition of TTL. Based in 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 22, 2019, TFI International completed the acquisition of Schilli, which was renamed to BTC East in September 2019. Based in Missouri, Schilli specializes in the transportation of dry and liquid bulk and offers dedicated fleet solutions and other value-add services throughout the Midwest, Southeast and Gulf Coast regions of the United States.

On March 19, 2019, TFI International completed the acquisition of JAG. Based in Québec, JAG provides transportation services for explosives, mining and steel products, electronics, and household goods.

On April 1, 2019, TFI International completed the acquisitions of Aulick and its affiliate ShirAul, LLC. Based in Nebraska, Aulick provides contract hauling services for aggregate materials, wood by-product, agriculture/commodities, beets, dry bulk materials, railroad traction sand and food grade product materials through the Central and Western U.S. ShirAul designs and manufactures the exclusive Bullet™ trailer.

On April 27, 2019, TFI International completed the acquisition of BeavEx and its affiliates Guardian Medical Logistics ("GML"), JNJW Enterprises, Inc. and USXP, LLC for a cash consideration of US$7.2 million through the United States Bankruptcy Court for the District of Delaware. BeavEx primarily serves the growing final-mile delivery requirements of the financial, healthcare, retail, industrial, and manufacturing sectors, offering same-day, next-day, and on-demand home delivery services. Its logistics capabilities include final-mile, crossdocking, and distribution services. The BeavEx affiliate GML is an industry leading provider of final-mile, mission critical logistics and transportation services to the medical laboratory industry.

On June 14, 2019, TFI International completed the acquisition of Piston. Based in Missouri, Piston specializes in the transportation of viscous materials and offers a patented solution for the storage, handling, and transportation of these materials for the food and industrial products industries.

On August 7, 2019, TFI international completed the acquisition of selected assets of US Logistics. Based in Georgia, US Logistics provides medical logistics, final mile and brokerage services in select regions of the United States.

On August 22, 2019, TFI International completed the acquisition of Craler. Based in Québec, Craler provides brokerage, direct trucking and warehousing services across Canada, the United States and Mexico.

Revenue

For the three months ended December 31, 2019, total revenue was $1,305.5 million, down 1%, or $16.0 million, from Q4 2018. The contribution from business acquisitions of $115.1 million was offset by decreases in fuel surcharge revenue of $27.0 million and revenue before fuel surcharge of $103.9 million, both in existing operations. The average exchange rate used to convert TFI International's revenue generated in U.S. dollars remained largely unchanged this quarter (C$1.3200) compared to the same quarter last year (C$1.3204).

For the year ended December 31, 2019, total revenue reached $5.18 billion, up 1%, or $55.7 million, as compared to $5.12 billion in 2018 mainly due to the contribution from business acquisitions of $424.2 million and positive currency impact of $34.3 million which were offset by decreases in fuel surcharge revenue of $84.0 million and revenue before fuel surcharge of $318.8 million, both in existing operations.

Operating expenses from continuing operations

For the three months ended December 31, 2019, the Company's operating expenses from continuing operations decreased by $37.0 million, to $1,181.2 million from $1,218.2 million in Q4 2018. The increase attributable to business acquisitions of $104.7 million was offset by a net decrease of $141.7 million, or 12%, in existing operating expenses. 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 2018 level as a percentage of total revenue, as well as $6.9 million of additional gains on the disposal of assets held for sale as compared to the same period in 2018.

For the three months ended December 31, 2019, material and services expenses, net of fuel surcharge, decreased by 0.4 percentage points of revenue before fuel surcharge compared to the same period last year due to lower subcontractor, rolling stock lease and fuel costs as a percentage of revenue before fuel surcharge. Mainly due to the adoption of IFRS 16, equipment lease expense decreased $11.0 million compared to Q4 2018 as, since January 1, 2019, a significant portion of these operating leases are now capitalized with depreciation expense recorded and presented under the caption of depreciation of right-of-use assets in the income statement. Right-of-use assets depreciation on rolling stock amounted to $10.0 million for Q4 2019.

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, decreased 1.7 percentage points of revenue before fuel surcharge compared to the same period last year due to lower terminal rent expenses. Due to IFRS 16 adoption, real estate lease expense decreased $19.4 million compared to Q4 2018 as, since January 1, 2019, a significant portion of these leases are now capitalized with depreciation expense recorded and presented under depreciation of right-of-use assets in the income statement. Right-of-use assets depreciation on real estate leases amounted to $15.6 million for Q4 2019.

For the three months ended December 31, 2019, depreciation of right-of-use assets amounting to $25.8 million is mainly composed of rolling stock and real estate leases that are now treated as finance leases due to the adoption of IFRS 16 on January 1, 2019. As permitted with this new standard, comparative information has not been restated.

For the three-month period ended December 31, 2019, the gain on sale of assets held for sale was $8.4 million, compared to $1.5 million in Q4 2018. Five properties were disposed of for a cash consideration of $17.2 million.

For the year ended December 31, 2019, the Company's operating expenses from continuing operations increased by $24.3 million from $4.08 billion in 2018 to $4.10 billion in 2019. The increase is mainly attributable to business acquisitions for $343.0 million offset by a net decrease of $318.7 million primarily attributable to lower material and service expenses in the Company's existing operations.

Operating income from continuing operations

For the three months ended December 31, 2019, TFI International's operating income from continuing operations rose by $21.0 million to $124.3 million compared to $103.3 million in the same quarter in 2018. The adoption of IFRS 16 contributed $5.0 million to the increase (which primarily represents the interest expense on lease liabilities which is included in interest expense in 2019). The operating margin from continuing operations as a percentage of revenue before fuel surcharge improved, from 8.9% in Q4 2018 to 10.7% in Q4 2019. All reportable segments except Package and Courier reported margin increases. Notably, the Logistics segment reported a margin increase of 5.9 percentage points primarily as a result of an impairment of intangible assets recognized in 2018.

For the year ended December 31, 2019, operating income from continuing operations increased by $81.1 million, or 19%, to $511.6 million compared to $430.5 million in 2018, driven by operating improvements, business acquisitions, an increase on the gain on sale of assets held for sale of $13.0 million, a bargain purchase gain of $10.8 million, and a the $12.6 million impairment of intangible assets recorded in 2018.

Finance income and costs

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
Finance costs (income)	2019	2018*	2019	2018*
Interest expense on long-term debt	**14,976**	13,159	**58,290**	54,609
Interest expense on lease liabilities	**4,560**	—	**18,551**	—
Interest income and accretion on promissory note	**(818)**	(747)	**(3,001)**	(2,807)
Net change in fair value and accretion expense of contingent considerations	**72**	(12,686)	**263**	(12,189)
Net foreign exchange (gain) loss	**(523)**	1,611	**267**	630
Net change in fair value of foreign exchange derivatives	**—**	(12)	**—**	(311)
Net change in fair value of interest rate derivatives	**—**	—	**—**	(46)
Mark-to-market (gain) loss on DSUs	**1,814**	(3,368)	**3,241**	887
Others	**2,261**	2,003	**8,030**	7,533
Net finance costs (income)	**22,342**	(40)	**85,641**	48,306

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

Interest expense on long-term debt

Interest expense on long-term debt for the three-month period ended December 31, 2019 was $1.8 million higher than compared to the same quarter last year. The increase is mainly attributable to a higher average debt level of $1.78 billion for the three months ended December 31, 2019 as compared to $1.54 billion to the same period in the prior year. For the year ended December 31, 2019, interest expense increased by $3.7 million due to higher average borrowings in 2019 of $1.74 billion as compared to $1.55 billion in 2018. This increase was offset by a slightly lower average interest rate during 2019 as compared to the prior year.

Interest expense on lease liabilities

Following adoption of IFRS 16 Leases, the amounts previously recognized as lease expenses were replaced by the depreciation of right-of-use assets and the financing costs on the lease liabilities. As permitted with this new standard, comparative information has not been restated.

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 ended December 31, 2019, a gain of $7.6 million of foreign exchange variations (a gain of $6.6 million net of tax) was recorded to other comprehensive income as net investment hedge. For the three-month period ended December 31, 2018, a loss of $18.4 million of foreign exchange variations (a loss of $16.0 million net of tax) was recorded to other comprehensive income as net investment hedge. For the year ended December 31, 2019, a gain of $18.6 million of foreign exchange variations (a gain of $16.1 million net of tax) was 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.

The Company designates the interest rate derivatives as a hedge of the variable interest rate instruments. Therefore, the effective portion of changes in fair value of the derivatives is recognized in other comprehensive income. For the three-month period ended December 31, 2019, the loss of $0.3 million on change in fair value of interest rate derivatives was entirely designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge (a loss of $0.2 million net of tax). For the three-month period ended December 31, 2018, a $7.1 million loss on change in fair value of interest rate derivatives (a loss of $5.2 million net of tax) was designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge.

For year ended December 31, 2019, a $13.3 million loss on change in fair value of interest rate derivatives (a loss of $9.8 million net of tax) was designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge. For year ended December 31, 2018, a $3.9 million loss on change in fair value of interest rate derivatives (a loss of $2.8 million net of tax) was designated as cash flow hedge and recorded to other comprehensive income as a change in the fair value of the cash flow hedge.

Income tax expense

For the three months ended December 31, 2019, the Company's effective tax rate was 24.9%. The income tax expense of $25.4 million reflects a $1.4 million favourable variance versus an anticipated income tax expense effect of $26.8 million based on the Company's statutory tax rate of 26.3%. The favourable variance is mainly due to tax exempt income of $4.9 million and positive differences between the statutory rate and the effective rates in other jurisdictions of $2.3 million net of negative differences of $4.1 million for prior year adjustments and $2.0 million for non-deductible expenses.

For the year ended December 31, 2019, the Company's effective tax rate was 23.9%. The income tax expense of $101.5 million reflects an $11.8 million favourable variance versus an anticipated income tax expense of $113.3 million based on the Company's statutory tax rate of 26.6%. The favourable variance is due to rate differentials between jurisdictions of $12.9 million and tax exempt income effect of $9.3 million net of unfavourable variances for prior year's tax adjustments of $4.8 million, and multi-jurisdictions tax of $4.2 million.

The U.S. Tax Reform Bill signed on December 22, 2017 introduced important changes to U.S. corporate income tax laws that may affect the Company's current and future years including limitations on the deduction for net interest expense incurred by U.S. corporations. Future regulations and interpretations to be issued by U.S. authorities may also impact the Company's estimates and assumptions used in calculating its income tax provisions. The timing and scope of such regulations and interpretative guidance are uncertain. Management believes that upon issuance of regulations and interpretative guidance that is expected in the first half of 2020, an estimated tax benefit of $9.6 million could be reversed. This reversal would relate to fiscal year 2019 only and should not apply to future periods.

Net loss from discontinued operations

During the year ended December 31, 2019, the Company recognized a net loss on an accident claim of $14.2 million, or $16.6 million net of $2.4 million of tax recovery. This claim originated from an operating entity within the discontinued rig moving operations, which were closed in 2015.

Net income and adjusted net income from continuing operations

(unaudited) (in thousands of dollars, except per share data)	Three months ended December 31		Years ended December 31	
	2019	2018	2019	2018
Net income	**74,828**	76,728	**310,283**	291,994
Amortization of intangible assets related to business acquisitions, net of tax	**12,019**	10,992	**47,097**	44,033
Net change in fair value and accretion expense of contingent considerations, net of tax	**53**	(9,292)	**193**	(8,928)
Net change in fair value of derivatives, net of tax	**—**	(9)	**—**	(262)
Net foreign exchange (gain) loss, net of tax	**(383)**	1,180	**196**	461
Impairment of intangible assets, net of tax	**—**	9,129	**—**	9,129
Bargain purchase gain	**—**	—	**(10,787)**	—
Gain on sale of land and buildings and assets held for sale, net of tax	**(9,059)**	(1,551)	**(24,782)**	(13,900)
Gain on sale of intangible assets, net of tax	**—**	(915)	**—**	(915)
Net loss from discontinued operations	**1,715**	—	**14,193**	—
Adjusted net income from continuing operations[1]	**79,173**	86,262	**336,393**	321,612
Adjusted EPS from continuing operations – basic[1]	**0.97**	0.99	**4.03**	3.66
Adjusted EPS from continuing operations – diluted[1]	**0.95**	0.96	**3.94**	3.54

For the three months ended December 31, 2019, TFI International's net income was $74.8 million compared to $76.7 million in Q4 2018. The Company's adjusted net income from continuing operations[1], a non-IFRS measure, which excludes items listed in the above table, was $79.2 million this quarter compared to $86.3 million in Q4 2018, down 8% or $7.1 million. The adjusted EPS from continuing operations, fully diluted, decreased by $0.01 to $0.95 from $0.96 in Q4 2018.

For the year ended December 31, 2019, TFI International's net income was $310.3 million compared to $292.0 million in 2018. The increase of $18.3 million is mainly attributable to the $10.8 million bargain purchase gain on the BeavEx acquisition, the increase of gains on sale of land and buildings and assets held for sale, net of tax, of $10.9 million and the contribution from business acquisitions of $32.4 million net of the loss from discontinued operations of $14.2 million. The Company's adjusted net income from continuing operations was $336.4 million in 2019 compared to $321.6 million in 2018, up 5% or $14.8 million. Adjusted EPS from continuing operations, fully diluted, increased by 11%, to $3.94.

[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	Corporate	Eliminations	Total
Three months ended December 31, 2019							
Revenue before fuel surcharge[1]	**168,040**	**199,718**	**544,833**	**262,608**	**—**	**(8,723)**	**1,166,476**
% of total revenue[2]	**15%**	**18%**	**47%**	**20%**			**100%**
Adjusted EBITDA from continuing operations	**38,673**	**41,283**	**119,320**	**28,943**	**(10,707)**	**—**	**217,512**
Adjusted EBITDA margin[3]	**23.0%**	**20.7%**	**21.9%**	**11.0%**			**18.6%**
Operating income (loss)	**29,943**	**25,498**	**61,251**	**18,752**	**(11,154)**	**—**	**124,290**
Operating margin[3]	**17.8%**	**12.8%**	**11.2%**	**7.1%**			**10.7%**
Net capital expenditures[4, 5]	**4,385**	**36,893**	**23,528**	**1,323**	**6,808**		**72,937**
Three months ended December 31, 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 from continuing operations	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, 6]	8,342	5,197	55,469	365	558		69,931
YTD December 31, 2019							
Revenue before fuel surcharge[1]	**628,342**	**832,213**	**2,199,543**	**988,598**	**—**	**(35,067)**	**4,613,629**
% of total revenue[2]	**14%**	**18%**	**48%**	**20%**			**100%**
Adjusted EBITDA from continuing operations	**141,001**	**168,046**	**481,120**	**110,154**	**(35,821)**	**—**	**864,500**
Adjusted EBITDA margin[3]	**22.4%**	**20.2%**	**21.9%**	**11.1%**			**18.7%**
Operating income (loss)	**109,106**	**109,199**	**254,998**	**76,370**	**(38,053)**	**—**	**511,620**
Operating margin[3]	**17.4%**	**13.1%**	**11.6%**	**7.7%**			**11.1%**
Total assets less intangible assets	**234,955**	**529,077**	**1,567,027**	**206,707**	**64,587**		**2,602,353**
Net capital expenditures[4, 7]	**14,508**	**36,448**	**143,097**	**2,638**	**5,618**		**202,309**
YTD December 31, 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 from continuing operations	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, 8]	17,770	14,593	169,059	2,118	256		203,796

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

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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 *Q4 2019 net capital expenditures include proceeds from the sale of property for consideration of $8.0 million in the LTL segment and of $9.3 million in the TL segment.*
6 *Q4 2018 net capital expenditures include proceeds from the sale of property for consideration of $1.6 million in the LTL segment and of $2.5 million in the TL segment.*
7 *Q4 YTD 2019 net capital expenditures include proceeds from the sale of property for consideration of $2.4 million in the P&C segment, of $25.2 million in the LTL segment, of $21.2 million in the TL segment and of $2.0 million in the corporate segment.*
8 *Q4 YTD 2018 net capital expenditures include proceeds from the sale of property for consideration of $6.1 million in the LTL segment, of $24.3 million in the TL segment and of $0.8 million in the corporate segment.*

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 recast to conform to the new structure.

Package and Courier

(unaudited) – (in thousands of dollars)	Three months ended December 31				Years ended December 31			
	2019	%	2018*	%	2019	%	2018*	%
Total revenue	191,422		204,428		715,821		728,556	
Fuel surcharge	(23,382)		(27,105)		(87,479)		(95,510)	
Revenue	168,040	100.0%	177,323	100.0%	628,342	100.0%	633,046	100.0%
Materials and services expenses (net of fuel surcharge)	73,574	43.8%	76,509	43.1%	269,837	42.9%	266,301	42.1%
Personnel expenses	46,493	27.7%	50,083	28.2%	183,246	29.2%	186,281	29.4%
Other operating expenses	9,259	5.5%	14,235	8.0%	34,460	5.5%	55,359	8.7%
Depreciation of property and equipment	3,438	2.0%	3,055	1.7%	13,322	2.1%	11,870	1.9%
Depreciation of right-of-use assets	4,901	2.9%	—	—	18,508	2.9%	—	—
Amortization of intangible assets	309	0.2%	306	0.2%	1,182	0.2%	1,362	0.2%
(Gain) loss on sale of rolling stock and equipment	61	0.0%	(25)	-0.0%	(181)	-0.0%	(92)	-0.0%
Gain on derecognition of right-of-use assets	(20)	-0.0%	—	—	(21)	-0.0%	—	—
(Gain) loss on sale of land and buildings and assets held for sale	82	0.0%	—	—	(1,117)	-0.2%	—	—
Gain on sale of intangible assets	—	—	(1,249)	-0.7%	—	—	(1,249)	-0.2%
Operating income	29,943	17.8%	34,409	19.4%	109,106	17.4%	113,214	17.9%
Adjusted EBITDA	38,673	23.0%	36,521	20.6%	141,001	22.4%	125,197	19.8%

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

Operational data

(unaudited)	Three months ended December 31				Years ended December 31			
	2019	2018	Variance	%	2019	2018	Variance	%
Revenue per pound (including fuel)	$ 0.47	$ 0.48	$ (0.01)	-2.1%	$ 0.47	$ 0.47	$ 0.00	0.0%
Revenue per pound (excluding fuel)	$ 0.41	$ 0.42	$ (0.01)	-2.4%	$ 0.41	$ 0.41	$ 0.00	0.0%
Revenue per shipment (including fuel)	$ 8.61	$ 8.43	$ 0.18	2.1%	$ 8.35	$ 8.19	$ 0.16	2.0%
Tonnage (in thousands of metric tons)	185	192	(7)	-3.6%	695	709	(14)	-2.0%
Shipments (in thousands)	22,244	24,238	(1,994)	-8.2%	85,743	88,998	(3,255)	-3.7%
Average weight per shipment (in lbs.)	18.33	17.46	0.87	5.0%	17.86	17.56	0.30	1.7%
Vehicle count, average	972	1,016	(44)	-4.3%	981	973	8	0.8%
Weekly revenue per vehicle (incl. fuel, in thousands of dollars)	$ 15.15	$ 15.48	$ (0.33)	-2.1%	$ 14.03	$ 14.40	$ (0.37)	-2.6%

Revenue

For the three-months ended December 31, 2019, revenue decreased by $9.3 million, from $177.3 million in 2018 to $168.0 million in 2019. This decrease in revenue is attributable to a 3.6% decrease in tonnage combined with a 2.4% decrease in revenue per pound (excluding fuel surcharge). The decrease in tonnage was the result of an 8.2% decrease in the number of shipments offset by a 5.0% increase in average weight per shipment. 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, 2019, revenue decreased by $4.7 million, or 0.7%, from $633.0 million to $628.3 million, due to a slight decline in volumes attributable to 2018 benefitting from the Canada Post strike.

Operating expenses

For the three months ended December 31, 2019, materials and services expenses, net of fuel surcharge revenue, decreased $2.9 million or 4% due to a $3.7 million decrease in sub-contractor costs. Personnel expenses as a percentage of revenue decreased from 28.2% in 2018 to 27.7% in 2019 and the reduction resulted mostly from lower direct salaries. Other operating expenses decreased $5.0 million in the fourth quarter of 2019 mainly due to the adoption of IFRS 16. Real estate lease expense decreased $4.8 million compared to Q4 2018 as, since January 1, 2019, a significant portion of these leases are now capitalized and a depreciation expense was recorded and presented under depreciation of right-of-use assets. Right-of-use assets depreciation on equipment and real estate leases amounted to $4.9 million for Q4 2019.

For the year ended December 31, 2019, materials and services expenses, net of fuel surcharge revenue, increased $3.5 million or 1.3% due to an $8.0 million decrease in fuel surcharge revenue partially offset by a $2.6 million reduction in rolling stock lease costs partly due to the adoption of IFRS 16. Personnel expenses as a percentage of revenue slightly decreased from 29.4% in 2018 to 29.2% in 2019 and that decrease resulted entirely from a reduction in direct salaries. Other operating expenses decreased $20.9 million in 2019 mainly due to real estate lease expense that decreased $20.8 million following the adoption of IFRS 16. Right-of-use assets depreciation on equipment and real estate leases amounted to $18.5 million in 2019.

Gain on sale of property

For the year ended December 31, 2019, a $1.1 million gain on sale of assets held for sale was recorded in the Package and Courier segment following the sale of one property for a consideration of $2.4 million.

Operating income

Operating income for the three months ended December 31, 2019 decreased by 13% or $4.5 million compared to the fourth quarter of 2018 and the operating margin was 17.8% in the fourth quarter of 2019 compared to 19.4% for the same period in 2018. The decrease is attributable to the fourth quarter in 2018 benefitting from the Canada Post strike.

For the year ended December 31, 2019, operating margin was 17.4%, a slight decrease from 17.9% in 2018.

Less-Than-Truckload

(unaudited) – (in thousands of dollars)	Three months ended December 31				Years ended December 31			
	2019	%	2018*	%	2019	%	2018*	%
Total revenue	231,421		272,212		964,951		1,057,396	
Fuel surcharge	(31,703)		(40,218)		(132,738)		(155,076)	
Revenue	199,718	100.0%	231,994	100.0%	832,213	100.0%	902,320	100.0%
Materials and services expenses (net of fuel surcharge)	99,034	49.6%	120,153	51.8%	418,836	50.3%	478,169	53.0%
Personnel expenses	50,426	25.2%	59,272	25.5%	212,037	25.5%	227,502	25.2%
Other operating expenses	10,276	5.1%	20,770	9.0%	35,430	4.3%	80,505	8.9%
Depreciation of property and equipment	6,794	3.4%	6,252	2.7%	26,168	3.1%	23,656	2.6%
Depreciation of right-of-use assets	8,129	4.1%	—	—	32,937	4.0%	—	—
Amortization of intangible assets	2,809	1.4%	2,750	1.2%	11,088	1.3%	10,792	1.2%
Gain on sale of rolling stock and equipment	(195)	-0.1%	(410)	-0.2%	(678)	-0.1%	(862)	-0.1%
Gain on derecognition of right-of-use assets	(1,106)	-0.6%	—	—	(1,458)	-0.2%	—	—
Gain on sale of land and buildings and assets held for sale	(1,947)	-1.0%	(254)	-0.1%	(11,346)	-1.4%	(2,574)	-0.3%
Operating income	25,498	12.8%	23,461	10.1%	109,199	13.1%	85,132	9.4%
Adjusted EBITDA	41,283	20.7%	32,209	13.9%	168,046	20.2%	117,006	13.0%

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

Operational data

(unaudited)	Three months ended December 31				Years ended December 31			
	2019	2018	Variance	%	**2019**	2018	Variance	%
Adjusted operating ratio	**88.2%**	90.0%			**88.2%**	90.9%		
Revenue per hundredweight (excluding fuel)	**$ 13.19**	$ 13.79	$ (0.60)	-4.4%	**$ 13.29**	$ 12.71	$ 0.58	4.6%
Revenue per shipment (including fuel)	**$ 334.42**	$ 324.84	$ 9.58	2.9%	**$ 322.40**	$ 305.69	$ 16.71	5.5%
Tonnage (in thousands of tons)	**757**	841	(84)	-10.0%	**3,132**	3,548	(416)	-11.7%
Shipments (in thousands)	**692**	838	(146)	-17.4%	**2,993**	3,459	(466)	-13.5%
Average weight per shipment (in lbs)	**2,188**	2,007	181	9.0%	**2,093**	2,051	42	2.0%
Average length of haul (in miles)	**839**	831	8	1.0%	**830**	828	2	0.2%
Vehicle count, average	**1,016**	1,020	(4)	-0.4%	**1,024**	992	32	3.2%

Revenue

For the three months ended December 31, 2019, the LTL segment's revenue was $199.7 million, a $32.3 million, or 14%, decrease when compared to the same period in 2018. The decrease in revenue was due to a 10% decrease in tonnage combined with a 4.4% decrease in revenue per hundredweight (excluding fuel). The decrease in tonnage was the result of a 17% decrease in shipments partially offset by a 9% increase in average weight per shipment.

For the year ended December 31, 2019, revenue decreased $70.1 million or 8% to $832.2 million. For the year ended December 31, 2019, the LTL segment improved its yield as reflected by the 4.6% increase in revenue per hundredweight (excluding fuel) that went from $12.71 in 2018 to $13.29 in 2019.

Operating expenses

For the three months ended December 31, 2019, materials and services expenses, net of fuel surcharge revenue, decreased $21.1 million, or 18%, due to a $21.9 million decrease in sub-contractor cost, mostly attributable to a decrease in tonnage. Following the same trend, personnel expenses decreased 14.9% year-over-year. Other operating expenses decreased $10.5 million in the fourth quarter of 2019, mainly due to the adoption of IFRS 16. Real estate lease expense decreased $7.4 million compared to Q4 2018 as, since January 1, 2019, a significant portion of these leases are now capitalized and a depreciation expense was recorded and presented under depreciation of right-of-use assets. Right-of-use assets depreciation on equipment and real estate leases amounted to $8.1 million for Q4 2019.

For the year ended December 31, 2019, materials and services expenses, net of fuel surcharge, decreased $59.3 million, or 12%, due to a $65.7 million reduction in subcontractor cost. Personnel expenses as a percentage of revenue before fuel surcharge slightly increased from 25.2% in 2018 to 25.5% in 2019. Other operating expenses decreased $45.1 million when compared to the same period in 2018, mainly due to a $33.5 million decrease in real estate lease expense related to the adoption of IFRS 16. Right-of-use assets depreciation on equipment and real estate leases was $32.9 million for 2019.

Gain on sale of property

For the quarter ended December 31, 2019, a $1.9 million gain on sale of assets held for sale was recorded in the LTL segment following the sale of two properties for a total cash consideration of $8.0 million.

For the year ended December 31, 2019, an $11.3 million gain on sale of assets held for sale was recorded in the LTL segment following the sale of five properties for a total cash consideration of $25.2 million.

Operating income

Operating income for the three months ended December 31, 2019 increased $2.0 million, or 9%, when compared to the same period in 2018. As a percentage of revenue, operating income was 12.8% during the fourth quarter of 2019, a significant improvement versus 10.1% for the same period in 2018. The fourth quarter of 2019 adjusted operating ratio was 88.2%, a 1.8 percentage points improvement compared to 90.0% for the same period in 2018.

For the year ended December 31, 2019, operating income increased $24.1 million to $109.2 million and the adjusted operating ratio improved 2.7 percentage points, from 90.9% in 2018 to 88.2% in 2019. Although volume decreased 11.7% year over year, operating income grew through better yield and quality of revenue, continued tight asset management, cost optimisation and improvements in route density.

Truckload

(unaudited) – (in thousands of dollars)	Three months ended December 31				Years ended December 31			
	2019	%	2018*	%	2019	%	2018*	%
Total revenue	620,122		610,161		2,509,752		2,388,865	
Fuel surcharge	(75,289)		(81,997)		(310,209)		(324,277)	
Revenue	544,833	100.0%	528,164	100.0%	2,199,543	100.0%	2,064,588	100.0%
Materials and services expenses (net of fuel surcharge)	236,260	43.4%	236,226	44.7%	938,084	42.6%	956,913	46.3%
Personnel expenses	177,624	32.6%	177,024	33.5%	729,358	33.2%	665,143	32.2%
Other operating expenses	16,545	3.0%	19,738	3.7%	70,970	3.2%	71,621	3.5%
Depreciation of property and equipment	47,805	8.8%	41,926	7.9%	180,590	8.2%	158,708	7.7%
Depreciation of right-of-use assets	9,300	1.7%	—	—	32,120	1.5%	—	—
Amortization of intangible assets	7,494	1.4%	6,728	1.3%	29,734	1.4%	27,464	1.3%
Gain on sale of rolling stock and equipment	(4,755)	-0.9%	(4,200)	-0.8%	(19,502)	-0.9%	(9,796)	-0.5%
Gain on derecognition of right-of-use assets	(161)	-0.0%	—	—	(487)	-0.0%	—	—
Gain on sale of land and buildings and assets held for sale	(6,530)	-1.2%	(1,560)	-0.3%	(16,322)	-0.7%	(13,188)	-0.6%
Operating income	61,251	11.2%	52,282	9.9%	254,998	11.6%	207,723	10.1%
Adjusted EBITDA	119,320	21.9%	99,376	18.8%	481,120	21.9%	380,707	18.4%

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

Operational data

(unaudited) (all Canadian dollars unless otherwise specified)	Three months ended December 31				Years ended December 31			
	2019	2018	Variance	%	**2019**	2018	Variance	%
U.S. based Conventional TL								
Revenue (in thousands of U.S. dollars)	**155,861**	168,451	(12,590)	-7.5%	**646,158**	678,983	(32,825)	-4.8%
Adjusted operating ratio	**92.4%**	93.3%			**91.5%**	94.6%		
Total mileage (in thousands)	**84,291**	90,658	(6,367)	-7.0%	**351,490**	381,195	(29,705)	-7.8%
Tractor count, average	**2,929**	3,053	(124)	-4.1%	**2,960**	3,083	(123)	-4.0%
Trailer count, average	**11,007**	11,180	(173)	-1.5%	**11,008**	11,199	(191)	-1.7%
Tractor age	**1.8**	2.0	(0.2)	-10.0%	**1.8**	2.0	(0.2)	-10.0%
Trailer age	**6.5**	6.8	(0.3)	-4.4%	**6.5**	6.8	(0.3)	-4.4%
Number of owner operators, average	**424**	408	16	3.9%	**400**	457	(57)	-12.5%
Canadian based Conventional TL								
Revenue (in thousands of dollars)	**74,803**	79,017	(4,214)	-5.3%	**300,933**	313,305	(12,372)	-3.9%
Adjusted operating ratio	**85.9%**	85.9%			**85.6%**	87.0%		
Total mileage (in thousands)	**24,237**	26,019	(1,782)	-6.8%	**98,943**	106,167	(7,224)	-6.8%
Tractor count, average	**641**	708	(67)	-9.5%	**684**	712	(28)	-3.9%
Trailer count, average	**2,826**	3,043	(217)	-7.1%	**2,884**	3,088	(204)	-6.6%
Tractor age	**2.3**	2.7	(0.4)	-14.8%	**2.3**	2.7	(0.4)	-14.8%
Trailer age	**5.4**	5.5	(0.1)	-1.8%	**5.4**	5.5	(0.1)	-1.8%
Number of owner operators, average	**317**	363	(46)	-12.7%	**333**	367	(34)	-9.3%
Specialized TL								
Revenue (in thousands of dollars)	**264,591**	227,438	37,153	16.3%	**1,049,546**	877,463	172,083	19.6%
Adjusted operating ratio	**89.3%**	89.2%			**88.3%**	87.9%		
Tractor count, average	**2,189**	1,546	643	41.6%	**2,099**	1,450	649	44.8%
Trailer count, average	**6,142**	4,693	1,449	30.9%	**6,121**	4,653	1,468	31.5%
Tractor age	**4.0**	3.5	0.5	14.3%	**4.0**	3.5	0.5	14.3%
Trailer age	**11.7**	9.7	2.0	20.6%	**11.7**	9.7	2.0	20.6%
Number of owner operators, average	**1,224**	1,102	122	11.1%	**1,191**	1,085	107	9.8%

Revenue

For the three months ended December 31, 2019, TL revenue increased by $16.7 million or 3%, from $528.2 million in Q4 2018 to $544.8 million in Q4 2019, mainly due to business acquisitions' contribution of $60.5 million, offset by mileage and volume decreases. Average revenue per total mile for conventional TL operations decreased by 0.6% in Canada and by 1.1% in the U.S. compared to Q4 2018.

As part of its asset-light strategy, the TL segment increased its brokerage revenue by 8%, to $75.2 million compared to the same quarter last year.

For the year ended December 31, 2019, TL revenue increased by $135.0 million or 7%, from $2,064.6 million in 2018 to $2,199.5 million in 2019. This increase is mainly due to recent business acquisitions' contribution of $256.0 million and favourable currency fluctuations of $29.3 million, offset by a decrease in revenue from existing operations of $121.1 million. On the brokerage side, revenue increased $16.7 million or 6%, while margins were steady.

Operating expenses

For the three months ended December 31, 2019, operating expenses, including business acquisition impact and net of fuel surcharge, increased by $7.7 million or 2%, from $475.9 million in Q4 2018 to $483.6 million in Q4 2019. Material and services expenses, net of fuel surcharge, decreased by 1.3 percentage points of revenue compared to the fourth quarter of 2018, mainly due to the adoption of IFRS 16. Equipment lease expense decreased by $7.4 million compared to Q4 2018, as a significant portion of these leases have been capitalized since January 1, 2019 and a depreciation expense of $9.3 million, of which $7.1 million is attributable to operational equipment, was recorded and presented under depreciation of right-of-use assets in Q4 2019. Personnel expenses remained steady in the fourth quarter year over year and as a percentage of revenue. Other operating expenses decreased by $3.2 million or 16% compared to Q4 2018, mainly due to the adoption of IFRS 16, where $2.1 million has been presented under depreciation of right-of-use assets for leased buildings in Q4 2019. The Company continues to improve its cost structure and increase the efficiency and profitability of its existing fleet and network of independent contractors.

For the year ended December 31, 2019, TL operating expenses, net of fuel surcharge, increased by $87.7 million or 5%, which is mainly due to business acquisitions. Excluding business acquisitions, operating expenses decreased by $144.0 million or 8%, from $1,856.9 million in 2018 to $1,712.9 million in 2019.

Gain on sale of property

For the year ended December 31, 2019, a $16.3 million gain on sale of assets held for sale was recorded in the Truckload segment following the sale of four properties for a total consideration of $21.2 million.

Operating income

The Company's operating income in the TL segment for the three months ended December 31, 2019 reached $61.3 million, up from $52.3 million in Q4 2018. This represents an increase of 17% and is mainly due to higher quality of freight, lower costs, and a more efficient truckload freight network. Initiatives aimed at equipment cost reductions have continued to yield positive results, including lower repair and maintenance costs due to a newer fleet. Operating margin increased to 11.2% compared to 9.9% in Q4 2018.

For the year ended December 31, 2019, the TL segment increased its operating income by $47.3 million or 23%, from $207.7 million in 2018 to $255.0 million in 2019 as a result of better performance and a $3.1 million increase in gain on sales of assets held for sale.

Logistics

(unaudited) – (in thousands of dollars)	Three months ended December 31				Years ended December 31			
	2019	%	2018*	%	2019	%	2018*	%
Total revenue	272,252		246,990		1,027,752		1,000,186	
Fuel surcharge	(9,644)		(11,400)		(39,154)		(46,459)	
Revenue	262,608	100.0%	235,590	100.0%	988,598	100.0%	953,727	100.0%
Materials and services expenses (net of fuel surcharge)	184,809	70.4%	165,484	70.2%	695,167	70.3%	661,796	69.4%
Personnel expenses	33,563	12.8%	31,549	13.4%	128,124	13.0%	134,000	14.1%
Other operating expenses	15,507	5.9%	17,034	7.2%	55,499	5.6%	66,736	7.0%
Depreciation of property and equipment	847	0.3%	774	0.3%	2,848	0.3%	2,969	0.3%
Depreciation of right-of-use assets	3,328	1.3%	—	—	18,776	1.9%	—	—
Amortization of intangible assets	6,016	2.3%	5,348	2.3%	22,947	2.3%	21,298	2.2%
Impairment of intangible assets	—	—	12,559	5.3%	—	—	12,559	1.3%
Bargain purchase gain	—	—	—	—	(10,787)	-1.1%	—	—
Gain on sale of rolling stock and equipment	(6)	-0.0%	(32)	-0.0%	(55)	-0.0%	(153)	-0.0%
Gain on derecognition of right-of-use assets	(208)	-0.1%	—	—	(291)	-0.0%	—	—
Loss on sale of land and buildings and assets held for sale	—	—	23	0.0%	—	—	30	0.0%
Operating income	18,752	7.1%	2,851	1.2%	76,370	7.7%	54,492	5.7%
Adjusted EBITDA	28,943	11.0%	21,555	9.1%	110,154	11.1%	91,348	9.6%

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

Revenue

For the three months ended December 31, 2019, revenue increased by $27.0 million, or 11%, from $235.6 million in 2018 to $262.6 million. Excluding business acquisitions, revenue decreased by $20.8 million mainly attributable to lower volumes and non-recurring business in the prior year period.

For the year ended December 31, 2019, revenue increased by $34.9 million, or 4%, from $953.7 million to $988.6 million. Excluding business acquisitions, revenue decreased by 8% or $76.3 million.

Approximately 72% (2018 – 69%) of the Logistics segment's revenues in the quarter were generated from operations in the U.S. and Mexico and approximately 28% (2018 – 31%) were generated from operations in Canada.

Operating expenses

For the three months ended December 31, 2019, total operating expenses, net of fuel surcharge, increased by $11.2 million, or 5%, from $232.7 million in Q4 2018 to $243.9 million. As a percentage of revenue, materials and services expenses, net of fuel surcharge, increased by 0.2 percentage points of revenue in the fourth quarter of 2019 while personnel expenses decreased by 0.6 percentage points of revenue. Other operating expenses as a percentage of revenue decreased from 7.2% in 2018 to 5.9% in 2019 mainly due to the adoption of IFRS 16. Real estate lease expense decreased $5.3 million compared to Q4 2018 as, since January 1, 2019, a significant portion of these leases are now capitalized, and a depreciation expense was recorded and presented under depreciation of right-of-use assets. Right-of-use assets depreciation on equipment and real estate leases amounted to $3.3 million for Q4 2019.

For the year ended December 31, 2019, operating expenses increased $13.0 million compared to 2018, from $899.2 million to $912.2 million. This increase was mostly attributable to higher volumes offset by a foreign exchange impact.

Operating income

Operating income in the Logistic segment for the three-months ended December 31, 2019 increased by $15.9 million compared to the fourth quarter of 2018, from $2.9 million to $18.8 million. Excluding the $12.6 million impairment in the last quarter of 2018, operating income increased 22% or $3.3 million with the operating margin increasing 0.6 percentage points to 7.1%.

For the year ended December 31, 2019, operating income increased 40% or $21.9 million compared to 2018, from $54.5 million to $76.4 million. Excluding the $12.6 million impairment in the last quarter of 2018, operating income increased 14% or $9.3 million with the operating margin increasing 0.7 percentage points to 7.7%.

LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018*	2019	2018*
Sources of cash:				
Net cash from continuing operating activities	**176,177**	173,848	**665,292**	543,503
Proceeds from sale of property and equipment	**27,438**	25,461	**95,180**	81,051
Proceeds from sale of assets held for sale	**17,230**	2,782	**51,918**	29,226
Net variance in cash and bank indebtedness	**281**	—	**—**	3,237
Net proceeds from long-term debt	**—**	79,514	**181,117**	21,727
Others	**6,416**	3,029	**24,456**	19,874
Total sources	**227,542**	284,634	**1,017,963**	698,618
Uses of cash:				
Purchases of property and equipment	**122,310**	113,004	**346,313**	314,300
Business combinations, net of cash acquired	**(371)**	81,375	**200,401**	156,487
Net variance in cash and bank indebtedness	**—**	258	**8,494**	—
Net repayment of long-term debt	**24,075**	—	**—**	—
Repayment of lease liabilities	**26,213**	—	**99,573**	—
Dividends paid	**19,660**	18,475	**80,703**	74,096
Repurchase of own shares	**30,133**	61,891	**255,692**	139,622
Net cash used in discontinued operations	**1,715**	—	**16,176**	—
Others	**3,807**	9,631	**10,611**	14,113
Total usage	**227,542**	284,634	**1,017,963**	698,618

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

Cash flow from continuing operating activities

For the year ended December 31, 2019, net cash from continuing operating activities increased by 22% to $665.3 million from $543.5 million in 2018. This $121.8 million increase is attributable to positive changes in cash generated from operating activities driven by stronger operating results and the replacement of lease expenses by the repayment of lease liabilities included in financing activities and interest on lease liabilities as a result of the adoption of IFRS 16 Leases. IFRS 16 positively impacted cash from operating activities by a net amount of $99.6 million (which represents repayment of lease liabilities which is classified as financing cash flows in 2019, compared with operating cash flows in 2018). In addition, income taxes paid negatively impacted net cash from continuing operating activities by $33.7 million, attributable to increased income tax installments required on stronger operating results and the payment of the prior year tax balances.

Cash flow used in investing activities from continuing operations

Property and equipment

The following table presents the additions of property and equipment by category for the three-month periods and years ended December 31, 2019 and 2018.

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
Additions to property and equipment:				
Purchases as stated on cash flow statements	**122,310**	113,004	**346,313**	314,300
Non-cash adjustments	**(4,705)**	(14,830)	**3,094**	(227)
	117,605	98,174	**349,407**	314,073
Additions by category:				
Land and buildings	**48,204**	3,625	**52,566**	15,412
Rolling stock	**65,283**	91,520	**280,704**	284,459
Equipment	**4,118**	3,029	**16,137**	14,202
	117,605	98,174	**349,407**	314,073

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 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, 2019 and 2018.

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
Proceeds by category:				
Land and buildings	**17,171**	4,121	**50,871**	31,153
Rolling stock	**27,407**	24,095	**95,039**	79,049
Equipment	**90**	27	**1,188**	75
	44,668	28,243	**147,098**	110,277
Gains (losses) by category:				
Land and buildings	**8,435**	1,791	**27,878**	16,144
Rolling stock	**4,934**	4,707	**21,450**	11,007
Equipment	**(79)**	(40)	**(287)**	(104)
	13,290	6,458	**49,041**	27,047

Business acquisitions

For the year ended December 31, 2019, cash used in business acquisitions totalled $200.4 million to acquire eight businesses. Refer to the section of this report entitled "2019 business acquisitions" and further information can be found in note 5 of the December 31, 2019 audited consolidated financial statements.

Cash flow used in discontinued operations

For the year ended December 31, 2019, discontinued operations used cash of $16.2 million.

Free cash flow from continuing operations

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018*	**2019**	2018*
Net cash from continuing operating activities	**176,177**	173,848	**665,292**	543,503
Additions to property and equipment	**(117,605)**	(98,174)	**(349,407)**	(314,073)
Proceeds from sale of property and equipment	**27,438**	25,461	**95,180**	81,051
Proceeds from sale of assets held for sale	**17,230**	2,782	**51,918**	29,226
Free cash flow from continuing operations [1]	**103,240**	103,917	**462,983**	339,707

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

The Company's objectives when managing its cash flow from operations are to ensure proper capital investment in order to provide stability and competitiveness for 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, 2019, TFI International generated free cash flow from continuing operations of $463.0 million, compared to $339.7 million in 2018, which represents a year-over-year increase of $123.3 million. This increase is mainly due to more net cash from continuing operating activities of $121.8 million, largely stemming from the adoption of IFRS 16 which had a positive impact of $99.6 million.

The free cash flow conversion, which measures the level of capital employed to generate earnings, improved for the three months ended December 31, 2019 to 80.7% from 61.0%, due a higher volume of net capital expenditures in 2018. For the year ended December 31, 2019 the free cash flow conversion improved to 76.8% from 68.0%.

Based on the December 31, 2019 closing share price of $43.77, the free cash flow generated by the Company during 2019 ($463.0 million) represented a yield of 13.0%.

Financial position

(unaudited) (in thousands of dollars)	**As at December 31, 2019**	As at December 31, 2018*	As at December 31, 2017*
Total assets	**4,557,255**	4,049,960	3,727,628
Long-term debt	**1,744,687**	1,584,423	1,498,396
Lease liabilities	**461,842**	—	—
Shareholders' equity	**1,505,689**	1,576,854	1,415,124

* The current period figures include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

Compared to December 31, 2018, the Company's total assets and long-term debt and lease liabilities increased, mainly as a result of the implementation of IFRS 16: total assets increased by $439.4 million and lease liabilities increased by $483.5 million. Please refer to note 3 of the audited consolidated financial statements for more details on IFRS 16.

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

As at December 31, 2019, the Company's working capital (current assets less current liabilities) was $50.6 million compared to $52.8 million as at December 31, 2018. The decrease is mainly attributable to the increase in the short term portion of the lease liabilities of $99.1 million, net of a decrease in the current portion of long term debt of $68.7 million and a reclassification of a note receivable to short term in the amount of $24.8 million.

Contractual obligations, commitments, contingencies and off-balance sheet arrangements

The following table indicates the Company's contractual obligations with their respective maturity dates at December 31, 2019, 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 2023*	**593,495**	—	—	593,495	—
Unsecured revolving facility – *November 2020*	**11,970**	11,970	—	—	—
Unsecured term loan – *June 2021 & 2022*	**610,000**	—	610,000	—	—
Unsecured debenture – *December 2024*	**200,000**	—	—	200,000	—
Unsecured senior notes – *December 2026*	**194,820**	—	—	—	194,820
Conditional sales contracts	**139,591**	41,677	67,030	30,661	223
Lease liabilities	**461,842**	99,133	155,552	95,623	111,534
Total contractual obligations	**2,211,718**	**152,780**	**832,582**	**919,779**	**306,577**

On February 1, 2019, the $500 million unsecured term loan was amended to increase the indebtedness to $575 million. On February 11, 2019, the related incremental funds were used to reimburse a separate $75 million unsecured term loan that was due to mature in August 2019.

On February 1, 2019, the Company renegotiated the pricing grid of both its revolving credit facility and $575 million term loan. The $575 million term loan remains within the confines of the credit facility, but now has a pricing grid different than the revolving credit facility. Based on the current funded-debt-to-EBITDA ratio defined below, the renegotiation has no impact on the interest charged on the revolving credit facility, however it reduces the interest rate charged on the term loan by 34 basis points.

On June 27, 2019, the Company extended its existing revolving credit facility by one year, to June 2023.

On June 27, 2019, the Company extended the maturity of the $575 million unsecured term loan by one year for each tranche, with $200 million now due in June 2021 and $375 million now due in June 2022.

On November 22, 2019, the Company entered into a new revolving credit facility agreement. The credit facility is unsecured and provides an availability of US$25 million maturing in November 2020. The interest applied to this credit facility is the same as applied to the existing revolving credit facility.

On December 20, 2019, the Company entered into a new unsecured senior note agreement. This loan takes the form of senior notes each carrying an interest rate of 3.85% and with a December 2026 maturity date.

On December 20, 2019, the unsecured debenture was amended to increase the indebtedness by $75 million, to $200 million, and to extend maturity date by four years, to December 2024. Following this amendment, debenture is now carrying an interest rate between 3.32% and 4.22% (2018 – 3.00% to 3.45%) depending on certain ratios.

On December 27, 2019, the $575 million unsecured term loan was amended to increase the indebtedness to $610 million. This amendment increased the $375 million tranche due in June 2022 to $410 million.

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 and are calculated as prescribed by the credit agreement which, among other things, requires the exclusion of the impact of the new standard IFRS 16 Leases:

Covenants	*Requirements*	*As at December 31, 2019*
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	2.25
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	4.54

As at December 31, 2019, the Company had $41.7 million of outstanding letters of credit ($39.4 million on December 31, 2018).

As at December 31, 2019, the Company had $35.2 million of purchase commitments and $12.0 million of purchase orders that the Company intends to enter into a lease that is expected to materialize within a year (December 31, 2018 – $51.0 million and nil, respectively).

Dividends and outstanding share data

Dividends

The Company declared $21.2 million in dividends, or $0.26 per common share, in the fourth quarter of 2019. On February 10, 2020, the Board of Directors approved a quarterly dividend of $0.26 per outstanding common share of the Company's capital, for an expected aggregate payment of $21.2 million to be paid on April 15, 2020 to shareholders of record at the close of business on March 31, 2020.

NCIB on common shares

Pursuant to the renewal of the normal course issuer bid ("NCIB"), which began on October 2, 2019 and expires on October 1, 2020, the Company is authorized to repurchase for cancellation up to a maximum of 7,000,000 of its common shares under certain conditions. As at December 31, 2019, and since the inception of this NCIB, the Company has repurchased and cancelled 679,100 common shares.

For the year ended December 31, 2019, the Company repurchased 6,409,446 common shares (as compared to 3,755,002 in 2018) at a weighted average price of $39.89 per share (as compared to $37.18 in 2018) for a total purchase price of $255.7 million (as compared to $139.6 million in 2018).

Outstanding shares, stock options and restricted share units

A total of 81,450,326 common shares were outstanding as at December 31, 2019 (December 31, 2018 – 86,397,588). There was no material change in the Company's outstanding share capital between December 31, 2019 and February 10, 2020.

As at December 31, 2019, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 4,421,866 (December 31, 2018 – 5,031,161) of which 3,039,635, were exercisable (December 31, 2018 – 3,863,610). On February 27, 2019, the Board of Directors approved the grant of 909,404 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 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, 2019, the number of restricted share units (''RSUs'') granted under the Company's equity incentive plan to its senior employees was 239,337 (December 31, 2018 – 147,081). On February 27, 2019, the Board of Directors approved the grant of 152,965 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 nor positively affect the Company's financial condition or performance and, if necessary, has been provided for in the financial statements.

OUTLOOK

North American economic growth has continued despite headwinds from international trade negotiations and other geopolitical uncertainties, with unemployment rates near multi-decade lows and favorable readings for both consumer confidence and business optimism. The operating environment remained challenging for the transportation and logistics industry throughout 2019 largely due to overcapacity concerns. More recently there have been early indications of improvement, with volumes and spot rates showing signs of stabilization. In this mixed environment, TFI International believes it is favorably positioned and confident it can continue to execute its business plan, including internal initiatives designed to enhance profitability via improved efficiencies, acquisition-related synergies and cost savings.

Looking ahead, one potential risk to the Company's business is an economic decline after several years of expansion, potentially caused by international trade negotiations that have already resulted in higher tariffs on shipped goods. Further economic challenges could in turn reverse recent improvements in industry overcapacity and drive additional pricing pressure. Other risks include the possibility of more pronounced driver shortages and accompanying upward pressure on wages, and the potential for higher fuel, insurance, interest rates and other costs.

Cognizant of changing macro conditions, TFI International seeks to generate strong and consistent 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 to avoid internal overcapacity, 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.

TFI International also 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 summary, the Company believes it is well positioned to benefit from the current dynamics in the North American freight environment, and that through adherence to its operating principles, with the same discipline and rigor that have made TFI International a North American leader in the transportation and logistics industry, it intends to continue to create long-term shareholder value.

SUMMARY OF EIGHT MOST RECENT QUARTERLY RESULTS

(unaudited)-(in millions of dollars, except per share data)	Q4'19	Q3'19	Q2'19	Q1'19	Q4'18*	Q3'18*	Q2'18*	Q1'18*
Total revenue	1,305.5	1,304.8	1,337.8	1,230.8	1,321.4	1,287.6	1,317.7	1,196.5
Adjusted EBITDA from continuing operations[1]	217.5	221.6	236.5	188.9	180.7	190.0	186.7	129.0
Operating income from continuing operations	124.3	131.9	149.2	106.3	103.3	128.2	123.6	75.4
Net income	74.8	82.6	87.7	65.1	76.7	86.7	80.4	48.2
EPS – basic	0.92	1.00	1.04	0.76	0.88	0.99	0.92	0.54
EPS – diluted	0.90	0.98	1.01	0.74	0.85	0.96	0.89	0.53
Net income from continuing operations	76.5	82.6	100.2	65.1	76.7	86.7	80.4	48.2
EPS from continuing operations – basic	0.94	1.00	1.19	0.76	0.88	0.99	0.92	0.54
EPS from continuing operations – diluted	0.92	0.98	1.16	0.74	0.85	0.96	0.89	0.53
Adjusted net income from continuing operations[1]	79.2	88.1	102.0	67.1	86.3	95.0	89.9	50.4
Adjusted EPS from continuing operations-diluted[1]	0.95	1.04	1.18	0.77	0.96	1.05	0.99	0.55

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

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

The differences between the quarters are mainly the result of seasonality (softer in Q1) and business acquisitions. Higher 2019 and 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 2019, higher adjusted EBITDA from continuing operations, compared to the same periods in the prior year, is partially due to the implementation of IFRS 16 as lease expense was replaced by depreciation of right-of-use assets and interests on lease liabilities.

NON-IFRS FINANCIAL MEASURES

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

Operating expenses: Operating expenses include: a) materials and services expenses, which are primarily costs related to independent contractors and vehicle operation; vehicle operation expenses, which primarily include fuel, repairs and maintenance, vehicle leasing costs, insurance, permits and operating supplies; b) personnel expenses; c) other operating expenses, which are primarily composed of costs related to offices' and terminals' rent, taxes, heating, telecommunications, maintenance and security and other general administrative expenses; d) depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets and gain or loss on the sale of rolling stock and equipment, on derecognition of right-of use assets and on sale of land and buildings and assets held for sale; e) bargain purchase gain; and f) impairment of intangible assets.

Operating income (loss) from continuing operations: Net income or loss from continuing operations 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.

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

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

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

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

Consolidated adjusted EBITDA from continuing operations reconciliation:

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018*	2019	2018*
Net income from continuing operations	**76,543**	76,728	**324,476**	291,994
Net finance costs (income)	**22,342**	(40)	**85,641**	48,306
Income tax expense	**25,405**	26,595	**101,503**	90,224
Depreciation of property and equipment	**59,028**	52,392	**223,794**	198,492
Depreciation of right-of-use assets	**25,751**	—	**102,573**	—
Amortization of intangible assets	**16,838**	15,460	**65,925**	62,101
Impairment of intangible assets	**—**	12,559	**—**	12,559
Bargain purchase gain	**—**	—	**(10,787)**	—
Gain on sale of land and buildings	**(10)**	(312)	**(12)**	(524)
Gain on sale of assets held for sale	**(8,385)**	(1,479)	**(28,613)**	(15,620)
Gain on sale of intangible assets	**—**	(1,249)	**—**	(1,249)
Adjusted EBITDA from continuing operations	**217,512**	180,654	**864,500**	686,283

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable. More specifically, in 2019, $44.2 million of lease expenses have been included in Adjusted EBITDA from continuing operations, whereas in 2018, $152.0 million of operating lease expenses have been included in Adjusted EBITDA from continuing operations.

Segmented adjusted EBITDA from continuing operations reconciliation:

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018*	**2019**	2018*
Package and Courier				
Operating income	**29,943**	34,409	**109,106**	113,214
Depreciation and amortization	**8,648**	3,361	**33,012**	13,232
(Gain) loss on sale of assets held for sale	**82**	—	**(1,117)**	—
Gain on sale of intangible assets	**—**	(1,249)	**—**	(1,249)
Adjusted EBITDA	**38,673**	36,521	**141,001**	125,197
Less-Than-Truckload				
Operating income	**25,498**	23,461	**109,199**	85,132
Depreciation and amortization	**17,732**	9,002	**70,193**	34,448
Gain on sale of land and buildings	**—**	(336)	**—**	(275)
(Gain) loss on sale of assets held for sale	**(1,947)**	82	**(11,346)**	(2,299)
Adjusted EBITDA	**41,283**	32,209	**168,046**	117,006
Truckload				
Operating income	**61,251**	52,282	**254,998**	207,723
Depreciation and amortization	**64,599**	48,654	**242,444**	186,172
(Gain) loss on sale of land and buildings	**(10)**	1	**(12)**	(279)
Gain on sale of assets held for sale	**(6,520)**	(1,561)	**(16,310)**	(12,909)
Adjusted EBITDA	**119,320**	99,376	**481,120**	380,707
Logistics				
Operating income	**18,752**	2,851	**76,370**	54,492
Depreciation and amortization	**10,191**	6,122	**44,571**	24,267
Impairment of intangible assets	**—**	12,559	**—**	12,559
Bargain purchase gain	**—**	—	**(10,787)**	—
Loss on sale of land and buildings	**—**	23	**—**	30
Adjusted EBITDA	**28,943**	21,555	**110,154**	91,348
Corporate				
Operating loss	**(11,154)**	(9,720)	**(38,053)**	(30,037)
Depreciation and amortization	**447**	713	**2,072**	2,474
(Gain) loss on sale of assets held for sale	**—**	—	**160**	(412)
Adjusted EBITDA	**(10,707)**	(9,007)	**(35,821)**	(27,975)

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

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

Free cash flow conversion: Adjusted EBITDA from continuing operations less net capital expenditures (excluding property), divided by the adjusted EBITDA from continuing operations.

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018*	2019	2018*
Net income from continuing operations	76,543	76,728	324,476	291,994
Net finance costs (income)	22,342	(40)	85,641	48,306
Income tax expense	25,405	26,595	101,503	90,224
Depreciation of property and equipment	59,028	52,392	223,794	198,492
Depreciation of right-of-use assets	25,751	—	102,573	—
Amortization of intangible assets	16,838	15,460	65,925	62,101
Impairment of intangible assets	—	12,559	—	12,559
Bargain purchase gain	—	—	(10,787)	—
Gain on sale of land and buildings	(10)	(312)	(12)	(524)
Gain on sale of assets held for sale	(8,385)	(1,479)	(28,613)	(15,620)
Gain on sale of intangible assets	—	(1,249)	—	(1,249)
Adjusted EBITDA from continuing operations	217,512	180,654	864,500	686,283
Additions to rolling stock and equipment	(69,401)	(94,549)	(296,841)	(298,661)
Proceeds from sale of rolling stock and equipment	27,497	24,122	96,227	79,124
Adjusted EBITDA from continuing operations net of net capex, excluding property	175,608	110,227	663,886	466,746
Free cash flow conversion	80.7%	61.0%	76.8%	68.0%

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

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

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

Adjusted operating ratio from continuing operations: Operating expenses from continuing operations before impairment of intangible assets, bargain purchase gain, 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 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 from continuing operations reconciliation:

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018*	**2019**	2018*
Operating expenses	**1,181,197**	1,218,162	**4,667,244**	4,692,684
Impairment of intangible assets	**—**	(12,559)	**—**	(12,559)
Bargain purchase gain	**—**	—	**10,787**	—
Gain on sale of land and building	**10**	312	**12**	524
Gain on sale of assets held for sale	**8,385**	1,479	**28,613**	15,620
Gain on sale of intangible assets	**—**	1,249	**—**	1,249
Adjusted operating expenses	**1,189,592**	1,208,643	**4,706,656**	4,697,518
Fuel surcharge revenue	**(139,011)**	(159,166)	**(565,235)**	(615,011)
Adjusted operating expenses, net of fuel surcharge revenue	**1,050,581**	1,049,477	**4,141,421**	4,082,507
Revenue before fuel surcharge	**1,166,476**	1,162,279	**4,613,629**	4,508,197
Adjusted operating ratio	**90.1%**	90.3%	**89.8%**	90.6%

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

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

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018*	2019	2018*
Less-Than-Truckload				
Total revenue	**231,421**	272,212	**964,951**	1,057,396
Total operating expenses	**205,923**	248,751	**855,752**	972,264
Operating income	**25,498**	23,461	**109,199**	85,132
Operating expenses	**205,923**	248,751	**855,752**	972,264
Gain on sale of land and buildings and assets held for sale	**1,947**	254	**11,346**	2,574
Adjusted operating expenses	**207,870**	249,005	**867,098**	974,838
Fuel surcharge revenue	**(31,703)**	(40,218)	**(132,738)**	(155,076)
Adjusted operating expenses, net of fuel surcharge revenue	**176,167**	208,787	**734,360**	819,762
Revenue before fuel surcharge	**199,718**	231,994	**832,213**	902,320
Adjusted operating ratio	**88.2%**	90.0%	88.2%	90.9%
Truckload				
Total revenue	**620,122**	610,161	**2,509,752**	2,388,865
Total operating expenses	**558,871**	557,879	**2,254,754**	2,181,142
Operating income	**61,251**	52,282	**254,998**	207,723
Operating expenses	**558,871**	557,879	**2,254,754**	2,181,142
Gain on sale of land and buildings and assets held for sale	**6,530**	1,560	**16,322**	13,188
Adjusted operating expenses	**565,401**	559,439	**2,271,076**	2,194,330
Fuel surcharge revenue	**(75,289)**	(81,997)	**(310,209)**	(324,277)
Adjusted operating expenses, net of fuel surcharge revenue	**490,112**	477,442	**1,960,867**	1,870,053
Revenue before fuel surcharge	**544,833**	528,164	**2,199,543**	2,064,588
Adjusted operating ratio	**90.0%**	90.4%	**89.1%**	90.6%
Truckload – Revenue before fuel surcharge				
U.S. based Conventional TL	**206,810**	223,128	**858,214**	880,631
Canadian based Conventional TL	**74,803**	79,017	**300,933**	313,305
Specialized TL	**264,591**	227,438	**1,049,546**	877,463
Eliminations	**(1,371)**	(1,419)	**(9,150)**	(6,811)
	544,833	528,164	**2,199,543**	2,064,588
Truckload – Fuel surcharge revenue				
U.S. based Conventional TL	**35,270**	43,034	**148,859**	170,673
Canadian based Conventional TL	**10,133**	12,257	**41,973**	49,693
Specialized TL	**29,945**	26,815	**120,288**	104,464
Eliminations	**(59)**	(109)	**(911)**	(553)
	75,289	81,997	**310,209**	324,277
Truckload – Operating income				
U.S. based Conventional TL	**15,751**	15,012	**73,121**	47,820
Canadian based Conventional TL	**10,562**	11,172	**43,264**	47,793
Specialized TL	**34,938**	26,098	**138,613**	112,110
	61,251	52,282	**254,998**	207,723

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

(unaudited) (in thousands of dollars)	Three months ended December 31		Years ended December 31	
	2019	2018*	2019	2018*
U.S. based Conventional TL				
Operating expenses**	**226,329**	251,150	**933,952**	1,003,484
Fuel surcharge revenue	**(35,270)**	(43,034)	**(148,859)**	(170,673)
Adjusted operating expenses, net of fuel surcharge revenue	**191,059**	208,116	**785,093**	832,811
Revenue before fuel surcharge	**206,810**	223,128	**858,214**	880,631
Adjusted operating ratio	**92.4%**	93.3%	**91.5%**	94.6%
Canadian based Conventional TL				
Operating expenses**	**74,374**	80,102	**299,642**	315,205
Gain on sale of land and buildings and assets held for sale	**11**	—	**11**	7,023
Adjusted operating expenses	**74,385**	80,102	**299,653**	322,228
Fuel surcharge revenue	**(10,133)**	(12,257)	**(41,973)**	(49,693)
Adjusted operating expenses, net of fuel surcharge revenue	**64,252**	67,845	**257,680**	272,535
Revenue before fuel surcharge	**74,803**	79,017	**300,933**	313,305
Adjusted operating ratio	**85.9%**	85.9%	**85.6%**	87.0%
Specialized TL				
Operating expenses**	**259,598**	228,155	**1,031,221**	869,817
Gain on sale of assets held for sale	**6,519**	1,560	**16,311**	6,165
Adjusted operating expenses	**266,117**	229,715	**1,047,532**	875,982
Fuel surcharge revenue	**(29,945)**	(26,815)	**(120,288)**	(104,464)
Adjusted operating expenses, net of fuel surcharge revenue	**236,172**	202,900	**927,244**	771,518
Revenue before fuel surcharge	**264,591**	227,438	**1,049,546**	877,463
Adjusted operating ratio	**89.3%**	89.2%	**88.3%**	87.9%

* The current period results include the impacts from the adoption of IFRS 16 Leases as discussed in note 3 of the audited consolidated financial statements. As is permitted with this new standard, comparative information has not been restated and, therefore, may not be comparable.

** Operating expenses excluding intra TL eliminations

RISKS AND UNCERTAINTIES

The Company's future results may be affected by a number of factors over many 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, prospects, financial condition, results of operations and cash flows.

Competition. 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 "ELDs" 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, autonomous vehicle technology 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;
- the Company's brand names may be subject to adverse publicity (whether or not justified) and lose significant value, which could result in reduced demand for the Company's services;
- 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. 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 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.

In addition to the regulatory regime applicable to operations in Canada, the Company is increasing its operations in the United States, and is therefore increasingly subject to rules and regulations related to the U.S. transportation industry, including 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 ("EPA") and the Department of Homeland Security. Drivers must, both in Canada and the United States, comply with safety and fitness regulations, including those relating to drug and alcohol testing, driver safety performance and hours of service. Weight and dimensions, exhaust emissions and fuel efficiency are also subject to government regulation. The Company may also 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, there are currently two methods of evaluating the safety and fitness of carriers: the Compliance, Safety, Accountability ("CSA") program, which evaluates and ranks fleets on certain safety-related standards by analyzing data from recent safety events and investigation results, and the DOT safety rating, which is based on an on-site investigation and affects a carrier's ability to operate in interstate commerce. Additionally, the FMCSA has proposed rules in the past that would change the methodologies used to determine carrier safety and fitness.

Under the CSA program, carriers are evaluated and ranked against their peers based on seven categories of safety-related data. The seven categories of safety-related data currently include Unsafe Driving, Hours-of-Service Compliance, Driver Fitness, Controlled Substances/Alcohol, Vehicle Maintenance, Hazardous Materials Compliance and Crash Indicator (such categories known as "BASICs"). Carriers are grouped by category with other carriers that have a similar number of safety events (i.e. crashes, inspections, or violations) and carriers are ranked and assigned a rating percentile or score. If the Company were subject to any such interventions, this could have an adverse effect on the Company's business, financial condition and results of operations. As a result, the Company's fleet could be ranked poorly as compared to peer carriers. There is no guarantee that we will be able to maintain our current safety ratings or that we will not be subject to interventions in the future. 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 favorable 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 unfavorable scores.

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. The FAST Act is set to expire in September 2020, and the U.S. Congress has noted its intent to consider a multiyear highway measure that would update the FAST Act, which could lead to further changes to the CSA program. Any changes that increase the likelihood of the Company receiving unfavorable 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 final rule became effective on January 4, 2017, with a compliance date of January 6, 2020. In December 2019, however, the FMCSA announced a final rule pursuant to which the compliance date for state driver's licensing agencies for certain Drug and Alcohol Clearinghouse requirements were extended for three years. The December 2016 commercial driver's license rule initially required states to request information from the clearinghouse about individuals prior to issuing, renewing, upgrading or transferring a commercial driver's license. This new action will allow states to delay compliance with the requirement until January 2023.

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 (FMCSA officials recently delayed implementation of the final rule by two years). 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. In 2019 U.S. Congressional representatives proposed a similar rule related to speed limiting devices. 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 and increase the Company's insurance costs.

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 FMCSA also recently

announced plans to conduct a new study on the causation of certain crashes. Although it remains unclear whether such a study will ultimately be undertaken and completed, the results of such a study could spur further proposed and/or final rules regarding safety and fitness in the United States.

From time to time, the FMCSA proposes and implements changes to regulations impacting hours-of-service. Such changes can negatively impact the Company's productivity and affect its operations and profitability by reducing the number of hours per day or week the Company's U.S. drivers and independent contractors may operate and/or disrupt the Company's network. In August 2019, the FMCSA issued a proposal to make changes to its hours-of-service rules that would allow U.S. truck drivers more flexibility with their 30-minute rest break and with dividing their time in the sleeper berth. It would also extend by two hours the duty time for drivers encountering adverse weather, and extend the short haul exemption by lengthening the drivers' maximum on-duty period from 12 hours to 14 hours. It is unclear how long the process of finalizing a final rule will take, if one does come to fruition. Any future changes to hours of service regulations could materially and adversely affect the Company's operations and profitability.

The U.S. National Highway Traffic Safety Administration, the EPA 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. U.S. federal and state lawmakers and regulators have also adopted or are considering a variety of other climate-change legal requirements related to carbon emissions and greenhouse gas emissions. These legal requirements could potentially limit carbon emissions within certain states and municipalities in the United States. Certain of these legal requirements restrict the location and amount of time that diesel-powered tractors (like the Company's) may idle, which may force the Company to purchase on-board power units that do not require the engine to idle or to alter the Company's drivers' behavior, which might result in a decrease in productivity and/or an increase in driver turnover. All of these regulations have increased, and may continue to increase, the cost of new tractors and trailers and may require the Company to retrofit certain of its tractors and trailers, may increase its maintenance costs, and could impair equipment productivity and increase the Company's operating costs, particularly if such costs are not offset by potential fuel savings. The occurrence of any of these adverse effects, combined with the uncertainty as to the reliability of the newly-designed diesel engines and the residual values of the Company's equipment, 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. The Company cannot predict the extent to which its operations and productivity will be impacted by any future regulations. The Company will continue monitoring its compliance with U.S. federal and state environmental regulations.

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. However, in December 2018, the FMCSA granted a petition filed by the American Trucking Associations determining that federal law pre-empts California's wage and hour laws, and interstate truck drivers are not subject to such laws. The FMCSA's decision has been appealed by labour groups and multiple lawsuits have been filed in U.S. federal courts seeking to overturn the decision, and thus it is uncertain whether it will stand. 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. Further, driver piece rate compensation, which is an industry standard, has been attacked as non-compliant with state minimum wage laws. 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. In addition, the uncertainty with respect to the practical application of wage and hour laws are, in the future may be, resulting in additional costs for the Company and the industry as a whole, and a negative outcome with respect to any of the above-mentioned lawsuits could materially affect the Company. 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, decreased efficiency and increased risk of non-compliance. In April 2016, the Food and Drug Administration ("FDA") published a final rule establishing requirements for shippers, loaders, carriers by motor vehicle and rail vehicle, and receivers engaged in the transportation of food, to use sanitary transportation practices to ensure the safety of the food they transport as part of the FSMA. This rule sets forth requirements related to (i) the design and maintenance of equipment used to transport food, (ii) the measures taken during food transportation to ensure food safety, (iii) the training of carrier personnel in sanitary food transportation practices, and (iv) maintenance and retention of records of written procedures, agreements, and training related to the foregoing items. These requirements took effect for larger carriers in April 2017 and apply to the Company when it acts as a carrier or as a broker. If the Company is found to be in violation of applicable laws or regulations related to the

FSMA or if the Company transports food or goods that are contaminated or are found to cause illness and/or death, the Company could be subject to substantial fines, lawsuits, penalties and/or criminal and civil liability, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

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 ELDs 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.

United States and Mexican 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, theft or vandalism, 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.

The United States has imposed 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, including tariffs applied to goods traded between the United States and China, 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.

The United States-Mexico-Canada Agreement ("USMCA") has been ratified by the United States and Mexico but must be ratified by the Parliament of Canada before it enters into effect. The USMCA is designed to modernize food and agriculture trade, advance rules of origin for automobiles and trucks, and enhance intellectual property protections, among other matters, according to the Office of the U.S. Trade Representative. The USMCA is now in the process of being ratified by each country. It is difficult to predict at this stage what could be the impact of the USMCA on the economy, including the transportation industry. However, given the amount of North American trade that moves by truck, if the USMCA enters into effect, it could have a significant impact on supply and demand in the transportation industry, and could adversely impact the amount, movement and patterns of freight transported by the Company.

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. The Treasury has issued final regulations and interpretive guidance on specific areas since the 2017 Tax Cuts and Jobs Act was enacted, but there remain significant regulations that are still awaiting finalization. The finalization of these proposed regulations could have a material adverse effect on the Corporation's results in future periods. 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 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 may also 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) recruiting and retaining qualified drivers; (iv) strikes, work stoppages or work slowdowns at the Company's facilities or at customer, port, border crossing or other shipping-related facilities; (v) compliance with ongoing regulatory requirements; (vi) increases in interest rates, fuel taxes, tolls and license and registration fees; and (vii) rising healthcare costs in the United States.

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 Canadian, U.S. or Mexican 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 favorable terms in the future, it may have to limit its fleet size, enter into less favorable 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. 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. 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 and 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 CAD $10 million limit per occurrence for automobile bodily injury, property damage and commercial general liability for its Canadian Insurance Program, subject to certain exceptions. The Company retains a deductible of US $2.25 million for certain U.S. subsidiaries on their primary US $5 million limit policies for automobile bodily injury and property damage, also subject to certain exceptions, and a 50% quota share deductible for the US $5 million limit in excess of US $5 million. The Company retains a deductible of US $1 million on its primary US $5 million limit policy for certain U.S. subsidiaries for commercial general liability. The Company retains deductibles of up to US $1 million per occurrence for workers' compensation claims. The Company's liability coverage has a total limit of US $100 million per occurrence for both its Canadian and U.S. divisions.

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 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; (iv) the Company experiences a significant increase in premiums; or (v) 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. Most of the Company's unionized employees are Canadian employees with a small number of unionized employees in the United States. 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 additional employees in the United States will not attempt 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 Company's collective agreements have a variety of expiration dates, to the last of which is in September 2024. In a small number of cases, the expiration date of the collective agreement has passed; in such cases, the Corporation is generally in the process of renegotiating the agreement. 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 trucking 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 state or 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 and state 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, courts in certain U.S. states have recently issued decisions that could result in a greater likelihood that independent contractors would be judicially classified as employees in such states.

In September 2019, California enacted a new law, A.B. 5 ("AB5"), that made it more difficult for workers to be classified as independent contractors (as opposed to employees). AB5 provides that the three-pronged "ABC Test" must be used to determine worker classifications in wage order claims. Under the ABC Test, a worker is presumed to be an employee and the burden to demonstrate their independent contractor status is on the hiring company through satisfying all three of the following criteria: (a) the worker is free from control and direction in the performance of services; (b) the worker is performing work outside the usual course of the business of the hiring company; and (c) the worker is customarily engaged in an independently established trade, occupation, or business. How AB5 will be enforced is still to be determined. While it was set to enter into effect in January 2020, a federal judge in California issued a preliminary injunction barring the enforcement of

AB5 on the trucking industry while the California Trucking Association ("CTA") moves forward with its suit seeking to invalidate AB5. While this preliminary injunction provides temporary relief to the enforcement of AB5, it remains unclear how long such relief will last, whether the CTA will ultimately be successful in invalidating the law, and whether other U.S. States will enact laws similar to AB5.

U.S. class action lawsuits 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. The Company has settled certain class action cases in Massachusetts and California in the past with independent contractors who alleged they were misclassified.

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. Further, management of acquired operations through a decentralized approach may create inefficiencies or inconsistencies.

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 continues to review acquisition and investment opportunities in order to acquire companies and assets that meet the Company's investment criteria, some of which may be significant. 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 routinely evaluates its operations and considers opportunities to divest certain of its assets. 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, or divests certain of its operations, 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.

Growth. There is no assurance that in the future, the Company's business will grow substantially or without volatility, nor is there any assurance that the Company will be able to effectively adapt its management, administrative and operational systems to respond to any future growth. Furthermore, there is no assurance that the Company's operating margins will not be adversely affected by future changes in and expansion of its business or by changes in economic conditions or that it will be able to sustain or improve its profitability in the future.

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, as well as on parties who arranged for the disposal of waste at such properties. 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 of the Company's current or former 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 under certain of these laws and regulations may be imposed on a joint and several basis and without regard to whether the Company knew of, or was responsible for, the presence or disposal of these materials or whether the activities giving rise to the contamination was legal when it occurred. 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. If the Company incurs liability under these 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. There can be no assurance that the Company will not be required at some future date to incur significant costs or liabilities pursuant to environmental laws, or that the Company's operations, business or assets will not be materially affected by current or future environmental laws.

The Company's transportation operations and its properties are subject to extensive and frequently-changing federal, provincial, state, municipal and local environmental laws, regulations and requirements in Canada, the United States and Mexico relating to, among other things, air emissions, the management of contaminants, including hazardous substances and other materials (including the generation, handling, storage, transportation and disposal thereof), discharges and the remediation of environmental impacts (such as the contamination of soil and water, including ground water). A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management 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 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. 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 current or former 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 Company's management and key personal possess valuable knowledge about the transportation and logistics industry and their knowledge of and relationships with the Company's key customers and vendors would be difficult to replace. 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 agreements governing the Company's indebtedness, including the Credit Facility and the Term Loan, 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, and 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 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 trucking industry and the Company's trucking operations are capital intensive, and require significant capital expenditures annually. The amount and timing of such capital expenditures depend on various factors, including anticipated freight demand and the price and availability of assets. If anticipated demand differs materially from actual usage, the Company's trucking operations may have too many or too few assets. Moreover, resource requirements vary based on customer demand, which may be subject to seasonal or general economic conditions. 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 such turn ins, particularly during times of a softer used equipment market, either of which could have a materially adverse effect on the Company's profitability.

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. The agreements governing the Company's indebtedness, including the Credit Facility and the Term Loan, mature on various dates, ranging from 2020 to 2026. There can be no assurance that such agreements governing the Company's indebtedness 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 the Credit Facility or the Term Loan or arrange refinancing of any indebtedness, 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.

Increased prices for new revenue equipment, design changes of new engines, decreased availability of new revenue equipment and future use of autonomous tractors could have a material adverse effect on the Company's business, financial condition, operations, and profitability.

The Company is subject to risk with respect to higher prices for new equipment for its trucking operations. The Company has experienced an increase in prices for new tractors in recent years, and the resale value of the tractors has not increased to the same extent. Prices have increased and may continue to increase, due to, among other reasons, (i) increases in commodity prices; (ii) U.S. government regulations applicable to newly-manufactured tractors, trailers and diesel engines; and (iii) the pricing discretion of equipment manufacturers. Increased regulation has increased the cost of the Company's new tractors and could impair equipment productivity, in some cases, resulting in lower fuel mileage, and increasing the Company's operating expenses. Further regulations with stricter emissions and efficiency requirements have been proposed that would further increase the Company's costs and impair equipment productivity. These adverse effects, combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values realized from the disposition of these vehicles could increase the Company's costs or otherwise adversely affect the Company's business or operations as the regulations become effective. Over the past several years, some manufacturers have significantly increased new equipment prices, in part to meet new engine design and operations requirements. Furthermore, future use of autonomous tractors could increase the price of new tractors and decrease the value of used non-autonomous tractors. The Company's business could be harmed if it is unable to continue to obtain an adequate supply of new tractors and trailers for these or other reasons. As a result, the Company expects to continue to pay increased prices for equipment and incur additional expenses for the foreseeable future.

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. A decrease in vendor output may have a materially adverse effect on the Company's ability to purchase a quantity of new revenue equipment that is sufficient to sustain its desired growth rate and to maintain a late model fleet. Moreover, an inability to obtain an adequate supply of new tractors or trailers could have a material adverse effect on the Company's business, financial condition, and results of operation.

The Company has certain revenue equipment leases and financing arrangements with balloon payments at the end of the lease term equal to the residual value the Company is contracted to receive from certain equipment manufacturers upon sale or trade back to the manufacturers. If the Company does not purchase new equipment that triggers the trade-back obligation, or the equipment manufacturers do not pay the contracted value at the end of the lease term, the Company could be exposed to losses equal to the excess of the balloon payment owed to the lease or finance company over the proceeds from selling the equipment on the open market.

The Company has trade-in and repurchase commitments that specify, among other things, what its primary equipment vendors will pay it for disposal of a certain portion of the Company's revenue equipment. The prices the Company expects to receive under these arrangements may be higher than the prices it would receive in the open market. The Company may suffer a financial loss upon disposition of its equipment if these vendors refuse or are unable to meet their financial obligations under these agreements, it does not enter into definitive agreements that reflect favorable equipment replacement or trade-in terms, it fails to or is unable to enter into similar arrangements in the future, or it does not purchase the number of new replacement units from the vendors required for such trade-ins.

Used equipment prices are subject to substantial fluctuations based on freight demand, supply of used trucks, availability of financing, presence of buyers for export and commodity prices for scrap metal. These and any impacts of a depressed market for used equipment could require the Company to dispose of its revenue equipment below the carrying value. This leads to losses on disposal or impairments of revenue equipment, when not otherwise protected by residual value arrangements. Deteriorations of resale prices or trades at depressed values could cause losses on disposal or impairment charges in future periods.

Difficulty in obtaining goods and services from the Company's vendors and suppliers could adversely affect its business.

The Company is dependent upon its vendors and suppliers for certain products and materials. The Company believes that it has positive vendor and supplier relationships and it is generally able to obtain acceptable pricing and other terms from such parties. If the Company fails to maintain positive relationships with its vendors and suppliers, or if its vendors and suppliers are unable to provide the products and materials it needs or undergo financial hardship, the Company could experience difficulty in obtaining needed goods and services because of production interruptions, limited material availability or other reasons. As a consequence, the Company's business and operations could be adversely affected.

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 year ended December 31, 2019. 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 in order 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 receives and transmits confidential data with and among its customers, drivers, vendors, employees and service providers in the normal course of business.

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. The Company's systems are also vulnerable to unauthorized access and viewing, misappropriation, altering or deleting of information, including customer, driver, vendor, employee and service provider information and its proprietary business information. 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. For example, during the year ended December 31, 2019, the Company recognized a net loss on an accident claim of CAD $14.2 million (CAD $16.6 million net of CAD $2.4 million of tax recovery). 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. In addition, the Company may be subject, and has been subject in the past, to litigation resulting from trucking accidents. The number and severity of litigation claims may be worsened by distracted driving by both truck drivers and other motorists. 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 funded 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. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause the Company to fail to meet its reporting obligations. In addition and when required, any testing by the Company conducted in connection with section 404 of the U.S. Sarbanes-Oxley Act, or the subsequent testing by the Company's independent registered public accounting firm,

may reveal deficiencies in the Company's internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retrospective changes to the Company's consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in the Company's reported financial information, which could have a negative effect on the trading price of the Common Shares.

Material Transactions. The Company has acquired numerous companies pursuant to its acquisition strategy and, in addition, has sold business units, including the sale in February 2016 of its then-Waste Management segment for CAD $800 million. The Company buys and sells business units in the normal course of its business. Accordingly, at any given time, the Company may consider, or be in the process of negotiating, a number of potential acquisitions and dispositions, some of which may be material in size. In connection with such potential transactions, the Company regularly enters into non-disclosure or confidentiality agreements, indicative term sheets, non-binding letters of intent and other similar agreements with potential sellers and buyers, and conducts extensive due diligence as applicable. These potential transactions may relate to some or all of the Company's four reportable segments, that is, TL, Logistics, LTL, and Package and Courier. The Company's active acquisition and disposition strategy requires a significant amount of management time and resources. Although the Company complies with its disclosure obligations under applicable securities laws, the announcement of any material transaction by the Company (or rumours thereof, even if unfounded) could result in volatility in the market price and trading volume of the Common Shares. Further, the Company cannot predict the reaction of the market, or of the Company's stakeholders, customers or competitors, to the announcement of any such material transaction or to rumours thereof.

Dividends and Share Repurchases. The payment of future dividends and the amount thereof is uncertain and is at the sole discretion of the Board of Directors of the Company and is considered each quarter. The payment of dividends is dependent upon, among other things, operating cash flow generated by the Company, its financial requirements for operations, the execution of its growth strategy and the satisfaction of solvency tests imposed by the Canada Business Corporations Act for the declaration and payment of dividends. Similarly, any future repurchase of shares by the Company is at the sole discretion of the Board of Directors and is dependent on the factors described above. Any future repurchase of shares by the Company is uncertain.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of goodwill and intangible assets, the measurement of identified assets and liabilities acquired in business combinations and provisions for claims and litigations. 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, 2019 and have 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)

Except modifications from the adoption of IFRS 16 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, 2019, and have not been applied in preparing the audited consolidated financial statements:

Definition of a business (Amendments to IFRS 3)

Further information can be found in note 3 of the December 31, 2019 audited consolidated financial statements.

CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' National Instrument 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, 2019, 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, 2019.

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, 2019, 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, 2019, 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, 2019 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 10, 2020

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, 2019 and December 31, 2018
- 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, 2019 and December 31, 2018, 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 is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Change in Accounting Policy

We draw attention to Note 1(s) to the financial statements which indicates that the Entity has changed its accounting policy for leases as of January 1, 2019, due to the adoption of IFRS 16, Leases, and has applied that change using a modified retrospective transition approach.

Our opinion is not modified in respect of this matter.

Other Information

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

- the information included in 2019 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 "2019 Annual Report".

INDEPENDENT AUDITORS' REPORT (continued)

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.

We obtained the information included in 2019 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 "2019 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.

INDEPENDENT AUDITORS' REPORT (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity' 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 10, 2020

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

DECEMBER 31, 2019 AND 2018

(in thousands of Canadian dollars)	Note	As at December 31, 2019	As at December 31, 2018
Assets			
Trade and other receivables	7	587,370	631,727
Inventoried supplies		13,844	12,755
Current taxes recoverable		17,158	13,015
Prepaid expenses		36,077	38,546
Derivative financial instruments	26	39	5,430
Assets held for sale		4,625	7,572
Other assets	12	24,814	—
Current assets		683,927	709,045
Property and equipment	9	1,461,707	1,396,389
Right-of-use assets	3, 10	434,017	—
Intangible assets	11	1,954,902	1,901,495
Other assets	12	11,241	33,676
Deferred tax assets	18	11,461	6,409
Derivative financial instruments	26	—	2,946
Non-current assets		3,873,328	3,340,915
Total assets		4,557,255	4,049,960
Liabilities			
Bank indebtedness		3,801	12,334
Trade and other payables	13	443,468	475,585
Current taxes payable		6,050	18,951
Provisions	17	23,721	25,063
Other financial liabilities		2,654	1,972
Derivative financial instruments	26	843	—
Long-term debt	14	53,647	122,340
Lease liabilities	3, 15	99,133	—
Current liabilities		633,317	656,245
Long-term debt	14	1,691,040	1,462,083
Lease liabilities	3, 15	362,709	—
Employee benefits	16	18,585	16,130
Provisions	17	29,251	42,801
Other financial liabilities		3,649	5,907
Derivative financial instruments	26	888	—
Deferred tax liabilities	18	312,127	289,940
Non-current liabilities		2,418,249	1,816,861
Total liabilities		3,051,566	2,473,106
Equity			
Share capital	19	680,233	704,510
Contributed surplus	19, 21	21,063	20,448
Accumulated other comprehensive income		24,473	64,790
Retained earnings		779,920	787,106
Equity attributable to owners of the Company		1,505,689	1,576,854
Contingencies, letters of credit and other commitments	27		
Total liabilities and equity		4,557,255	4,049,960

The notes on pages 53 to 96 are an integral part of these consolidated financial statements.

On behalf of the Board:

Director
Alain Bédard

Director
André Bérard

YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Canadian dollars, except per share amounts)	Note	2019	2018
Revenue		4,613,629	4,508,197
Fuel surcharge		565,235	615,011
Total revenue		5,178,864	5,123,208
Materials and services expenses	22	2,832,070	2,913,996
Personnel expenses	23	1,297,929	1,253,975
Other operating expenses		207,057	279,857
Depreciation of property and equipment	9	223,794	198,492
Depreciation of right-of-use assets	10	102,573	—
Amortization of intangible assets	11	65,925	62,101
Impairment of intangible assets	11	—	12,559
Bargain purchase gain	5	(10,787)	—
Gain on sale of rolling stock and equipment		(20,416)	(10,903)
Gain on derecognition of right-of-use assets		(2,276)	—
Gain on sale of land and buildings		(12)	(524)
Gain on sale of assets held for sale		(28,613)	(15,620)
Gain on sale of intangible assets		—	(1,249)
Total operating expenses		4,667,244	4,692,684
Operating income		511,620	430,524
Finance (income) costs			
Finance income	24	(3,001)	(15,353)
Finance costs	24	88,642	63,659
Net finance costs		85,641	48,306
Income before income tax		425,979	382,218
Income tax expense	25	101,503	90,224
Net income from continuing operations		324,476	291,994
Net loss from discontinued operations	6	(14,193)	—
Net income for the year attributable to owners of the Company		310,283	291,994
Earnings per share attributable to owners of the Company			
Basic earnings per share	20	3.72	3.32
Diluted earnings per share	20	3.63	3.22
Earnings per share from continuing operations attributable to owners of the Company			
Basic earnings per share	20	3.89	3.32
Diluted earnings per share	20	3.80	3.22

The notes on pages 53 to 96 are an integral part of these consolidated financial statements.

YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Canadian dollars)	2019	2018
Net income for the year attributable to owners of the Company	**310,283**	291,994
Other comprehensive (loss) income		
Items that may be reclassified to income or loss in future years:		
Foreign currency translation differences	(52,502)	101,972
Net investment hedge, net of tax	16,115	(26,677)
Changes in fair value of cash flow hedge, net of tax	(9,835)	(2,842)
Employee benefits, net of tax	42	(159)
Items that may never be reclassified to income or loss in future years:		
Defined benefit plan remeasurement (losses) gains, net of tax	(1,619)	1,181
Items directly reclassified to retained earnings:		
Unrealized gain (loss) on investment in equity securities measured at fair value through OCI, net of tax	1,326	(4,693)
Other comprehensive (loss) income for the year, net of tax	**(46,473)**	68,782
Total comprehensive income for the year attributable to owners of the Company	**263,810**	360,776

The notes on pages 53 to 96 are an integral part of these consolidated financial statements.

YEARS ENDED DECEMBER 31, 2019 AND 2018

(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, 2018		704,510	20,448	(528)	10,210	60,971	(5,863)	787,106	1,576,854
Adjustment on initial application of IFRS 16 (see note 3)		—	—	—	—	—	—	(25,678)	(25,678)
Net income for the year		—	—	—	—	—	—	310,283	310,283
Other comprehensive (loss) income for the year, net of tax		—	—	42	(9,835)	(36,387)	1,326	(1,619)	(46,473)
Realized loss on equity securities, net of tax		—	—	—	—	—	4,537	(4,537)	—
Total comprehensive (loss) income for the year		—	—	42	(9,835)	(36,387)	5,863	304,127	263,810
Share-based payment transactions	21	—	8,269	—	—	—	—	—	8,269
Stock options exercised	19, 21	27,402	(5,641)	—	—	—	—	—	21,761
Dividends to owners of the Company	19	—	—	—	—	—	—	(81,145)	(81,145)
Repurchase of own shares	19	(52,633)	—	—	—	—	—	(203,059)	(255,692)
Net settlement of restricted share units	19, 21	954	(2,013)	—	—	—	—	(1,431)	(2,490)
Total transactions with owners, recorded directly in equity		(24,277)	615	—	—	—	—	(285,635)	(309,297)
Balance as at December 31, 2019		680,233	21,063	(486)	375	24,584	—	779,920	1,505,689
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	21	—	5,926	—	—	—	—	—	5,926
Stock options exercised	19, 21	20,840	(4,009)	—	—	—	—	—	16,831
Dividends to owners of the Company	19	—	—	—	—	—	—	(76,114)	(76,114)
Repurchase of own shares	19	(30,122)	—	—	—	—	—	(109,500)	(139,622)
Net settlement of restricted share units	19, 21	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

The notes on pages 53 to 96 are an integral part of these consolidated financial statements.

YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Canadian dollars)	Note	2019	2018
Cash flows from operating activities			
Net income for the year		310,283	291,994
Net loss from discontinued operations		(14,193)	—
Net income from continuing operations		324,476	291,994
Adjustments for			
Depreciation of property and equipment	9	223,794	198,492
Depreciation of right-of-use assets	10	102,573	—
Amortization of intangible assets	11	65,925	62,101
Impairment of intangible assets	11	—	12,559
Share-based payment transactions	21	8,269	5,926
Net finance costs	24	85,641	48,306
Income tax expense	25	101,503	90,224
Bargain purchase gain	5	(10,787)	—
Gain on sale of property and equipment		(20,428)	(11,427)
Gain on derecognition of right-of-use assets		(2,276)	—
Gain on sale of assets held for sale		(28,613)	(15,620)
Gain on sale of intangible assets		—	(1,249)
Provisions and employee benefits		(4,919)	(8,289)
		845,158	673,017
Net change in non-cash operating working capital	8	19,600	12,647
Cash generated from operating activities		864,758	685,664
Interest paid		(86,285)	(62,629)
Income tax paid		(113,181)	(79,532)
Net cash from continuing operating activities		665,292	543,503
Net cash used in discontinued operating activities		(16,176)	—
Net cash from operating activities		649,116	543,503
Cash flows from investing activities			
Purchases of property and equipment	9	(346,313)	(314,300)
Proceeds from sale of property and equipment		95,180	81,051
Proceeds from sale of assets held for sale		51,918	29,226
Purchases of intangible assets	11	(4,826)	(4,421)
Proceeds from sale of intangible assets		269	2,975
Business combinations, net of cash acquired	5	(200,401)	(156,487)
Purchases of investments		(787)	(604)
Proceeds from sale of investments		2,426	—
Others		(440)	68
Net cash used in continuing investing activities		(402,974)	(362,492)
Cash flows from financing activities			
(Decrease) increase in bank indebtedness		(8,494)	3,237
Proceeds from long-term debt	14	433,600	88,907
Repayment of long-term debt	14	(252,483)	(67,180)
Repayment of lease liabilities	15	(99,573)	—
Decrease in other financial liabilities		(2,068)	(3,021)
Dividends paid		(80,703)	(74,096)
Repurchase of own shares		(255,692)	(139,622)
Proceeds from exercise of stock options	19	21,761	16,831
Repurchase of own shares for restricted share unit settlement	19	(2,490)	(6,067)
Net cash used in continuing financing activities		(246,142)	(181,011)
Net change in cash and cash equivalents		—	—
Cash and cash equivalents, beginning of year		—	—
Cash and cash equivalents, end of year		—	—

The notes on pages 53 to 96 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, 2019 and 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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

2. Basis of preparation

a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 10, 2020.

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 are 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 is included in the following notes:

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

Note 11 – Determining estimates and assumptions related to impairment tests for long-lived assets and goodwill; and

Note 17 – Determining estimates and assumptions related to the evaluation of provisions for claims and litigations.

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 ("OCI") 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, except for trade receivables which are initially measured at their transaction price when the trade receivables do not contain a significant financing component. 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 and depending on the purpose for which the financial assets were acquired.

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 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.

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.

3. Significant accounting policies (continued)

c) Financial instruments (continued)

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 weighted average 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.

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

3. Significant accounting policies (continued)

d) Hedge accounting (continued)

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.

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.

3. Significant accounting policies (continued)

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 11).

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

g) Leases

The Group has implemented IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The impacts of changes are disclosed in note 3s).

As of January 1, 2019, at inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specific explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The policy is applied to contracts entered into, or modified on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. Significant accounting policies (continued)

g) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Group's incremental borrowing rate. The incremental borrowing rate is a function of the Group's incremental borrowing rate, the nature of the underlying asset, the location of the asset and the length of the lease. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or leases and leases of low-value assets. The Group recognises these lease payments as an expense on a straight-line basis over the lease term.

Prior to adoption of IFRS 16, the Company applied IAS 17 and IFRIC 4 and leases with terms which indicated that the Group assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition the leased asset were 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 was accounted for in accordance with the accounting policy applicable to that asset.

Other leases were operating leases and the leased assets were 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.

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.

3. Significant accounting policies (continued)

i) Impairment (continued)

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.

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.

3. Significant accounting policies (continued)

k) Employee benefits (continued)

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.

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 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 over time 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.

Based on the evaluation of the control model, certain businesses, mainly in the Less-Than-Truckload segment, act as the principal within their revenue arrangements. The affected businesses report transportation revenue gross of associated purchase transportation costs rather than net of such amounts within the consolidated statements of income.

n) Lease payments

Prior to adoption of IFRS 16, see note 3 g) and s), payments made under operating leases were recognized in income or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases were apportioned between the finance costs and the reduction of the outstanding liability. The finance cost was 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.

3. Significant accounting policies (continued)

o) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and interest and accretion on promissory note. 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.

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 the 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, 2019. These have been applied in preparing these consolidated financial statements:

IFRS 16, Leases: On January 13, 2016, the IASB issued IFRS 16 *Leases. IFRS 16 replaces 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 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. See note 3 g) for the Group accounting policy under IFRS 16.

Effective January 1, 2019, the Group adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On the initial application, the Group has elected to apply a mixture of the two available transition options; 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; on a lease-by-lease basis. A right-of-use asset and a lease liability were recorded as of January 1, 2019, for all outstanding lease contracts that met the definition of a lease, with any difference recorded in retained earnings, being recognized. An additional impact of $8.3 million on provisions and retained earnings was recognized for previously recorded straight-line rental costs under IAS 17. The Group also recognized a deferred tax liability which was recorded directly to retained earnings, and reclassed any assets recorded as finance lease from property and equipment to right-of-use assets, and the corresponding finance lease liability from long-term debt to the new lease liability presentation.

	As reported as at December 31, 2018	Adjustments	Restated balance as at January 1, 2019
Property and equipment	1,396,389	(25,687)	**1,370,702**
Right-of-use assets	—	465,095	**465,095**
Provisions (including current portion)	(67,864)	8,310	**(59,554)**
Long-term debt (including current portion)	(1,584,423)	9,164	**(1,575,259)**
Lease liabilities (including current portion)	—	(492,622)	**(492,622)**
Deferred tax liabilities	(289,940)	10,062	**(279,878)**
Retained earnings	(787,106)	25,678	**(761,428)**

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. This incremental borrowing rate was adjusted for the type of the underlying asset, the location of the underlying asset, and the length of the lease contract. At January 1, 2019, the weighted average rate used was 3.92% and the weighted average lease contract length was 7.42 years.

The Group has elected to apply the following practical expedients:

- The Group has elected to account for leases which lease term ends within 12 months of the date of initial application as short-term leases.
- The Group elected 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 apply the exemption for low value items. These low value items continue to be classified as a rent expense and included as material and service expenses.

3. Significant accounting policies (continued)

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

The following table reconciles the Group's operating lease obligations at December 31, 2018, as previously disclosed in the Group's audited annual consolidated financial statements, to the lease obligation recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitment as at December 31, 2018	506,111
Finance lease liability as at December 31, 2018	9,164
Discounted using the incremental borrowing rate at January 1, 2019	(72,642)
Recognition exemption for short-term leases	(15,646)
Extension options reasonably certain to be exercised	65,635
Lease obligations recognized at January 1, 2019	492,622

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 adoption of the amendments to IFRIC 23 did not have a material impact on the Group's 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 adoption of the amendments to IAS 19 did not have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards (2015-2017 cycle): On December 12, 2017, the IASB issued narrow-scope amendments to three standards as part of its annual improvement 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;
- 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 adoption of *Annual Improvements to IFRS Standards (2015-2017 cycle)* did not have a material impact on the Group's consolidated financial statements.

3. Significant accounting policies (continued)

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

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 adoption of the amendments 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 ended December 31, 2019, and have not been applied in preparing these 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.

Amendments to Hedge Accounting Requirements – IBOR Reform and its Effects on Financial Reporting (Phase 1): On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, as well as the related Standard on disclosures, IFRS 7 Financial Instruments: Disclosures in relation to Phase 1 of IBOR Reform and its Effects on Financial Reporting project. The amendments are effective from January 1, 2020. Earlier application is permitted. The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform in the following areas:

- the 'highly probable' requirement,
- prospective assessments,
- retrospective assessments (for IAS 39), and
- eligibility of risk components.

The extent of the impact of adoption of the amendments has not yet been determined.

4. Segment reporting

The Group operates within the transportation and logistics industry in the United States, Canada and Mexico in different reportable segments, as described below. The reportable segments are managed independently as they require different technology and capital resources. For each of the operating segments, the Group's CEO reviews internal management reports. 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 customers' specific needs. Includes expedited transportation, flatbed, tank, container and dedicated services.
Logistics[(b)]:	Asset-light logistics services, including brokerage, freight forwarding and transportation management, as well as small package parcel delivery.

(a) The Truckload reporting segment represents the aggregation of the Canadian Conventional Truckload, U.S. Conventional 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.

(b) Effective in the fourth quarter of fiscal 2019, the Group has renamed the segment to Logistics from the previous reporting as Logistics and Last Mile. The composition of the segment remains unchanged.

4. Segment reporting (continued)

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.

	Package and Courier	Less-Than-Truckload	Truckload	Logistics	Corporate	Eliminations	Total
2019							
External revenue	623,734	822,568	2,182,592	984,735	—	—	4,613,629
External fuel surcharge	86,910	132,086	307,171	39,068	—	—	565,235
Inter-segment revenue and fuel surcharge	5,177	10,297	19,989	3,949	—	(39,412)	—
Total revenue	715,821	964,951	2,509,752	1,027,752	—	(39,412)	5,178,864
Operating income (loss)	109,106	109,199	254,998	76,370	(38,053)	—	511,620
Selected items:							
Depreciation and amortization	33,012	70,193	242,444	44,571	2,072	—	392,292
Gain on sale of land and buildings	—	—	12	—	—	—	12
Gain (loss) on sale of assets held for sale	1,117	11,346	16,310	—	(160)	—	28,613
Bargain purchase gain	—	—	—	10,787	—	—	10,787
Intangible assets	246,948	244,756	1,117,840	341,183	4,175	—	1,954,902
Total assets	481,903	773,833	2,684,867	547,890	68,762	—	4,557,255
Total liabilities	155,391	299,090	542,307	166,263	1,888,515	—	3,051,566
Additions to property and equipment	17,741	65,651	255,550	2,942	7,523	—	349,407

	Package and Courier	Less-Than-Truckload	Truckload	Logistics	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

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	Eliminations	Total
2019						
Canada	715,821	805,514	1,060,654	286,814	(37,622)	2,831,181
United States	—	159,437	1,449,098	720,126	(1,790)	2,326,871
Mexico	—	—	—	20,812	—	20,812
Total	715,821	964,951	2,509,752	1,027,752	(39,412)	5,178,864
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

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

	2019	2018
Property and equipment, right-of-use assets and intangible assets		
Canada	2,308,400	1,927,241
United States	1,518,877	1,347,574
Mexico	23,349	23,069
	3,850,626	3,297,884

5. Business combinations

a) Business combinations

In line with the Group's growth strategy, the Group acquired eight businesses during 2019, of which Schilli Corporation ("Schilli"), which was renamed BTC East in September 2019, was considered material. These transactions were concluded in order to add density in the Group's current network and further expand value-added services.

On February 22, 2019, the Group completed the acquisition of Schilli. Based in St. Louis, Schilli specializes in the transportation of dry and liquid bulk and offers dedicated fleet solutions and other value-add services throughout the Midwest, Southeast and Gulf Coast regions of the United States. The purchase price for this business acquisition totalled $76.6 million, which has been paid in cash. During the year ended December 31, 2019, Schilli contributed revenue and net income of $70.6 million and $3.0 million, respectively since the acquisition.

On April 29, 2019, the Group completed the acquisition of certain assets of BeavEx Incorporated Inc. and its affiliates Guardian Medical Logistics, JNJW Enterprises Inc. and USXP LLC (collectively "BeavEx"). The purchase price for this business acquisition totalled $9.7 million, which has been paid in cash. The fair value of the identifiable net assets acquired, including the fair value of the customer relationships acquired, exceeded the purchase price, resulting in a bargain purchase gain of $10.8 million in the logistics segment.

If the Group acquired the eight businesses on January 1, 2019, as per management's best estimates, the revenue and net income for these entities would have been $396.7 million and $22.7 million, respectively. In determining these estimated amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisitions occurred on January 1, 2019.

5. Business combinations (continued)

a) Business combinations (continued)

During 2019, 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.

As of the reporting date, the Group had not completed the purchase price allocation over the identifiable net assets and goodwill of the 2019 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	Schilli	Others*	2019	2018
Cash and cash equivalents		11,622	8,716	**20,338**	2,560
Trade and other receivables		7,365	38,301	**45,666**	41,771
Inventoried supplies and prepaid expenses		2,426	5,242	**7,668**	6,408
Property and equipment	9	28,484	60,050	**88,534**	100,058
Right-of-use assets	10	3,189	11,451	**14,640**	—
Intangible assets	11	12,910	49,912	**62,822**	37,611
Other assets		284	(184)	**100**	428
Trade and other payables		(3,617)	(29,415)	**(33,032)**	(23,576)
Income tax payable		(4,205)	(1,913)	**(6,118)**	63
Provisions	17	(1,921)	34	**(1,887)**	—
Other non-current liabilities		—	(481)	**(481)**	—
Long-term debt		—	(11,505)	**(11,505)**	(23,395)
Lease liabilities	15	(3,189)	(11,451)	**(14,640)**	—
Deferred tax liabilities		(9,606)	(12,353)	**(21,959)**	(20,740)
Total identifiable net assets		43,742	106,403	**150,145**	121,188
Total consideration transferred		76,613	145,043	**221,656**	164,393
Goodwill	11	32,871	49,427	**82,298**	43,205
Bargain purchase gain		—	(10,787)	**(10,787)**	—
Cash		76,613	144,126	**220,739**	159,047
Contingent consideration		—	917	**917**	5,346
Total consideration transferred		76,613	145,043	**221,656**	164,393

(*) Includes non-material adjustments to prior year's acquisitions

The trade receivables comprise gross amounts due of $40.3 million, of which $1.1 million was expected to be uncollectible at the acquisition date.

Of the goodwill and intangible assets acquired through business combinations in 2019, $25.0 million is deductible for tax purposes (2018 – $7.2 million).

During 2018, the Group acquired nine businesses, notably Normandin Transit Inc. ("Normandin").

On April 3, 2018, the Group completed the acquisition of 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.

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)

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	2019*
Specialized Truckload	Truckload	67,108
Logistics	Logistics	15,190
		82,298

(*) Includes non-material adjustments to prior year's acquisitions

c) Contingent consideration

The contingent consideration relates to a non-material business acquisition 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%. This consideration is contingent on achieving specified earning levels in the future periods. The maximum yearly amount payable for the next two years is $0.5 million for a total consideration of $1.0 million. At December 31, 2019, the fair value of the contingent arrangement was estimated at $0.9 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.

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

The 2018 annual consolidated financial statements included details of the Group's business combinations and set out provisional fair values relating to the consideration paid and net assets acquired of Normandin and various non-material acquisitions. 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. Consequently, the fair value of certain assets acquired and liabilities assumed of Normandin and the non-material acquisitions have been adjusted in 2019. No material adjustments were required to the provisional fair values for these prior period's business combinations, and have been included with other acquisitions of 2019.

6. Discontinued operations

In Q2 2019, the Group received an unfavorable ruling on an accident claim, resulting in a loss of $12.5 million ($16.6 million, net of tax of $4.1 million). The incident occurred in an operating division which was part of the discontinued rig moving segment. The rig moving segment was classified as discontinued on September 30, 2015.

In Q4 2019, the tax implications were re-evaluated, resulting in a decrease of recoverable tax of $1.7 million. The total net loss for 2019 amounted to $14.2 million ($16.6 million, net of tax of $2.4 million).

The net cash outflows from discontinued operations amounted to $16.2 million ($18.6 million, net of tax of $2.4 million).

The basic and diluted loss per share for the year ended December 31, 2019 from discontinued operations is $0.17 and $0.17, respectively.

7. Trade and other receivables

	2019	2018
Trade receivables	574,261	605,320
Other receivables	13,109	26,407
	587,370	631,727

The Group's exposure to credit and currency risks related to trade and other receivables is disclosed in note 26 a) and d).

Trade receivables at December 31, 2019 include $9.9 million of in-transit revenue balances (2018 – $10.8 million). Due to the short-term nature of the transportation and logistics services provided by the Group, these services are expected to be completed within the week following the year-end.

8. Additional cash flow information

Net change in non-cash operating working capital

	2019	2018
Trade and other receivables	**77,374**	(2,624)
Inventoried supplies	**3,032**	434
Prepaid expenses	**5,018**	(980)
Trade and other payables	**(65,824)**	15,817
	19,600	12,647

9. Property and equipment

	Land and buildings	Rolling stock	Equipment	Total
Cost				
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**
Additions through business combinations	6,378	79,232	2,924	**88,534**
Other additions	52,566	280,704	16,137	**349,407**
Disposals	(3,483)	(167,640)	(12,984)	**(184,107)**
Reclassification to assets held for sale	(28,226)	(3,535)	—	**(31,761)**
Transfer to right-of-use assets	—	(38,920)	—	**(38,920)**
Effect of movements in exchange rates	(3,041)	(31,104)	(188)	**(34,333)**
Balance at December 31, 2019	**400,909**	**1,645,986**	**162,735**	**2,209,630**
Depreciation				
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**
Depreciation for the year	11,784	198,469	13,541	**223,794**
Disposals	(3,216)	(94,630)	(11,509)	**(109,355)**
Reclassification to assets held for sale	(8,447)	(2,956)	—	**(11,403)**
Transfer to right-of-use assets	—	(13,235)	—	**(13,235)**
Effect of movements in exchange rates	(521)	(6,033)	255	**(6,299)**
Balance at December 31, 2019	**76,121**	**567,787**	**104,015**	**747,923**
Net carrying amounts				
At December 31, 2018	300,194	1,041,077	55,118	1,396,389
At December 31, 2019	**324,788**	**1,078,199**	**58,720**	**1,461,707**

9. Property and equipment (continued)

As at December 31, 2019, $3.1 million is included in trade and other payables for the purchases of property and equipment (2018 – nil).

Security

At December 31, 2019, certain rolling stock are pledged as security for conditional sales contracts, with a carrying amount of $180 million (2018 – $179 million) (see note 14).

10. Right-of-use assets

	Land and buildings	Rolling stock	Equipment	Total
Cost				
Initial recognition of IFRS 16	565,960	130,805	1,940	**698,705**
Transfer from property and equipment	—	38,920	—	**38,920**
Other additions	29,547	54,337	466	**84,350**
Additions through business combinations	11,754	2,886	—	**14,640**
Derecognition	(46,737)	(13,844)	(14)	**(60,595)**
Effect of movements in exchange rates	(1,897)	16	(3)	**(1,884)**
Balance at December 31, 2019	**558,627**	**213,120**	**2,389**	**774,136**
Depreciation				
Initial recognition of IFRS 16	207,429	51,148	720	**259,297**
Transfer from property and equipment	2	13,233	—	**13,235**
Depreciation	67,256	34,653	664	**102,573**
Derecognition	(22,425)	(11,736)	(2)	**(34,163)**
Effect of movements in exchange rates	(704)	(124)	5	**(823)**
Balance at December 31, 2019	**251,558**	**87,174**	**1,387**	**340,119**
Net carrying amounts				
At December 31, 2019	**307,069**	**125,946**	**1,002**	**434,017**

11. Intangible assets

		Other intangible assets				
	Goodwill	Customer relationships	Trademarks	Non-compete agreements	Information technology	Total
Cost						
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**
Additions through business combinations	82,298	55,064	3,369	4,339	50	**145,120**
Other additions	—	—	—	—	4,826	**4,826**
Disposals	—	(274)	—	—	—	**(274)**
Extinguishments	—	(1,469)	—	(220)	(2,379)	**(4,068)**
Effect of movements in exchange rates	(28,216)	(10,974)	(2,903)	(246)	(150)	**(42,489)**
Balance at December 31, 2019	**1,728,871**	**625,279**	**111,379**	**15,498**	**27,072**	**2,508,099**
Amortization and impairment losses						
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**
Amortization for the year	—	54,468	6,659	2,484	2,314	**65,925**
Disposals	—	(5)	—	—	—	**(5)**
Extinguishments	—	(1,469)	—	(220)	(2,379)	**(4,068)**
Effect of movements in exchange rates	(5,640)	(5,246)	(1,075)	(72)	(111)	**(12,144)**
Balance at December 31, 2019	**190,780**	**285,430**	**52,186**	**5,806**	**18,995**	**553,197**
Net carrying amounts						
At December 31, 2018	1,478,369	345,250	64,311	8,011	5,554	1,901,495
At December 31, 2019	**1,538,091**	**339,849**	**59,193**	**9,692**	**8,077**	**1,954,902**

At December 31, 2019, the Group performed its annual impairment testing for indefinite life trade names. The Group estimated the value in use to be $34.7 million compared to its carrying value of $32.8 million, resulting in no impairment charge. Management used the relief-from-royalty method and discount rates between 8.5% and 9.7% in its analysis.

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.

11. Intangible assets (continued)

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.

At December 31, 2019, 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	2019	2018
Package and Courier	241,181	241,181
Less-Than-Truckload	169,349	169,349
Truckload		
Canadian Truckload	109,964	109,964
U.S. Truckload	316,796	330,458
Specialized Truckload	459,147	394,122
Logistics	241,654	233,295
	1,538,091	1,478,369

The results as at December 31, 2019 determined that the recoverable amounts of the Group's operating segments exceeded their respective carrying amounts.

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

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

Reportable segment / operating segment	2019	2018
Package and Courier	9.7%	10.0%
Less-Than-Truckload	9.2%	9.5%
Truckload		
Canadian Truckload	11.7%	12.0%
U.S. Truckload	10.7%	11.0%
Specialized Truckload	11.2%	11.5%
Logistics	9.7%	10.0%

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% (2018 – 50.0%) at a market interest rate of 7.7% (2018 – 7.8%).

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% (2018 – 2.0%) in revenues and margins were adjusted where deemed appropriate. The terminal value growth rate was 2.0% (2018 – 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).

12. Other assets

	2019	2018
Promissory note	24,814	22,686
Restricted cash	4,298	4,267
Security deposits	4,109	3,445
Investments in equity securities	1,391	1,498
Other	1,443	1,780
	36,055	33,676
Presented as:		
Current other assets	24,814	—
Non-current other assets	11,241	33,676

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 a total consideration of $800 million, which included an unsecured promissory note of $25 million yielding 3% interest with a term of 4 years. On February 1, 2020, the promissory note was collected in full by the Company.

13. Trade and other payables

	2019	2018
Trade payables and accrued expenses	309,641	337,470
Personnel accrued expenses	112,650	117,380
Dividend payable	21,177	20,735
	443,468	475,585

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

14. 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 26.

	2019	2018
Non-current liabilities		
Unsecured revolving facilities	590,259	740,556
Unsecured term loans	609,147	498,805
Unsecured debenture	198,900	124,825
Unsecured senior notes	194,820	—
Conditional sales contracts	97,914	94,222
Finance lease liabilities	—	3,675
	1,691,040	1,462,083
Current liabilities		
Current portion of unsecured revolving facilities	11,970	—
Current portion of conditional sales contracts	41,677	41,919
Current portion of finance lease liabilities	—	5,489
Current portion of unsecured term loans	—	74,932
	53,647	122,340

14. Long-term debt (continued)

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

					2019		2018	
		Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Unsecured revolving facility	a	C$	BA + 1.70%	2023	140,600	137,821	274,832	273,208
Unsecured revolving facility	a	US$	Libor + 1.70%	2023	349,906	452,438	344,617	467,348
Unsecured revolving facility	b	US$	Libor + 1.70%	2020	9,216	11,970	—	—
Unsecured term loan	a	C$	BA + 1.20% - 1.45%	2021-2022	610,000	609,147	500,000	498,805
Unsecured debenture	c	C$	3.32% - 4.22%	2024	200,000	198,900	125,000	124,825
Unsecured senior notes	d	US$	3.85%	2026	150,000	194,820	—	—
Unsecured term loan	a	—	—	—	—	—	75,000	74,932
Conditional sales contracts	e	Mainly C$	2.00% - 4.99%	2020-2025	139,591	139,591	136,141	136,141
Finance lease liabilities		—	—	—	—	—	9,164	9,164
						1,744,687		1,584,423

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

	Note	2019	2018
Balance at December 31, 2018		1,584,423	1,498,396
Transfer to lease liabilities		(9,164)	—
Proceeds		433,600	88,907
Business combinations	5	11,505	23,395
Repayment including deferred financing fees		(252,483)	(67,180)
Accretion of deferred financing fees		2,261	2,335
Effect of movements in exchange rates		(6,857)	7,489
Effect of movements in exchange rates – OCI		(18,598)	30,796
Other		—	285
Balance at December 31, 2019		1,744,687	1,584,423

a) Unsecured revolving credit facility and term loans

On February 1, 2019, the $500 million unsecured term loan was amended to increase the indebtedness to $575 million. On February 11, 2019, the related incremental funds were used to reimburse a separate $75 million unsecured term loan that was due to mature in August 2019. Deferred financing fees of $0.1 million were recognized on the increase.

On February 1, 2019, the Group renegotiated the pricing grid of both its revolving credit facility and $575 million term loan. The $575 million term loan remains within the confines of the credit facility, but now has a pricing grid different than the revolving credit facility and each of the two tranches have now their own pricing grid. Deferred financing fees of $0.3 million were recognized on the pricing grid revision.

On June 27, 2019, the Group extended its existing revolving credit facility by one year, to June 2023. Deferred financing fees of $0.9 million were recognized on the extension.

On June 27, 2019, the Group extended the maturity of the $575 million unsecured term loan by one year for each tranche, $200 million now due in June 2021 and $375 million now due in June 2022. Deferred financing fees of $0.4 million were recognized on the extension.

On December 27, 2019, the $575 million unsecured term loan was amended to increase the indebtedness to $610 million. Deferred financing fees of $0.1 million were recognized on the increase.

14. Long-term debt (continued)

a) Unsecured revolving credit facility and term loans (continued)

The revolving credit facility is unsecured and can be extended annually. The total available amount under this 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 120 basis points and 200 basis points. As of December 31, 2019, the credit facility's interest rate on CAD denominated debt was 3.8% (2018 – 4.0%) and on US$ denominated debt was 3.4% (2018 – 4.2%). 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 26 (f)).

The term loan is unsecured and is divided into two tranches, the first tranche of $200 million is now due in June 2021 and the second tranche of $410 million is now due in June 2022. Early repayment, in part or whole, is permitted, without penalty, and will permanently reduce the amount borrowed. The terms and conditions of this unsecured term loan are the same as the unsecured revolving credit facility and are subject to the same covenants. As of December 31, 2019, the term loan's interest rate was 3.3% on first tranche and 3.5% on second tranche (2018 – 4.0%).

b) Unsecured revolving facility

On November 22, 2019, the Group entered into a new revolving credit facility agreement. The credit facility is unsecured and provides an availability of US$25 million maturing in November 2020. Interest rate is following the same pricing grid applicable for the US$ denominated debt in the $1,200 million revolving credit facility. As of December 31, 2019, the credit facility's interest rate was 3.4%. 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 26 (f)).

c) Unsecured debenture

On December 20, 2019, the unsecured debenture was amended to increase the indebtedness by $75 million, to $200 million, and to extend maturity date by four years, to December 2024. Following this amendment, debenture is now carrying an interest rate between 3.32% and 4.22% (2018 – 3.00% to 3.45%) depending on certain ratios. As of December 31, 2019, the debenture's effective rate was 3.77% (2018 – 3.00%). The debenture may be repaid, without penalty, after December 20, 2022, subject to the approval of the Group's syndicate of bank lenders. Deferred financing fees of $1.1 million were recognized on the increase and extension.

d) Unsecured senior notes

On December 20, 2019, the Group entered into a new unsecured senior note agreement. This loan takes the form of senior notes each carrying an interest rate of 3.85% and with a December 2026 maturity date. These notes may be prepaid at any time prior to maturity date, in part or in total, at 100% of the principal amount and the make-whole amount determined at the prepayment date with respect to such principal amount.

e) Conditional sales contracts

Conditional sales contracts are secured by rolling stock having a carrying value of $180 million (2018 – $179 million) (see note 8).

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 facilities	11,970	593,495	—	605,465
Unsecured term loan	—	610,000	—	610,000
Unsecured debenture	—	200,000	—	200,000
Unsecured senior notes	—	—	194,820	194,820
Conditional sales contracts	41,677	97,691	223	139,591
	53,647	1,501,186	195,043	1,749,876

15. Lease liabilities

	2019
Current portion of lease liabilities	99,133
Long-term portion of lease liabilities	362,709
	461,842

The table below summarizes changes to the lease liabilities:

	Note	2019
Initial recognition on transition to IFRS 16 on January 1, 2019		483,458
Transfer of finance leases from long-term debt		9,164
Business combinations	5	14,640
Additions		84,350
Disposals		(28,708)
Repayment		(99,573)
Effect of movements in exchange rates		(1,489)
Balance at December 31, 2019		461,842

Extension options

Some real estate leases contain extension options exercisable by the Group. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The lease liabilities include future lease payments of $50.4 million related to extension options that the Group is reasonably certain to exercise.

The Group has estimated that the potential future lease payments, should it exercise the remaining extension options, would result in an increase in lease liabilities of $464.6 million.

The Group does not have a significant exposure to termination options and penalties.

Variable lease payments

Some leases contain variable lease payments which are not included in the measurement of the lease liability. These payments include, amongst others, common area maintenance fees, municipal taxes and vehicle maintenance fees. The expense related to variable lease payments for the year ended December 31, 2019 was $24.0 million.

Sub-leases

The Group sub-leases some of its properties. Income from sub-leasing right-of-use assets for the year ended December 31, 2019 was $16.3 million, presented in "Other operating expenses".

Contractual cash flows

The total contractual cash flow maturities of the Group's lease liabilities are as follows:

	2019
Less than 1 year	114,953
Between 1 and 5 years	285,356
More than 5 years	126,467
	526,776

For the year ended December 31, 2019, operating lease expenses of $44.2 million (2018 – $152.0 million) were recognized in the consolidated statement of income for leases that either did not meet the definition of a lease under IFRS 16, which was adopted on January 1, 2019, or were excluded based on practical expedients applied at transition.

16. Employee benefits

The Group sponsors defined benefit pension plans for 165 of its employees (2018 – 193).

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, 2018 and the next required valuation will be as of December 31, 2019.

In addition to the above-mentioned defined benefit plans, the Group sponsors an employee severance plan in Mexico. At December 31, 2019, total obligation under this arrangement amounted to $1.3 million ($1.1 million in 2018).

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

	2019	2018
Accrued benefit obligation	40,846	37,623
Fair value of plan assets	(23,519)	(22,620)
Plan deficit – employee benefit liability	17,327	15,003

Plan assets comprise:

	2019	2018
Equity securities	16%	31%
Debt securities	81%	57%
Other	3%	12%

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:

	2019	2018
Accrued benefit obligation, beginning of year	37,623	48,689
Current service cost	658	695
Interest cost	1,466	1,526
Benefits paid	(1,695)	(10,860)
Remeasurement (gain) loss arising from:		
-Demographic assumptions	—	234
-Financial assumptions	2,994	(2,129)
-Experience	(200)	(532)
Accrued benefit obligation, end of year	40,846	37,623

16. Employee benefits (continued)

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

	2019	2018
Fair value of plan assets, beginning of year	22,620	31,822
Interest income	882	950
Employer contributions	1,287	1,685
Benefits paid	(1,695)	(10,860)
Remeasurement gain (loss) arising from financial assumptions	617	(815)
Plan administration expenses	(192)	(162)
Fair value of plan assets, end of year	23,519	22,620

Expense recognized in income or loss:

	2019	2018
Current service cost	658	695
Net interest cost	584	576
Plan administration expenses	192	162
Pension expense	1,434	1,433
Actual return on plan assets	1,499	135

Actuarial losses recognized in other comprehensive income:

	2019	2018
Amount accumulated in retained earnings, beginning of year	11,712	13,324
Recognized during the year	2,177	(1,612)
Amount accumulated in retained earnings, end of year	13,889	11,712
Recognized during the year, net of tax	1,619	(1,181)

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

	2019	2018
Accrued benefit obligation:		
Discount rate at December 31	3.3%	4.0%
Future salary increases	1.5%	1.5%
Employee benefit expense:		
Discount rate at January 1	4.0%	3.5%
Rate of return on plan assets at January 1	4.0%	3.5%
Future salary increases	1.5%	1.2%

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:

	2019	2018
Longevity at age 65 for current pensioners		
Males	22.0	21.9
Females	24.7	24.6
Longevity at age 65 for current members aged 45		
Males	23.5	23.4
Females	26.0	26.0

16. Employee benefits (continued)

At December 31, 2019 the weighted-average duration of the defined benefit obligation was 12.1 years.

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

	2019		2018	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(4,137)**	**5,044**	(5,112)	6,244
Life expectancy (1-year movement)	**980**	**(1,097)**	1,130	(1,088)

Historical information:

	2019	2018	2017	2016	2015
Present value of the accrued benefit obligation	**40,846**	37,623	48,689	45,942	46,908
Fair value of plan assets	**(23,519)**	(22,620)	(31,822)	(31,660)	(33,147)
Deficit in the plan	**17,327**	15,003	16,867	14,282	13,761
Experience adjustments arising on plan obligations	**2,794**	(2,427)	3,088	521	738
Experience adjustments arising on plan assets	**617**	(815)	456	1,077	278

The Group expects approximately $3.1 million in contributions to be paid to its defined benefit plans in 2020.

17. 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)
Unwind of discount on long-term provisions		406	—	406
Balance at January 1, 2019		50,143	17,721	**67,864**
Additions through business combinations	5	671	1,216	**1,887**
Provisions made during the year		76,632	6,767	**83,399**
Provisions used during the year		(64,964)	(23,050)	**(88,014)**
Provisions reversed during the year		(12,018)	(579)	**(12,597)**
Unwind of discount on long-term provisions		433	—	**433**
Balance at December 31, 2019		50,897	2,075	**52,972**
2019				
Current provisions		21,961	1,760	**23,721**
Non-current provisions		28,936	315	**29,251**
2018				
Current provisions		21,761	3,302	25,063
Non-current provisions		28,382	14,419	42,801

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 2.2% (2018 – 2.6%).

18. Deferred tax assets and liabilities

	2019	2018
Property and equipment	(244,959)	(213,238)
Intangible assets	(103,055)	(104,610)
Derivative financial instruments and investment in equity securities	575	(1,259)
Long-term debt	7,645	2,297
Employee benefits	9,675	7,449
Provisions	12,824	17,162
Tax losses	18,967	9,950
Other	(2,338)	(1,282)
Net deferred tax liabilities	(300,666)	(283,531)
Presented as:		
Deferred tax assets	11,461	6,409
Deferred tax liabilities	(312,127)	(289,940)

Movement in temporary differences during the year:

	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)

	Balance December 31, 2018	Recognized in income or loss	Recognized directly in equity	Acquired in business combinations	Balance December 31, 2019
Property and equipment	(213,238)	(27,293)	6,088	(10,516)	(244,959)
Intangible assets	(104,610)	11,319	1,678	(11,442)	(103,055)
Long-term debt	2,297	(4,543)	9,892	(1)	7,645
Employee benefits	7,449	1,687	539	—	9,675
Provisions	17,162	(3,839)	(499)	—	12,824
Tax losses	9,950	9,736	(719)	—	18,967
Other	(2,541)	(1,797)	2,575	—	(1,763)
Net deferred tax liabilities	(283,531)	(14,730)	19,554	(21,959)	(300,666)

A tax loss of US$15.7M expires in 2037 (CA$5.2M tax effected) with the remainder of tax losses of US$41.7M (CA$13.7M tax effected) 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.

19. Share capital and other components of equity

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

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

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

The following table summarizes the number of common shares issued:

(in number of shares)	Note	2019	2018
Balance, beginning of year		**86,397,588**	89,123,588
Repurchase and cancellation of own shares		**(6,409,446)**	(3,755,002)
Stock options exercised	21	**1,462,184**	1,029,002
Balance, end of year		**81,450,326**	86,397,588

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

	2019	2018
Balance, beginning of year	**704,510**	711,036
Repurchase and cancellation of own shares	**(52,633)**	(30,122)
Cash consideration of stock options exercised	**21,761**	16,831
Ascribed value credited to share capital on stock options exercised	**5,641**	4,009
Issuance of shares on settlement of RSUs	**954**	2,756
Balance, end of year	**680,233**	704,510

Pursuant to the normal course issuer bid ("NCIB") which began on October 2, 2019 and expiring on October 1, 2020, the Company is authorized to repurchase for cancellation up to a maximum of 7,000,000 of its common shares under certain conditions. As at December 31, 2019, and since the inception of this NCIB, the Company has repurchased and cancelled 679,100 common shares.

During 2019, the Company repurchased 6,409,446 common shares at a price ranging from $33.89 to $44.00 per share for a total purchase price of $255.7 million relating to the NCIB. 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 a previous NCIB. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of $203.1 million (2018 – $109.5 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 21).

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

Accumulated other comprehensive income ("AOCI")

At December 31, 2019 and 2018, AOCI is comprised of accumulated foreign currency translation differences arising from the translation of the financial statements of foreign operations, 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 2019, the Company declared quarterly dividends amounting to a total of 98.0 cents per outstanding common share when the dividend was declared (2018 – 87.0 cents) for a total of $81.1 million (2018 – $76.1 million). On February 10, 2020, the Board of Directors approved a quarterly dividend of 26.0 cents per outstanding common share of the Company's capital for an expected aggregate payment of $21.2 million which will be paid on April 15, 2020 to shareholders of record at the close of business on March 31, 2020.

20. 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)	2019	2018
Net income attributable to owners of the Company	**310,283**	291,994
Issued common shares, beginning of year	**86,397,588**	89,123,588
Effect of stock options exercised	**846,690**	512,020
Effect of repurchase of own shares	**(3,854,133)**	(1,669,980)
Weighted average number of common shares	**83,390,145**	87,965,628
Earnings per share – basic (in dollars)	**3.72**	3.32
Earnings per share from continuing operations – basic (in dollars)	**3.89**	3.32

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)	2019	2018
Net income attributable to owners of the Company	**310,283**	291,994
Weighted average number of common shares	**83,390,145**	87,965,628
Dilutive effect:		
Stock options and restricted share units	**1,974,038**	2,838,361
Weighted average number of diluted common shares	**85,364,183**	90,803,989
Earnings per share – diluted (in dollars)	**3.63**	3.22
Earnings per share from continuing operations – diluted (in dollars)	**3.80**	3.22

As at December 31, 2019, 900,545 stock options were excluded from the calculation of diluted earnings per share (2018 – nil) 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.

21. 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)		2019		2018
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	**5,031**	**21.01**	5,493	19.22
Granted	**909**	**40.36**	618	29.92
Exercised	**(1,462)**	**14.88**	(1,029)	16.36
Forfeited	**(56)**	**36.68**	(51)	29.65
Balance, end of year	**4,422**	**26.82**	5,031	21.01
Options exercisable, end of year	**3,040**	**22.21**	3,864	18.44

The following table summarizes information about stock options outstanding and exercisable at December 31, 2019:

(in thousands of options and in dollars)		Options outstanding	Options exercisable
Exercise prices	Number of options	Weighted average remaining contractual life (in years)	Number of options
9.46	556	0.6	556
20.18	499	0.6	499
24.93	600	2.6	600
24.64	741	3.6	741
25.14	267	1.6	267
29.92	573	5.1	184
35.02	312	4.1	193
40.36	874	6.1	—
	4,422	3.3	3,040

Of the options outstanding at December 31, 2019, a total of 3,463,098 (2018 – 3,836,102) are held by key management personnel.

The weighted average share price at the date of exercise for stock options exercised in 2019 was $42.26 (2018 – $42.77).

In 2019, the Group recognized a compensation expense of $4.5 million (2018 – $3.0 million) with a corresponding increase to contributed surplus.

21. Share-based payment arrangements (continued)

Stock option plan (equity-settled) (continued)

On February 27, 2019, the Board of Directors approved the grant of 909,404 stock options under the Company's stock option plan of which 562,452 were granted to key management personnel, at that date. 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 27, 2019	February 20, 2018
Exercise price	$ 40.36	$ 29.92
Average expected option life	4.5 years	4.5 years
Risk-free interest rate	1.88%	1.83%
Expected stock price volatility	24.3%	21.92%
Average dividend yield	2.72%	2.56%
Weighted average fair value per option of options granted	$ 6.74	$ 4.55

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)	2019	2018
Balance, beginning of year	306,042	281,323
Board members compensation	34,144	27,666
Deferred share units redeemed	—	(9,418)
Dividends paid in units	7,845	6,471
Balance, end of year	348,031	306,042

In 2019, the Group recognized, as a result of DSUs, a compensation expense of $1.5 million (2018 – $1.1 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 $3.2 million for the year ended 2019 (2018 – 0.9 million).

As at 2019, the total carrying amount of liabilities for cash-settled arrangements recorded in trade and other payables amounted to $15.5 million (2018 – $10.8 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 27, 2019, the Company granted a total of 152,965 RSUs under the Company's equity incentive plan of which 93,921 were granted to key management personnel, at that date. 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 was $40.36 per unit.

21. Share-based payment arrangements (continued)

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

The table below summarizes changes to the outstanding RSUs:

(in thousands of RSUs and in dollars)	2019		2018	
	Number of RSUs	Weighted average exercise price	Number of RSUs	Weighted average exercise price
Balance, beginning of year	**147**	**31.84**	206	27.74
Granted	**153**	**40.36**	95	29.92
Reinvested	**7**	**35.60**	7	28.30
Settled	**(59)**	**34.89**	(144)	24.78
Forfeited	**(9)**	**37.33**	(17)	29.83
Balance, end of year	**239**	**36.44**	147	31.84

The following table summarizes information about RSUs outstanding and exercisable as at December 31, 2019:

(in thousands of RSUs and in dollars)	RSUs outstanding	
Exercise prices	Number of RSUs	Remaining contractual life (in years)
29.92	90	1.0
40.36	149	2.0
	239	1.6

The weighted average share price at the date of settlement of RSUs vested in 2019 was $43.11 (2018 – $43.49). The excess of the purchase price paid over the carrying value of shares repurchased for settlement of the award, in the amount of $1.4 million (2018 – $5.4 million), was charged to retained earnings as share repurchase premium.

In 2019, the Group recognized, as a result of RSUs, a compensation expense of $3.8 million (2018 – $3.0 million) with a corresponding increase to contributed surplus.

Of the RSUs outstanding at December 31, 2019, a total of 155,974 (2018 – 87,486) are held by key management personnel.

In February 2020, upon the recommendation of the Human Resources and Compensation Committee the Board approved the following changes to the long-term incentive plan ("LTIP") policy for designated eligible participants in 2020 and future years. Each participant's annual LTIP allocation will be split in two equally weighted awards of Performance Share Units ("PSUs") and of RSUs. The PSUs will be subject to both performance and time cliff vesting conditions on the third anniversary of the award whereas the RSUs will only be subject to a time cliff vesting condition on the third anniversary of the award. The performance conditions attached to the PSUs will be equally weighted between an absolute earnings before interest and income tax objective and relative total shareholder return ("TSR"). For purposes of the relative TSR portion, there will be two equally weighted comparisons: the first portion will be compared against the TSR of a group of transportation industry peers and the second portion will be compared against the S&P/TSX60 index.

22. 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 (in 2018), insurance, permits and operating supplies.

	2019	2018
Independent contractors	**2,018,274**	2,054,767
Vehicle operation expenses	**813,796**	859,229
	2,832,070	2,913,996

23. Personnel expenses

	Note	2019	2018
Short-term employee benefits		1,271,804	1,225,901
Contributions to defined contribution plans		8,165	11,355
Current and past service costs related to defined benefit plans	16	658	695
Termination benefits		7,564	8,972
Equity-settled share-based payment transactions	21	8,269	5,926
Cash-settled share-based payment transactions	21	1,469	1,126
		1,297,929	1,253,975

24. Finance income and finance costs

Recognized in income or loss:

(Income) costs	2019	2018
Interest expense on long-term debt	58,290	54,609
Interest expense on lease liabilities	18,551	—
Interest income and accretion on promissory note	(3,001)	(2,807)
Net change in fair value and accretion expense of contingent considerations	263	(12,189)
Net foreign exchange loss	267	630
Net change in fair value of foreign exchange derivatives	—	(311)
Net change in fair value of interest rate derivatives	—	(46)
Mark-to-market loss on DSUs	3,241	887
Other financial expenses	8,030	7,533
Net finance costs	85,641	48,306
Presented as:		
Finance income	(3,001)	(15,353)
Finance costs	88,642	63,659

25. Income tax expense

Income tax recognized in income or loss:

	2019	2018
Current tax expense		
Current year	88,807	96,480
Adjustment for prior years	(2,926)	(3,268)
	85,881	93,212
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	11,015	(5,408)
Variation in tax rate	(3,128)	(221)
Adjustment for prior years	7,735	2,641
	15,622	(2,988)
Income tax expense	101,503	90,224

25. Income tax expense (continued)

Income tax recognized in other comprehensive income:

	2019			2018		
	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	6,766	903	5,863	(5,416)	(723)	(4,693)
Foreign currency translation differences	(52,502)	—	(52,502)	101,972	—	101,972
Defined benefit plan remeasurement gains (losses)	(2,177)	(558)	(1,619)	1,612	431	1,181
Employee benefit	61	19	42	(227)	(68)	(159)
Reclassification to retained earnings of accumulated unrealized loss on investment in equity securities	(5,234)	(697)	(4,537)	—	—	—
Gain (loss) on net investment hedge	18,597	2,482	16,115	(30,796)	(4,119)	(26,677)
Loss on cash flow hedge	(13,314)	(3,479)	(9,835)	(3,876)	(1,034)	(2,842)
	(47,803)	(1,330)	(46,473)	63,269	(5,513)	68,782

Reconciliation of effective tax rate:

		2019		2018
Income before income tax		425,979		382,218
Income tax using the Company's statutory tax rate	26.6%	113,310	26.7%	102,052
Increase (decrease) resulting from:				
Rate differential between jurisdictions	(3.0%)	(12,884)	(3.4%)	(13,106)
Variation in tax rate	(0.7%)	(3,128)	(0.1%)	(221)
Non-deductible expenses	1.1%	4,549	0.7%	2,593
Tax exempt income	(2.2%)	(9,308)	(0.8%)	(3,038)
Adjustment for prior years	1.1%	4,809	(0.2%)	(627)
Others	1.0%	4,155	0.7%	2,571
	23.9%	101,503	23.6%	90,224

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.

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.

26. Financial instruments and financial risk management

Derivative financial instruments designated as effective cash flow hedge instruments' fair values were as follows:

	As at December 31, 2019	As at December 31, 2018
Current assets		
Interest rate derivatives	39	5,430
Non-current assets		
Interest rate derivatives	—	2,946
Current liabilities		
Interest rate derivatives	843	—
Non-current liabilities		
Interest rate derivatives	888	—

As at December 31, 2019 and 2018, the impact to income or loss and other comprehensive income is as follows:

	Finance loss (income)		Other comprehensive (loss) income	
	2019	2018	2019	2018
Derivative financial instruments measured at fair value through income or loss:				
Interest rate derivatives	—	(46)	—	—
Embedded foreign exchange derivatives in finance leases	—	(311)	—	—
Derivative financial instruments measured at fair value through other comprehensive income:				
Interest rate derivatives	—	—	13,314	3,876
	—	(357)	13,314	3,876

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.

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.

26. Financial instruments and financial risk management (continued)

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 5% of the Group's revenue;
- Approximately 94.2% (2018 – 94.6%) 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% (2018 – 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:

	2019	2018
Trade and other receivables	**587,370**	631,727
Promissory note	**24,814**	22,686
Derivative financial assets	**39**	8,376
	612,223	662,789

Impairment losses

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

	Total	Impairment	Total	Impairment
	2019	2019	2018	2018
Not past due	**449,324**	**—**	474,320	—
Past due 1 – 30 days	**104,738**	**869**	123,991	695
Past due 31 – 60 days	**22,686**	**2,608**	22,007	2,085
Past due more than 60 days	**19,314**	**5,215**	18,360	4,171
	596,062	**8,692**	638,678	6,951

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

	2019	2018
Balance, beginning of year	**6,951**	6,931
Business combinations	**525**	104
Bad debt expenses	**2,857**	1,944
Amount written off and recoveries	**(1,641)**	(2,028)
Balance, end of year	**8,692**	6,951

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

The promissory note has been individually evaluated for impairment and has been collected in full on February 1, 2020.

26. Financial instruments and financial risk management (continued)

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 revolving facilities, which have $605.1 million availability at December 31, 2019 (2018 – $455.3 million) and an additional $250 million credit available (C$245 million and US$5 million). The additional credit is available under certain conditions under the Group's syndicated bank agreement (2018 – $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, 2019						
Bank indebtedness	3,801	3,801	3,801	—	—	—
Trade and other payables	443,468	443,468	443,468	—	—	—
Long-term debt	1,744,687	1,959,582	110,729	773,532	865,273	210,048
Derivatives financial liabilities	1,731	1,731	843	444	444	—
Other financial liability	5,174	5,400	2,700	2,700	—	—
	2,198,861	2,413,982	561,541	776,676	865,717	210,048
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

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

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.

26. Financial instruments and financial risk management (continued)

d) Currency risk (continued)

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)	2019	2018
Trade and other receivables	30,733	38,030
Trade and other payables	(2,573)	(3,108)
Long-term debt	(478,566)	(330,447)
Balance sheet exposure	(450,406)	(295,525)
Long-term debt designated as investment hedge	325,000	325,000
Net balance sheet exposure	(125,406)	29,475

The Group estimates its annual net US$ denominated cash flow from operating activities at approximately $330 million (2018 – $310 million). This cash flow is earned evenly throughout the year.

The following exchange rates applied during the year:

	2019	2018
Average US$ for the year ended December 31	1.3269	1.2957
Closing US$ as at December 31	1.2988	1.3642

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 2018.

	2019		2018	
	1-cent Increase	1-cent Decrease	1-cent Increase	1-cent Decrease
Balance sheet exposure	(3,468)	3,468	(2,166)	2,166
Long-term debt designated as investment hedge	2,502	(2,502)	2,382	(2,382)
Net balance sheet exposure	(966)	966	216	(216)

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

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.

The Group enters into interest rate swaps designated for cash flow hedges. At December 31, 2019, the Group has no interest rate swaps that hedge variable interest debt set using the 30-day Banker`s Acceptance rate (2018 – C$300 million). At December 31, 2019, the Group has US$325 million interest rate swaps that hedge variable interest debt set using the 30-day Libor rate (2018 – US$325 million). A $13.3 million loss, $9.8 million net of tax, (2018 – $3.9 million loss, $2.8 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, 2019, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net income.

26. Financial instruments and financial risk management (continued)

e) Interest rate risk (continued)

At December 31, 2019 and 2018, the interest rate profile of the Group's carrying amount interest-bearing financial instruments excluding the effects of interest rate derivatives was:

	2019	2018
Fixed rate instruments	533,311	345,062
Variable rate instruments	1,211,376	1,239,361
	1,744,687	1,584,423

The Group's interest rate derivatives are as follows:

					2019					2018
	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%	75,000	1.90%	293,750	(804)	0.99%	225,000	1.92%	325,000	5,430
1 to 2 years	—	—	1.92%	100,000	(444)	—	—	1.89%	237,500	1,812
2 to 3 years	—	—	1.92%	100,000	(444)	—	—	1.92%	100,000	648
3 to 4 years	—	—	—	—	—	—	—	1.92%	75,000	486
Asset (liability)					(1,692)					8,376
Presented as:										
Current assets					39					5,430
Non-current assets					—					2,946
Current liabilities					(843)					—
Non-current liabilities					(888)					—

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

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 2018.

		2019		2018
	1% increase	1% decrease	1% increase	1% decrease
Interest on variable rate instrument	(5,786)	5,786	(3,633)	3,633

Impact on instruments used in cash flow hedge:

		2019		2018
	1% increase	1% decrease	1% increase	1% decrease
Interest on variable rate instrument	(3,251)	3,251	(4,896)	4,896
Interest on interest rate swaps	3,251	(3,251)	4,896	(4,896)
	—	—	—	—

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

26. Financial instruments and financial risk management (continued)

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:

	2019	2018
Long-term debt	**1,744,687**	1,584,423
Shareholders' equity	**1,506,835**	1,576,854
Debt-to-equity ratio	**1.16**	1.00
Debt-to-capitalization ratio[1]	**0.54**	0.50

[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 net income or loss from continuing operations before finance income and costs, income tax expense (recovery), depreciation, amortization, impairment of intangible assets, bargain purchase gain, and gain or loss on sale of land and buildings, assets held for sale and intangible assets ("Adjusted 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 are calculated as prescribed by the credit agreement which, among other things, requires the exclusion of the impact of IFRS 16. These ratios must be kept below a certain threshold so as not to breach a covenant in the Group's syndicated bank. At December 31, 2019 and December 31, 2018, the Group was in compliance with its financial covenants.

Management believes that 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.

26. Financial instruments and financial risk management (continued)

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:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Assets carried at fair value				
Derivative financial instruments	**39**	**39**	8,376	8,376
Investment in equity securities	**1,391**	**1,391**	1,498	1,498
Assets carried at amortized cost				
Trade and other receivables	**587,370**	**587,370**	631,727	631,727
Promissory note	**24,814**	**24,814**	22,686	22,686
	613,614	**613,614**	664,287	664,287
Financial liabilities				
Liabilities carried at fair value				
Derivative financial instruments	**1,731**	**1,731**	—	—
Other financial liability	**5,174**	**5,174**	5,594	5,594
Liabilities carried at amortized cost				
Bank indebtedness	**3,801**	**3,801**	12,334	12,334
Trade and other payables	**443,468**	**443,468**	475,585	475,585
Long-term debt	**1,744,687**	**1,748,556**	1,584,423	1,647,146
	2,198,861	**2,202,730**	2,077,936	2,140,659

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:

	2019	2018
Long-term debt	**3.3%**	3.9%

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 is measured using level-1 inputs of the fair value hierarchy and derivative financial 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 exists. 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.

27. Contingencies, letters of credit and other commitments

a) Contingencies

There are pending operational and personnel related claims against the Group. The Group has accrued $2.6 million for claim settlements that are presented in long-term provisions on the consolidated statements of financial position (2018 – $10.3 million in long-term provisions). 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.

b) Letters of credit

As at December 31, 2019, the Group had $41.7 million of outstanding letters of credit (2018 – $39.4 million).

c) Other commitments

As at December 31, 2019, the Group had $35.2 million of purchase commitments (2018 – $51.0 million) and $12.0 million of purchase orders for leases that the Group intends to enter into and that are expected to materialize within a year (2018 – nil).

28. 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. No compensation (2018 – $0.1 million) was paid to a board member for consulting services provided during 2019. 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 21. Costs incurred for key management personnel in relation to these plans are detailed below.

Key management personnel compensation comprised:

	2019	2018
Short-term benefits	14,919	14,756
Post-employment benefits	834	959
Equity-settled share-based payment transactions	4,909	4,193
Cash-settled share-based payment transactions	1,469	1,126
	22,131	21,034

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TFI International Inc. shares are listed on The New York Stock Exchange and the Toronto Stock Exchange under the symbol TFII.

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National Bank of Canada

Royal Bank of Canada

Bank of America, N.A.

Bank of Montreal

The Bank of Nova Scotia

Fédération des Caisses Desjardins du Québec

The Toronto Dominion Bank

JPMorgan Chase Bank N.A.

MUFG Bank Ltd.

Canadian Imperial Bank of Commerce

PNC Bank

Wells Fargo Bank, N.A.

Alberta Treasury Branches

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