



2021 ANNUAL REPORT

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

FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2021



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, 2021 with the corresponding three-month period and year ended December 31, 2020 and it reviews the Company's financial position as of December 31, 2021. It also includes a discussion of the Company's affairs up to March 14, 2022, 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, 2021.

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 United States dollars (U.S. dollars), and the term "dollar", as well as the symbol "\$", designate U.S. 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 March 14, 2022. 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, or through the EDGAR system at www.sec.gov/edgar.shtml.

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, credit market liquidity, and the Company's ability to identify, negotiate, consummate and successfully integrate business acquisitions.

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 U.S. dollars, except per share data)	Three months ended December 31			Years ended December 31		
	2021	2020	2019*	2021	2020	2019*
Revenue before fuel surcharge	1,888,423	1,048,147	883,717	6,468,785	3,484,303	3,477,576
Fuel surcharge	252,491	73,859	105,315	751,644	296,831	425,969
Total revenue	2,140,914	1,122,006	989,302	7,220,429	3,781,134	3,903,545
Adjusted EBITDA ¹	318,466	193,538	163,397	1,076,479	699,589	649,021
Operating income	214,979	117,122	92,784	889,185	416,567	382,868
Net income	144,139	86,328	57,955	664,361	275,675	244,225
Adjusted net income ¹	148,620	93,357	60,085	498,348	299,763	253,583
Net cash from operating activities	190,333	164,928	133,262	855,351	610,862	500,496
Free cash flow ¹	120,749	134,715	78,053	700,889	544,644	347,698
Per share data						
EPS – diluted	1.52	0.91	0.70	6.97	3.03	2.86
Adjusted EPS – diluted ¹	1.57	0.98	0.72	5.23	3.30	2.97
Dividends	0.27	0.23	0.20	0.96	0.80	0.74
As a percentage of revenue before fuel surcharge						
Adjusted EBITDA margin ¹	16.9%	18.5%	18.5%	16.6%	20.1%	18.7%
Depreciation of property and equipment	3.5%	4.2%	5.1%	3.5%	4.9%	4.9%
Depreciation of right-of-use assets	1.7%	2.1%	2.2%	1.7%	2.3%	2.2%
Amortization of intangible assets	0.7%	1.3%	1.4%	0.9%	1.4%	1.4%
Operating margin ¹	11.4%	11.2%	10.5%	13.7%	12.0%	11.0%
Adjusted operating ratio ¹	89.0%	89.1%	90.2%	89.4%	88.5%	89.8%

* Recasted for change in presentation currency from Canadian dollar to U.S. dollar. In 2019, the Company classified amounts as from discontinued operations, the amounts shown for 2019 throughout this MD&A are from continuing operations.

Q4 Highlights

- Fourth quarter operating income of \$215.0 million increased 84% from \$117.1 million the same quarter last year, benefitting from a continuing rebound in economic activity and transportation demand following 2020's pandemic-related weakness, as well as contributions from acquisitions, cost reductions enacted in response to the pandemic, strong execution across the organization, and an asset-light approach.
- Net income of \$144.1 million increased 67% compared to \$86.3 million in Q4 2020. Diluted earnings per share (diluted "EPS") of \$1.52 also increased 67%, compared to \$0.91 in Q4 2020.
- Adjusted net income¹, a non-IFRS measure, of \$148.6 million increased 59% compared to \$93.4 million in Q4 2020.
- Adjusted diluted EPS¹, a non-IFRS measure, of 1.57 increased 60% compared to \$0.98 in Q4 2020.
- Net cash from operating activities of \$190.3 million increased 15% compared to \$164.9 million in Q4 2020.
- Free cash flow¹, a non-IFRS measure, of \$120.7 million decreased 10% compared to \$134.7 million in Q4 2020.
- The Company's reportable segments performed as follows:
 - Package and Courier operating income increased 25% to \$36.7 million;
 - Less-Than-Truckload operating income increased 244% to \$84.0 million;
 - Truckload operating income increased 15% to \$61.8 million; and
 - Logistics operating income increased 24% to \$32.9 million.
- On December 16, 2021, the Board of Directors of TFI declared a quarterly dividend of \$0.27 per share, compared to the \$0.23 (CAD \$0.29) per share dividend declared in Q4 2020.
- During the quarter, TFI International acquired Gunter Transportation, SGT 2000, D&D Sexton, Laser Transport, F.K.D. Contracting and selected assets of Waca Bulk Systems.

¹ This is a non-IFRS measure. For a reconciliation, please refer to the "Non-IFRS financial measures" section below.

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 ("LTL");
- Truckload ("TL");
- Logistics.

Seasonality of operations

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

Human resources

As at December 31, 2021, the Company had 29,539 employees in TFI International's various business segments across North America. This compares to 16,753 employees as at December 31, 2020. The year-over-year increase of 12,884 is attributable to business acquisitions that added 15,545 employees offset by rationalizations affecting 2,661 employees mainly in the LTL segment. 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, 2021, the Company had 13,384 tractors, 50,091 trailers and 9,428 independent contractors. This

compares to 7,867 tractors, 25,520 trailers and 9,901 independent contractors as at December 31, 2020.

Facilities

TFI International's head office is in Montréal, Québec and its executive office is in Etobicoke, Ontario. As at December 31, 2021, the Company had 576 facilities, as compared to 366 facilities as at December 31, 2020. Of these, 246 are located in Canada, including 160 and 86 in Eastern and Western Canada, respectively. The Company also had 318 facilities in the United States and 12 facilities in Mexico. In the last twelve months, 220 facilities were added from business acquisitions, and terminal consolidation decreased the total number of facilities by 10, mainly in the TL segment. In Q4 2021, the Company closed 2 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 an individual customer 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 (49% of total revenue)	
Retail	34%
Manufactured Goods	15%
Building Materials	9%
Automotive	8%
Metals & Mining	7%
Services	6%
Food & Beverage	6%
Chemicals & Explosives	5%
Forest Products	3%
Energy	2%
Waste Management	1%
Others	4%

(For the year ended December 31, 2021)

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS

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

2021 business acquisitions

In line with its growth strategy, the Company acquired ten businesses during 2021.

On January 29, 2021, TFI International acquired Fleetway Transport Inc. (“Fleetway”). Based out of Brantford, Ontario, Fleetway is a full service provider of truckload and heavy-haul transportation solutions and logistics services.

On April 30, 2021, TFI International completed the acquisition of UPS Ground Freight, Inc.’s (“UPS Freight”) the less-than-truckload (LTL) and dedicated truckload (TL) divisions of United Parcel Service, Inc. (NYSE: UPS). The LTL business, representing approximately 90% of the acquired business now independently operates under the new name of “TForce Freight”.

On June 1, 2021, TFI International acquired Procam International (“Procam”). Based in Quebec, Procam provides bulk transportation services primarily in the northeastern region of Canada and the United States.

On July 2, 2021, TFI International acquired Driving Force Decks International Ltd (“Driving Force”). Based in Abbotsford, British Columbia, Driving Force provides flat deck services through their asset-light, scalable model.

On July 16, 2021, TFI International acquired Tombro Trucking Limited (“Tombro”). Based out of Milton, Ontario, Tombro provides flat deck services primarily hauling freight such as brick, block, and precast.

On October 1, 2021, TFI International acquired Gunter Transportation Ltd. (“Gunter”). Based out of Woodstock, Ontario, Gunter provides flatbed trucking serving wood products, pre-cast concrete, metals, equipment and specialty products.

On October 3, 2021, TFI International acquired SGT 2000 Inc. (“SGT”). Based in Quebec, SGT provides truckload, logistics, warehousing and vehicle rental services throughout North America.

On November 26, 2021, TFI International acquired D&D Sexton (“D&D”). Based in Carthage, Missouri, D&D specializes in refrigerated transportation providing both long-haul over-the-road services as well as local and shuttle operations.

On November 26, 2021, TFI International acquired Laser Transport Inc. (“Laser”). Based out of Windsor, Ontario, Laser provides truckload, warehousing and distribution services.

On December 10, 2021, TFI International acquired F.K.D. Contracting (Alta) Ltd. (“FKD”). Based out of western Canada, F.K.D. offers bulk tank transportation.

Revenue

For the three months ended December 31, 2021, total revenue was \$2,140.9 million, up 91%, or \$1,018.9 million, from Q4 2020. The increase was mainly attributable to the contribution from business acquisitions of \$961.6 million and from an increase of \$57.4 million from existing operations, which included an increase in fuel surcharge revenue of \$61.3 million. The average exchange rate used to convert TFI International’s revenue generated in CAD dollars increased this quarter (to US\$0.7935) compared to the same quarter last year (US\$0.7667) resulting in a positive currency impact of \$16.6 million.

For the year ended December 31, 2021, total revenue was \$7.22 billion, up 91%, or \$3.44 billion, from 2020. The increase was mainly attributable to the contribution from business acquisitions of \$3.11 billion and from an increase of \$334.2 million from existing operations, which included an increase in fuel surcharge revenue of \$144.0 million.

Operating expenses

For the three months ended December 31, 2021, the Company’s operating expenses increased by \$921.1 million, to \$1,925.9 million, up from \$1,004.9 million in Q4 2020. The increase is attributable to \$886.6 million from business acquisitions, and the remaining cost increase from existing operations is in line with the increase in revenue from existing operations.

For the three months ended December 31, 2021, material and services expenses, net of fuel surcharge, decreased by 8.4 percentage points of revenue before fuel surcharge compared to the same period last year due mainly to the impact from business acquisitions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended December 31, 2021, personnel expense increased 144% to \$598.6 million from \$245.4 million in Q4 2020. The increase is attributed almost entirely to the impact from business acquisitions of \$338.0 million.

Other operating expenses, which are primarily comprised of costs related to office and terminal rent, taxes, heating, telecommunications, maintenance and security and other general administrative expenses, increased by \$74.4 million for the three months ended December 31, 2021 as compared to the same period last year, attributable primarily to the impact from business acquisitions of \$67.6 million.

For the year ended December 31, 2021, the Company's operating expenses increased by \$2.97 billion from \$3.36 billion in 2020 to \$6.33 billion in 2021. The increase is mainly attributable to \$2.69 billion from business acquisitions. The operating expenses from existing operations as a percentage of total revenue decreased from 89.6% to 88.1%. The decrease is due to operating improvements, better fleet utilization and lower material and service expenses in the Company's existing operations, and one time reductions to the pension costs of \$15.1 million, despite a mark-to-market expense on DSUs of \$22.9 million, a reduction in the contribution from the Canada Emergency Wage Subsidy Program of \$40.0 million, and business acquisition transaction costs of \$8.7 million.

Operating income

For the three months ended December 31, 2021, TFI International's operating income rose by \$97.9 million to \$215.0 million as compared to \$117.1 million in the same quarter in 2020. The increase was driven primarily by \$75.0 million related to business acquisitions. The operating margin as a percentage of revenue before fuel surcharge of 11.4% compared to 11.2% in Q4 2020

For the year ended December 31, 2021, TFI International's operating income rose by \$472.6 million to \$889.2 million as compared to \$416.6 million in 2020. The increase is primarily attributable to the impact from business acquisitions \$411.7 million, which includes a \$193.5 million bargain purchase gain. The operating margin as a percentage of revenue before fuel surcharge of 13.7% increased compared to 12.0% in the prior year.

Finance income and costs

<i>(unaudited) (in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Finance costs (income)				
Interest expense on long-term debt	12,393	7,287	45,953	34,967
Interest expense on lease liabilities	3,403	3,072	13,521	12,443
Interest income and accretion on promissory note	(1,573)	(277)	(2,187)	(1,051)
Net change in fair value and accretion expense of contingent considerations	1,571	141	1,932	224
Net foreign exchange (gain) loss	(939)	373	(1,471)	(1,237)
Net change in fair value of interest rate derivatives	—	(488)	—	(488)
Net impact of early repayment of contingent consideration	—	—	(1,469)	—
Others	6,586	5,274	16,739	9,052
Net finance costs	21,441	15,382	73,018	53,910

Interest expense on long-term debt

Interest expense on long-term debt for the three-month period ended December 31, 2021 was \$5.1 million higher than the same quarter last year. The increase is mainly attributable to a higher average debt level, based on the month-end debt levels, of \$1.58 billion for Q4 2021 compared to an average debt level of \$0.94 billion in Q4 2020.

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 translation of the U.S. dollar portion of the Company's credit facilities not designated as a hedge and to the translation of other financial assets and liabilities denominated in currencies other than the functional currency. For the three-month period ended December 31, 2021, a gain of \$1.8 million of foreign exchange variations (a gain of \$1.5 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the net investment hedge. For the three-month period ended December 31, 2020, a gain of \$7.2 million of foreign exchange variations (a gain of \$6.2 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the net investment hedge.

For the year ended December 31, 2021, a loss of \$17.9 million of foreign exchange variations (a loss of \$15.5 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the net investment hedge. For the year ended December 31, 2020, a loss of \$2.3 million of foreign exchange variations (a loss of \$2.0 million net of tax) was recorded to other comprehensive income as it relates to the translation of the debt in the net investment hedge.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 previously designated 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 was recognized in other comprehensive income. For the three-month period and year ended December 31, 2021, the Company did not have any cash flow hedge positions. For the three-month period ended December 31, 2020, a \$2.6 million loss on change in fair value of interest rate derivatives (a loss of \$1.9 million net of tax) 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.

For the year ended December 31, 2020, a cumulative loss of \$0.5 million on change in fair value of interest rate derivatives (a loss of \$0.5 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.

Other Financial Expenses

For the three-month period ended December 31, 2021, other financial expenses increased \$1.3 million to \$6.6 million as compared to \$5.3 million in the prior year period. For the year ended December 31, 2021, other financial expenses increased \$7.7 million to \$16.7 million as compared to \$9.1 million in the prior year period. The increase for the year is attributable to recurring bank charges and transaction fees primarily from the business acquisitions of DLS Worldwide (renamed "TFWW"), in 2020, and TForce Freight in 2021.

Income tax expense

For the three months ended December 31, 2021, the Company's effective tax rate was 19.0%. The income tax expense of \$62.3 million reflects a \$24.9 million favorable variance versus an anticipated income tax expense of \$87.2 million based on the Company's statutory tax rate of 26.5%. The favorable variance is mainly due to favorable variations from tax deductions and tax exempt income of \$28.3 million partially offset by a negative variation of \$2.5 million for rate differential between jurisdictions.

For the year ended December 31, 2021, the Company's effective tax rate was 18.7%. The income tax expense of \$189.9 million reflects a \$79.5 million favorable variance versus an anticipated income tax expense of \$269.5 million based on the Company's statutory tax rate of 26.5%. The favorable variance is mainly due to the tax exempt bargain purchase gain recorded on the acquisition of UPS Freight which resulted in a favorable variance of \$85.8 million. This is partially offset by a negative variation of \$7.1 million for non deductible expenses.

Net income and adjusted net income

<i>(unaudited) (in thousands of U.S. dollars, except per share data)</i>	Three months ended December 31			Years ended December 31		
	2021	2020	2019*	2021	2020	2019*
Net income	144,139	86,328	56,680	664,361	275,675	233,677
Amortization of intangible assets related to business acquisitions	13,127	13,786	12,511	50,498	47,623	48,293
Net change in fair value and accretion expense of contingent considerations	1,571	141	55	1,932	224	199
Net change in fair value of derivatives	—	(488)	—	—	(488)	—
Net foreign exchange (gain) loss	(939)	373	665	(1,471)	(1,237)	220
Gain on sale of business	—	(306)	—	—	(306)	—
Bargain purchase gain	—	—	—	(193,549)	(4,008)	(8,014)
Gain on sale of land and buildings and assets held for sale	(6,645)	(2,206)	(6,373)	(12,190)	(11,893)	(21,580)
(Gain) loss on disposal of intangible assets	(5)	—	—	1	—	—
U.S. Tax Reform	—	(1,072)	—	—	4,451	—
Net impact from discontinued operations	—	—	1,302	—	—	10,548
Tax impact of adjustments	(2,628)	(3,199)	(4,755)	(11,234)	(10,278)	(9,760)
Adjusted net income¹	148,620	93,357	60,085	498,348	299,763	253,583
Adjusted EPS – basic¹	1.60	1.00	0.74	5.36	3.36	3.04
Adjusted EPS – diluted¹	1.57	0.98	0.72	5.23	3.30	2.97

*Recasted for change in presentation currency from Canadian dollar to U.S. dollar. The 2019 Net income presented above includes the impact of discontinued operations. The impact from the discontinued operations is included as an adjustment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended December 31, 2021, TFI International's net income was \$144.1 million as compared to \$86.3 million in Q4 2020. The Company's adjusted net income¹, a non-IFRS measure, which excludes items listed in the above table, was \$148.6 million as compared to \$93.4 million in Q4 2020, an increase of 59% or \$55.3 million. Adjusted EPS, fully diluted, increased by \$0.59 to \$1.57 from \$0.98 in Q4 2020.

For the year ended December 31, 2021, TFI International's net income was \$664.4 million as compared to \$275.7 million in 2020. The Company's adjusted net income¹, a non-IFRS measure, which excludes items listed in the above table, was \$498.3 million as compared to \$299.8 million in 2020, an increase of 141% or \$388.7 million. Adjusted EPS, fully diluted, increased by \$1.93 to \$5.23 from \$3.30 in 2020.

¹ This is a non-IFRS. For the reconciliation, refer to the "Non-IFRS financial measures" section below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 U.S. dollars)	Package and Courier	Less- Than- Truckload	Truckload	Logistics	Corporate	Eliminations	Total
Three months ended December 31, 2021							
Revenue before fuel surcharge ¹	150,074	822,911	506,432	427,561	—	(18,555)	1,888,423
% of total revenue ²	8%	44%	27%	20%			100%
Adjusted EBITDA ³	43,496	141,189	111,848	42,465	(20,532)	—	318,466
Adjusted EBITDA margin ^{3,4}	29.0%	17.2%	22.1%	9.9%			16.9%
Operating income (loss)	36,713	103,449	61,803	32,869	(19,855)	—	214,979
Operating margin ^{3,4}	24.5%	12.6%	12.2%	7.7%			11.4%
Total assets less intangible assets ³	186,116	2,031,994	1,362,007	292,026	88,059	—	3,960,202
Net capital expenditures ³	5,926	46,986	15,113	192	20	—	68,237
Three months ended December 31, 2020							
Revenue before fuel surcharge ¹	154,094	141,081	438,135	322,319	—	(7,482)	1,048,147
% of total revenue ²	15%	14%	42%	29%			100%
Adjusted EBITDA ³	35,934	37,084	101,383	35,809	(16,672)	—	193,538
Adjusted EBITDA margin ^{3,4}	23.3%	26.3%	23.1%	11.1%			18.5%
Operating income (loss)	29,401	24,464	53,604	26,462	(16,809)	—	117,122
Operating margin ^{3,4}	19.1%	17.3%	12.2%	8.2%			11.2%
Total assets less intangible assets ³	194,631	404,074	1,193,730	272,592	34,564	—	2,099,591
Net capital expenditures ³	2,533	5,415	22,955	83	225	—	31,211
YTD December 31, 2021							
Revenue before fuel surcharge ¹	560,147	2,440,640	1,901,157	1,620,926	—	(54,085)	6,468,785
% of total revenue ²	9%	39%	30%	23%			100%
Adjusted EBITDA ³	134,845	415,641	431,181	169,005	(74,193)	—	1,076,479
Adjusted EBITDA margin ^{3,4}	24.1%	17.0%	22.7%	10.4%			16.6%
Operating income (loss)	108,440	482,754	230,189	142,794	(74,992)	—	889,185
Operating margin ^{3,4}	19.4%	19.8%	12.1%	8.8%			13.7%
Total assets less intangible assets ³	186,116	2,031,994	1,362,007	292,026	88,059	—	3,960,202
Net capital expenditures ³	14,445	52,703	69,177	316	141	—	136,782
YTD December 31, 2020							
Revenue before fuel surcharge ¹	481,490	522,851	1,584,837	923,456	—	(28,331)	3,484,303
% of total revenue ²	14%	15%	46%	25%			100%
Adjusted EBITDA ³	104,019	138,361	383,155	113,885	(39,831)	—	699,589
Adjusted EBITDA margin ^{3,4}	21.6%	26.5%	24.2%	12.3%			20.1%
Operating income (loss)	78,753	87,950	206,346	84,459	(40,941)	—	416,567
Operating margin ^{3,4}	16.4%	16.8%	13.0%	9.1%			12.0%
Total assets less intangible assets ³	194,631	404,074	1,193,730	272,592	34,564	—	2,099,591
Net capital expenditures ³	16,673	11,673	41,781	288	349	—	70,764

¹ Includes intersegment revenue.

² Segment revenue including fuel surcharge and intersegment revenue to consolidated revenue including fuel surcharge and intersegment revenue.

³ This is a non-IFRS measure. For a reconciliation, refer to the "Non-IFRS financial measures" section below.

⁴ As a percentage of revenue before fuel surcharge.

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Package and Courier

(unaudited) (in thousands of U.S. dollars)	Three months ended December 31				Years ended December 31			
	2021	%	2020	%	2021	%	2020	%
Total revenue	177,368		167,555		641,449		529,155	
Fuel surcharge	(27,294)		(13,461)		(81,302)		(47,665)	
Revenue	150,074	100.0%	154,094	100.0%	560,147	100.0%	481,490	100.0%
Materials and services expenses (net of fuel surcharge)	60,636	40.4%	72,115	46.8%	243,786	43.5%	220,741	45.8%
Personnel expenses	39,060	26.0%	39,821	25.8%	154,820	27.6%	133,552	27.7%
Other operating expenses	6,905	4.6%	6,234	4.0%	26,762	4.8%	23,145	4.8%
Depreciation of property and equipment	3,297	2.2%	3,168	2.1%	12,392	2.2%	11,539	2.4%
Depreciation of right-of-use assets	3,300	2.2%	3,210	2.1%	13,109	2.3%	12,871	2.7%
Amortization of intangible assets	186	0.1%	248	0.2%	903	0.2%	947	0.2%
(Gain) loss on sale of rolling stock and equipment	(23)	-0.0%	(10)	-0.0%	(59)	-0.0%	43	0.0%
Gain on derecognition of right-of-use assets	-	-	0	0.0%	(7)	-0.0%	(10)	-0.0%
Gain on sale of land and buildings and assets held for sale	-	-	(93)	-0.1%	-	-	(91)	-0.0%
Loss on disposal of intangible assets	-	-	-	-	1	0.0%	-	-
Operating income	36,713	24.5%	29,401	19.1%	108,440	19.4%	78,753	16.4%
Adjusted EBITDA¹	43,496	29.0%	35,934	23.3%	134,845	24.1%	104,019	21.6%
Return on invested capital¹	25.3%				18.2%			

¹This is a non-IFRS measure. For a reconciliation, refer to the "Non-IFRS financial measures" section below.

Operational data (unaudited) (Revenue in U.S. dollars)	Three months ended December 31				Years ended December 31			
	2021	2020	Variance	%	2021	2020	Variance	%
Revenue per pound (including fuel)	\$0.43	\$0.40	\$0.03	7.5%	\$0.44	\$0.36	\$0.08	21.6%
Revenue per pound (excluding fuel)			\$					
	\$0.36	\$0.36	—	—	\$0.39	\$0.33	\$0.06	16.7%
Revenue per shipment (excluding fuel)	\$6.11	\$5.88	\$0.23	3.9%	\$6.21	\$5.67	\$0.53	9.4%
Tonnage (in thousands of metric tons)	187	192	(5)	-2.6%	656	658	(2)	-0.3%
Shipments (in thousands)	24,581	26,185	(1,604)	-6.1%	90,257	84,854	5,403	6.4%
Average weight per shipment (in lbs.)	16.77	16.16	0.61	3.8%	16.03	17.09	(1.06)	-6.2%
Vehicle count, average	1,139	1,008	131	13.0%	1,069	1,023	46	4.5%
Weekly revenue per vehicle (incl. fuel, in thousands of U.S. dollars)	\$11.98	\$12.79	\$(0.81)	-6.2%	\$11.54	\$9.95	\$1.59	16.0%

Revenue

For the three months ended December 31, 2021, revenue was \$150.1 million, down by \$4.0 million, or 2.6%, from \$154.1 million in Q4 2020. This decrease is attributable to a 6.1% decrease in shipments offset by a 3.9% increase in revenue per shipment (excluding fuel surcharge) which was driven by a 3.8% increase in average weight per shipment due to increases in business-to-business volumes. The decrease in shipments is attributable to demarketing of low yield business-to-consumer deliveries and a general reduction in business-to-consumer volume with a few major e-commerce clients. Market capacities continue to be tight, resulting in increased pricing and an ongoing shift towards higher-quality freight, leading to strong yield improvement as reflected by the increase in revenue per pound.

For the year ended December 31, 2021, revenue increased by \$78.6 million, or 16.3%, from \$481.5 million in 2020 to \$560.1 million in 2021. This increase is attributable to a 9.4% increase in revenue per shipment combined with a 6.4% increase in shipments related to higher e-commerce volume that remains strong and increases in business-to-business volume which has mostly recovered.

Operating expenses

For the three months ended December 31, 2021, materials and services expenses, net of fuel surcharge revenue, decreased \$11.5 million, or 15.9%, mostly due to higher fuel surcharge revenue offset by a \$1.1 million increase in subcontractor costs and a \$0.7 million increase in fuel cost. This is due to the proactive management of volume and network capacities to avoid volume related cost overruns and service deviations. Other operating expenses increased \$0.7 million or 10.8%, primarily due to increased facilities and security costs.

For the twelve-months ended December 31, 2021, materials and services expenses, net of fuel surcharge revenue, increased \$23.0 million due to a \$43.7 million increase in sub-contractor costs driven by increased volume and fuel cost paid to sub-contractors, partially offset by higher fuel surcharge revenue. Personnel expenses, as a percentage of revenue slightly decreased from 27.7% in 2020 to 27.6% in 2021, despite a \$4.4 million reduction in Canada Emergency Wage Subsidy.

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Other operating expenses increased \$3.6 million in 2021, mainly due to a \$1.7 million increase in facility related costs and a \$1.2 million increase in IT and security costs.

Operating income

Operating income for the three months ended December 31, 2021, increased by \$7.3 million, or 24.9%, compared to the fourth quarter of 2020. The operating margin of 24.5% in the fourth quarter of 2021 was an improvement compared to 19.1% for the same period in 2020. This year-over-year increase in operating income was driven primarily by an increase in fuel surcharge revenue. The impact of business reopenings and shifts in customer composition is being closely monitored to focus on driving yield and margin.

The return on invested capital increased 710 basis points, from 18.2% in the twelve months ended December 31, 2020, to 25.3% in the twelve months ended December 31, 2021. This is primarily due to the increase in operating income over the same period.

For the twelve-month period ended December 31, 2021, operating income increased by \$29.7 million, from \$78.8 million in 2020 to \$108.4 million in 2021 driven by organic growth and a consistent focus on improving the quality of freight.

Less-Than-Truckload

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31				Years ended December 31			
	2021	%	2020	%	2021	%	2020	%
Total revenue	959,546		157,628		2,815,390		589,235	
Fuel surcharge	(136,635)		(16,547)		(374,750)		(66,384)	
Revenue	822,911	100.0%	141,081	100.0%	2,440,640	100.0%	522,851	100.0%
Materials and services expenses (net of fuel surcharge)	274,166	33.3%	67,140	47.6%	848,273	34.8%	252,334	48.3%
Personnel expenses	348,237	42.3%	33,338	23.6%	1,022,214	41.9%	116,257	22.2%
Other operating expenses	60,196	7.3%	3,587	2.5%	155,992	6.4%	16,593	3.2%
Depreciation of property and equipment	25,846	3.1%	4,886	3.5%	73,242	3.0%	19,407	3.7%
Depreciation of right-of-use assets	9,398	1.1%	5,546	3.9%	33,050	1.4%	22,555	4.3%
Amortization of intangible assets	2,495	0.3%	2,179	1.5%	9,768	0.4%	8,392	1.6%
Bargain Purchase Gain	—	0.0%	—	0.0%	(181,549)	-7.4%	—	0.0%
Gain on sale of rolling stock and equipment	(842)	-0.1%	(62)	-0.0%	(907)	-0.0%	(519)	-0.1%
Gain on derecognition of right-of-use assets	(35)	-0.0%	(6)	-0.0%	(573)	-0.0%	(175)	-0.0%
(Gain) loss on sale of land and buildings and assets held for sale	1	0.0%	9	0.0%	(1,624)	-0.1%	57	0.0%
Operating income	103,449	12.6%	24,464	17.3%	482,754	19.8%	87,950	16.8%
Adjusted EBITDA¹	141,189	17.2%	37,084	26.3%	415,641	17.0%	138,361	26.5%

¹ This is a non-IFRS measure. For a reconciliation, refer to the "Non-IFRS financial measures" section below.

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Operational data (unaudited) (Revenue in U.S. dollars)	Three months ended December 31				Years ended December 31			
	2021	2020	Variance	%	2021	2020	Variance	%
U.S. LTL								
Revenue (in thousands of dollars) ¹	568,761	625	568,136	NM	1,586,228	2,692	1,583,537	NM
Adjusted Operating Ratio ²	89.4%	87.7%			90.1%	88.2%		
Revenue per hundredweight (excluding fuel) ¹	\$29.20	-	\$29.20		\$28.52	-	\$28.52	
Revenue per shipment (excluding fuel) ¹	\$310.97	-	\$310.97		\$299.91	-	\$299.91	
Tonnage (in thousands of tons) ¹	974	-	974		2,781	-	2,781	
Shipments (in thousands) ¹	1,829	-	1,829		5,289	-	5,289	
Average weight per shipment (in lbs) ¹	1,065	-	1,065		1,052	-	1,052	
Average length of haul (in miles) ¹	1,110	-	1,110		1,089	-	1,089	
Vehicle count, average ⁴	4,583	8	4,575	NM	4,866	8	4,858	NM
Return on invested capital ^{2,3}	-	-	-					
Canadian LTL								
Revenue (in thousands of dollars)	144,697	141,081	3,616	2.6%	556,891	522,842	34,049	6.5%
Adjusted Operating Ratio ²	78.3%	82.7%			79.9%	83.2%		
Revenue per hundredweight (excluding fuel)	\$11.13	\$10.15	\$0.98	9.7%	\$10.80	\$9.77	\$1.03	10.5%
Revenue per shipment (excluding fuel)	\$223.30	\$215.72	\$7.58	3.5%	\$222.40	\$213.06	\$9.34	4.4%
Tonnage (in thousands of tons)	650	695	(45)	-6.5%	2,579	2,675	(96)	-3.6%
Shipments (in thousands)	648	654	(6)	-0.9%	2,504	2,454	50	2.0%
Average weight per shipment (in lbs)	2,006	2,125	(119)	-5.6%	2,060	2,180	(120)	-5.5%
Average length of haul (in miles)	791	811	(20)	-2.5%	773	818	(45)	-5.5%
Vehicle count, average	810	894	(84)	-9.4%	837	910	(73)	-8.0%
Return on invested capital ²	17.8%	13.6%						

¹ Operational statistics exclude figures from Ground Freight Pricing ("GFP").

² This is a non-IFRS measure. For a reconciliation please refer to the "Non-IFRS Financial Measures" section below.

³ The Return on invested capital for the U.S. LTL is not disclosed as complete annual information is not yet available.

⁴ The vehicle count, average for the year ended December 31, 2021 was adjusted to calculate the average since the acquisition of UPS Freight on April 30, 2021.

Revenue

For the three months ended December 31, 2021, revenue increased by \$681.8 million to \$822.9 million. This increase is mainly due to business acquisitions, including the LTL operations of UPS Freight, that contributed \$681.3 million of revenue. In the U.S. LTL, the Company has identified hundreds of low yield accounts and has implemented actions on selected accounts to increase the quality of the freight, with a focus on freight that fits the network and that the Company can serve efficiently. In addition, the Company has implemented increases in its accessorial revenue to further improve the yield. All those actions led to a 3.2% increase in U.S. based LTL revenue per shipment (excluding fuel) when compared to the third quarter of 2021. Revenue for the Canadian LTL segment increased \$3.6 million. This increase in revenue is due to a 3.5% increase in revenue per shipment (excluding fuel) partially offset by a 3.1% decrease in shipments. The year-over-year decrease in shipments is mostly attributable to the landslides and floods that hit British Columbia in the second part of the quarter. The increase in revenue per shipment is the result of a 9.7% increase in revenue per hundredweight partially offset by a 5.6% decrease in average weight per shipment. Continuous improvement to shipment profile and focus on improving the quality of freight drove the yield improvement versus 2020.

For the year ended December 31, 2021, LTL revenue excluding fuel surcharge increased \$1,917.8 million relative to the same prior year period, to \$2,440.6 million. The increase is mainly attributable to business acquisitions contributions of \$1,896.3 million. The revenue from existing operations increased \$21.5 million, or 4%, compared to the prior year.

Operating expenses

For the three months ended December 31, 2021, materials and services expenses, net of fuel surcharge revenue, increased \$207.0 million, including \$216.7 million of increase attributable to business acquisitions, offset by \$11.5 million higher fuel surcharge revenue in the rest of the LTL segment. Personnel expenses increased \$314.9 million, with \$312.1 million coming from business acquisitions and \$2.8 million, or 8% from existing operations. Other operating expenses increased by \$56.6 million due primarily to business acquisitions.

For the year ended December 31, 2021, materials and services expenses, net of fuel surcharge revenue, increased by \$595.9 million, with \$615.9 attributable to business acquisitions offset by a decrease of \$19.9 million, or 8%, for the remaining operations mostly due to a \$26.3 million increase in fuel surcharge revenue, partially offset by an increase in fuel cost. Personnel expenses increased \$906.0 million of which \$884.6 million is from business acquisitions, a \$15.2 million reduction

MANAGEMENT'S DISCUSSION AND ANALYSIS

in credits received from the Canada Emergency Wage Subsidy and a \$5.4 million increase in direct labor cost. Other operating expenses increased \$139.4 million when compared to 2020, all related to business acquisitions.

Operating income

Operating income for the three months ended December 31, 2021, increased by \$79.0 million to \$103.5 million. This increase includes a \$73.5 million contribution from business acquisitions. Adjusted operating ratio, a non-IFRS Measure, of the Canadian LTL operations improved to 78.3% in the fourth quarter of 2021 as compared to 82.7% in the same quarter in 2020. With the focus on improving freight profile by identifying shipments that fits the Company's network, US LTL operations, mostly represented by the UPS Ground Freight acquisition, achieved an 89.4% adjusted operating ratio, a non-IFRS measure, in the fourth quarter of 2021 because of immediate actions to improve the quality of freight, yield, and operational efficiency and cost structure.

The return on invested capital, a non-IFRS measure, of our Canadian based LTL segment was 17.8% in the fourth quarter of 2021, a 4.2% increase from 13.6% in the fourth quarter of 2020. The increase was mostly related to materially higher operating income, partially reduced because of higher invested capital.

For the year ended December 31, 2021, operating income increased \$394.8 million due to contributions from business acquisitions of \$371.5 million and an increase of \$23.3 million, or 26.5%, from existing operating. Despite a negative impact from a \$15.2 million reduction in the Canada Emergency Wage Subsidy, the LTL operations were able to increase operating income by improving quality of revenue while maintaining the focus on cost control and route optimization.

Truckload

<i>(unaudited) (in thousands of U.S. dollars)</i>	Three months ended December 31				Years ended December 31			
	2021	%	2020	%	2021	%	2020	%
Total revenue	584,009		477,262		2,162,752		1,748,359	
Fuel surcharge	(77,577)		(39,127)		(261,595)		(163,522)	
Revenue	506,432	100.0%	438,135	100.0%	1,901,157	100.0%	1,584,837	100.0%
Materials and services expenses (net of fuel surcharge)	221,538	43.7%	188,660	43.1%	823,645	43.3%	654,220	41.3%
Personnel expenses	160,351	31.7%	135,911	31.0%	604,041	31.8%	503,242	31.8%
Other operating expenses	19,193	3.8%	14,323	3.3%	66,468	3.5%	52,337	3.3%
Depreciation of property and equipment	35,652	7.0%	34,986	8.0%	137,301	7.2%	136,859	8.6%
Depreciation of right-of-use assets	15,087	3.0%	10,055	2.3%	52,680	2.8%	32,229	2.0%
Amortization of intangible assets	5,960	1.2%	5,171	1.2%	21,580	1.1%	19,891	1.3%
Gain on sale of business	—	0.0%	(306)	-0.1%	—	0.0%	(306)	-0.0%
Gain on sale of rolling stock and equipment	(6,338)	-1.3%	(2,129)	-0.5%	(23,747)	-1.2%	(7,785)	-0.5%
Gain on derecognition of right-of-use assets	(160)	-0.0%	(13)	-0.0%	(431)	-0.0%	(332)	-0.0%
Gain on sale of land and buildings and assets held for sale	(6,649)	-1.3%	(2,127)	-0.5%	(10,569)	-0.6%	(11,864)	-0.7%
Gain on disposal of intangible assets	(5)	-0.0%	—	-	—	0.0%	—	-
Operating income	61,803	12.2%	53,604	12.2%	230,189	12.1%	206,346	13.0%
Adjusted EBITDA¹	111,848	22.1%	101,383	23.1%	431,181	22.7%	383,155	24.2%

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Operational data (unaudited)	Three months ended December 31				Years ended December 31			
	2021	2020	Variance	%	2021	2020	Variance	%
U.S. based Conventional TL								
Revenue (in thousands of U.S. dollars)	186,988	161,476	25,512	15.8%	734,027	632,590	101,437	16.0%
Adjusted operating ratio	95.5%	91.5%			93.3%	92.0%		
Total mileage (in thousands)	83,335	86,427	(3,092)	-3.6%	348,870	349,349	(479)	-0.1%
Tractor count, average	3,447	2,932	515	17.6%	3,294	2,949	345	11.7%
Trailer count, average	11,984	11,005	979	8.9%	11,751	10,938	813	7.4%
Tractor age	3.1	2.2	0.9	42.7%	3.1	2.2	0.9	42.7%
Trailer age	7.9	6.6	1.3	19.7%	7.9	6.6	1.3	19.7%
Number of owner operators, average	391	560	(169)	-30.1%	468	509	(42)	-8.1%
Return on invested capital ¹	5.3%	5.3%						
Canadian based Conventional TL								
Revenue (in thousands of U.S. dollars)	73,786	58,497	15,288	26.1%	250,177	206,418	43,759	21.2%
Adjusted operating ratio	88.4%	85.2%			87.9%	86.3%		
Total mileage (in thousands)	26,467	23,095	3,372	14.6%	92,236	89,212	3,024	3.4%
Tractor count, average	728	623	105	16.9%	640	606	34	5.5%
Trailer count, average	3,401	2,809	592	21.1%	2,884	2,796	88	3.1%
Tractor age	4.1	2.5	1.6	64.5%	4.1	2.5	1.6	64.5%
Trailer age	7.5	5.9	1.6	27.4%	7.5	5.9	1.6	27.4%
Number of owner operators, average	324	314	10	3.3%	306	302	4	1.5%
Return on invested capital ¹	10.9%	11.4%						
Specialized TL								
Revenue (in thousands of U.S. dollars)	247,641	219,093	28,549	13.0%	923,683	749,655	174,028	23.2%
Adjusted operating ratio	84.6%	86.9%			84.8%	84.6%		
Tractor count, average	2,356	2,314	43	1.8%	2,329	2,096	233	11.1%
Trailer count, average	7,029	6,619	410	6.2%	6,773	6,251	522	8.3%
Tractor age	4.0	4.0	(0.0)	-0.8%	4.0	4.0	(0.0)	-0.8%
Trailer age	12.7	12.9	(0.2)	-1.9%	12.7	12.9	(0.2)	-1.9%
Number of owner operators, average	1,168	1,132	36	3.2%	1,114	1,115	(1)	-0.1%
Return on invested capital ¹	11.2%	9.9%						

¹ This is a non-IFRS measure. For a reconciliation, please refer to the "Non-IFRS Financial Measures" section below.

During Q4 2021, Gunter, SGT, Laser, D&D and FKD were acquired and incorporated in the Truckload segment.

Revenue

For the three months ended December 31, 2021, revenue increased by \$68.3 million, or 16%, from \$438.1 million in Q4 2020 to \$506.4 million in Q4 2021. This increase was mainly due to contributions from business acquisitions of \$83.7 million, partially offset by a decrease in revenue from existing operations of \$15.4 million. For U.S. based conventional TL, revenue increased by \$25.5 million, or 15.8%, compared to prior year period. The increase was due primarily to \$48.8 million in revenue from the business acquisition of TForce Freight's TL division, offset by a decline in revenue from existing U.S. based conventional TL operations. The strong pricing and tight capacity in the U.S. market led to a 14.0% improvement year over year in revenue per mile. Miles per tractor declined by 12.3%, which is attributable to unseated tractors resulting from limited driver availability. For the three months ended December 31, 2021, the average unseated tractors percentage in the U.S. based conventional TL existing operations increased by 286 bps, from 13.1% in the fourth quarter of 2020 to 15.9% in 2021, despite a 15% reduction in the tractor fleet. For Canadian based conventional TL operations, revenue increased by \$15.3 million, or 26.1%, compared to the same prior year period. The increase was due to a 7.7% improvement in revenue per tractor, driven by a 5.5% improvement in revenue per mile and a 2.0% improvement in miles per tractor. For Specialized TL, revenue increased by \$28.5 million, or 13.0%, compared to the prior year period, primarily from contributions from business acquisitions of \$23.9 million.

For the year ended December 31, 2021, TL revenue increased by \$316.3 million, or 20%, from \$1,584.8 million in 2020 to \$1,901.2 million in 2021. This increase is mainly due to contributions from business acquisitions of \$269.7 million and an increase in revenue from existing operations of \$46.7 million.

Operating expenses

For the three months ended December 31, 2021, operating expenses, net of fuel surcharge, increased by \$60.1 million or 16%, from \$384.5 million in 2020 to \$444.6 million in 2021. The business acquisitions contributed \$85.2 million to the increase of operating expenses, net of fuel surcharge, which was offset by a decrease in operating expenses, net of fuel surcharge, from existing operations, due to the Company's cost control efforts.

For the year ended December 31, 2021, TL operating expenses, net of fuel surcharge, increased by \$292.5 million or 21%, from \$1,378.5 million in 2020 to \$1,671.0 million in 2021. Business acquisitions accounted for \$263.5 million of this increase. The Company continues to improve its cost structure and increase the efficiency

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and profitability of its existing fleet and network of independent contractors. In U.S. based conventional truckload, as a result of the assets acquired in the business acquisition of TForce Freight's TL division, the Company is evaluating its level of excess equipment.

Operating income

For the three months ended December 31, 2021, the TL segment's operating ratio remained at 87.8%, comparable to the fourth quarter of 2020. Operating income for the TL segment was \$61.8 million for the three months ended December 31, 2021, up from \$53.6 million in the same prior year period. This includes a \$2.1 million operating loss generated by TForce Freight's TL division.

For the year ended December 31, 2021, operating income in the TL segment increased by \$23.8 million, or 12%, from \$206.3 million in 2020 to \$230.2 million in 2021. The increase is primarily due to the contribution from business acquisitions of \$6.1 million and increased efficiency in existing operations, despite a \$18.5 million reduction in credits received from the Canada Emergency Wage Subsidy.

The return on invested capital, a non-IFRS measure, for U.S. based and Canadian based Conventional TL was 5.3% and 10.9%, respectively, compared to 5.3% and 11.4%, respectively, for the same prior year period, reflecting relatively steady income generated on the same levels of assets deployed. The return on invested capital, a non-IFRS measure, for the Specialized TL segment increased to 11.2% as compared to 9.9% in the same prior year period due primarily to an increase in operating income.

Logistics

(unaudited) (in thousands of U.S. dollars)	Three months ended December 31				Years ended December 31			
	2021	%	2020	%	2021	%	2020	%
Total revenue	441,086		327,689		1,662,072		945,130	
Fuel surcharge	(13,525)		(5,370)		(41,146)		(21,674)	
Revenue	427,561	100.0%	322,319	100.0%	1,620,926	100.0%	923,456	100.0%
Materials and services expenses (net of fuel surcharge)	323,164	75.6%	241,798	75.0%	1,223,846	75.5%	668,225	72.4%
Personnel expenses	29,419	6.9%	24,381	7.6%	116,523	7.2%	93,579	10.1%
Other operating expenses	32,443	7.6%	19,983	6.2%	111,742	6.9%	48,012	5.2%
Depreciation of property and equipment	375	0.1%	596	0.2%	1,581	0.1%	2,336	0.3%
Depreciation of right-of-use assets	3,442	0.8%	3,138	1.0%	13,943	0.9%	13,204	1.4%
Amortization of intangible assets	5,776	1.4%	5,608	1.7%	22,684	1.4%	17,889	1.9%
Bargain purchase gain	—	—	—	—	(12,000)	-0.7%	(4,008)	-0.4%
Loss on sale of rolling stock and equipment	70	0.0%	368	0.1%	70	0.0%	373	0.0%
Gain on derecognition of right-of-use assets	—	—	(20)	-0.0%	(260)	-0.0%	(618)	-0.1%
Loss on sale of land and building	3	0.0%	5	0.0%	3	0.0%	5	0.0%
Operating income	32,869	7.7%	26,462	8.2%	142,794	8.8%	84,459	9.1%
Adjusted EBITDA¹	42,465	9.9%	35,809	11.1%	169,005	10.4%	113,885	12.3%
Return on invested capital¹		19.9%			15.3%			

¹ This is a non-IFRS measure. For a reconciliation, refer to the "Non-IFRS financial measures" section below.

Revenue

For the three months ended December 31, 2021, revenue increased by \$105.2 million, or 33%, from \$322.3 million in Q4 2020 to \$427.6 million in Q4 2021. This increase was mainly due to business acquisition contributions of \$79.2 million, primarily from the acquisition of DLS Worldwide during the fourth quarter of 2020, and to an increase of \$26.1 million, or 8%, compared to the same prior year period, mainly coming from the 3PL volume improvement.

For the year ended December 31, 2021, revenue increased by 697.5 million, or 76%, from \$923.5 million in 2020 to \$1,620.9 million. The increase is attributable to the contribution from business acquisitions of \$628.3 million and \$69.2 million, or 7%, from 3PL existing operations.

Approximately 77% (2020 – 71%) of the Logistics segment's revenues in the quarter were generated from operations in the U.S. and approximately 23% (2020 – 29%) were generated from operations in Canada and Mexico.

Operating expenses

For the three months ended December 31, 2021, total operating expenses, net of fuel surcharge increased by \$98.8 million, or 33%, relative to the same prior year period, from \$295.9 million to \$394.7 million. Business acquisitions accounted for \$76.4 million of this increase with the remaining increase of \$22.4 million from existing operations. The operating expenses, net of fuel surcharge, from existing operations increased due to an increase of \$17.6 million in materials and services expenses (net of fuel surcharge) related to revenue growth and to other operating expenses of \$4.4 million mostly due to IT costs and agent commission related to higher 3PL revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2021, total operating expenses, net of fuel surcharge increased by \$639.2 million, or 76%, from \$839.0 million to \$1,478.1 million. Business acquisitions accounted for \$594.2 million and total operating expenses, net of fuel surcharge increased by \$45.0 million for existing operations driven primarily from a materials and services expenses (net of fuel surcharge) increase of \$46.0 million related to revenue growth.

Operating income

Operating income for the three months ended December 31, 2021, increased by \$6.4 million, or 24%, from \$26.5 million to \$32.9 million. The increase was from a contribution from business acquisitions of \$2.8 million and from operating margin improvements from existing operations of \$3.6 million, mainly as a result of better quality revenue and margin improvement in our the 3PL US businesses.

For the year ended December 31, 2021, operating income increased by \$58.3 million, or 69%. The increase was from a contribution from business acquisitions of \$34.1 million and from operating margin improvements from existing operations accounting for an improvement of \$24.2 million.

The return on invested capital¹, a non-IFRS measure, increased to 21.5% from 15.3% in the same prior year period. This increase is due primarily to organic growth and operating margin expansion in existing operations.

LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

<i>(unaudited) (in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Sources of cash:				
Net cash from operating activities	190,333	164,928	855,351	610,862
Proceeds from sale of property and equipment	22,508	23,949	92,842	52,116
Proceeds from sale of assets held for sale	10,503	6,248	19,869	24,480
Net variance in cash and bank indebtedness	44,164	273,791	—	—
Net proceeds from long-term debt	71,161	—	736,030	—
Proceeds from the issuance of common shares	—	—	—	425,350
Proceeds from the sale of business	—	2,351	—	2,351
Others	42,969	3,128	64,589	48,142
Total sources	381,638	474,395	1,768,681	1,163,301
Uses of cash:				
Purchases of property and equipment	101,578	60,693	268,656	142,710
Business combinations, net of cash acquired	94,845	244,053	1,008,131	327,650
Net variance in cash and bank indebtedness	—	—	22,168	6,528
Net repayment of long-term debt	—	116,153	—	484,247
Repayment of lease liabilities	32,035	22,408	115,336	82,587
Dividends paid	21,406	18,434	85,386	67,604
Repurchase of own shares	106,863	—	198,153	38,021
Others	24,911	12,654	70,851	13,954
Total usage	381,638	474,395	1,768,681	1,163,301

Cash flow from operating activities

For the year ended December 31, 2021, net cash from operating activities increased by 40% to \$855.4 million from \$610.9 million in 2020. This \$244.5 million increase is attributable to an increase in net income of \$388.7 million, an increase in add backs from depreciation and amortization of \$93.8 million, and an increase in provisions net of payments of \$14.0 million, net of an increase in income taxes paid of \$50.7 million and the exclusion of the bargain purchase gain of \$193.5 million. The increase in taxes paid is attributable primarily to exceeding estimated performance in 2020, and greater tax installments made in 2021 than 2020 due to higher expected profits.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash flow used in investing activities

Property and equipment

The following table presents the additions of property and equipment by category for the three-month periods and years ended December 31, 2021 and 2020.

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Additions to property and equipment:				
Purchases as stated on cash flow statements	101,578	60,693	268,656	142,710
Non-cash adjustments	1,017	(283)	(1,483)	104
	102,595	60,410	267,173	142,814
Additions by category:				
Land and buildings	11,939	5,055	36,902	19,331
Rolling stock	85,868	52,744	217,080	112,645
Equipment	4,788	2,611	13,191	10,838
	102,595	60,410	267,173	142,814

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. The increase in additions in 2021 compared to 2020 is due to the reduction of capital expenditures during the beginning of the pandemic in 2020. The procurement of equipment remained difficult in 2021 as manufacturing and supply chain challenges resulted in delays in receiving equipment.

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, 2021 and 2020.

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Proceeds by category:				
Land and buildings	10,592	6,053	19,222	23,877
Rolling stock	22,394	24,078	93,411	52,468
Equipment	25	66	78	251
	33,011	30,197	112,711	76,596
Gains (losses) by category:				
Land and buildings	6,638	2,132	11,978	11,877
Rolling stock	7,309	2,275	25,176	8,375
Equipment	(169)	(368)	(320)	(471)
	13,778	4,039	36,834	19,781

Business acquisitions

For the year ended December 31, 2021, cash used in business acquisitions, net of cash acquired, totalled \$1,008.1 million to acquire ten businesses. Refer to the section of this report entitled "2021 business acquisitions" and further information can be found in note 5 of the December 31, 2021 audited consolidated financial statements.

Cash flow used in financing activities

Debt

On January 13, 2021, the Company received \$500 million in proceeds from the issuance and sale of an aggregate amount of \$500 million of unsecured senior notes consisting of four tranches maturing between January 2029 and January 2036 and bearing interest between 3.15% and 3.50%.

On July 2, 2021, the Company received \$100 million in proceeds from the issuance of new debt taking the form of unsecured senior notes consisting of two tranches maturing on July 2, 2029 and July 2, 2033, bearing fixed interest of 2.87% and 3.34%.

On July 14, 2021, the Company received \$30 million in proceeds from the issuance of new debt taking the form of unsecured senior notes consisting of two tranches maturing on July 14, 2029 and July 14, 2033, bearing fixed interest of 2.89% and 3.37%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The three debt instruments described above are subject to certain covenants regarding the maintenance of financial ratios. These are the same covenants as required by the Company's syndicated revolving credit agreement as described in note 26(f) of the 2021 audited consolidated financial statements.

On August 16, 2021, the Company extended its credit facility until August 16, 2025. Under the new extension, CAD availability is increased by CAD \$10 million and USD availability increased by USD \$50 million. Based on certain ratios, the interest rate will be the sum of the banker's acceptance rate, or Libor rate on US\$ denominated debt, plus an applicable margin, which can vary between 113 basis points and 175 basis points. The applicable margin on the credit facility is currently 1.25%. The Company is subject to certain covenants regarding the maintenance of financial ratios. These are the same covenants as previously required by the Company's revolving credit facility agreement and described in note 26(f) of the 2021 audited consolidated financial statements.

Common shares

On February 13, 2020, the Company issued 6,900,000 common shares in the United States and Canada as part of its initial public offering in the United States raising net proceeds of \$217.6 million.

On August 11, 2020, the Company issued 5,060,000 common shares in the United States and Canada raising net proceeds of \$207.8 million.

NCIB on common shares

Pursuant to the renewal of the normal course issuer bid ("NCIB"), which began on November 2, 2021 and ending on November 1, 2022, 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, 2021, and since the inception of this NCIB, the Company has repurchased and cancelled 1,000,000 common shares.

For the year ended December 31, 2021, the Company repurchased 2,157,862 common shares (as compared to 1,542,155 during the same period in 2020) at a weighted average price of \$91.83 per share (as compared to \$24.64 in the prior year period) for a total purchase price of \$198.2 million (as compared to \$38.0 million the prior year period).

Free cash flow¹

<i>(unaudited) (in thousands of U.S. dollars)</i>	Three months ended December 31			Years ended December 31		
	2021	2020	2019*	2021	2020	2019*
Net cash from operating activities	190,333	164,928	133,262	855,351	610,862	500,496
Additions to property and equipment	(102,595)	(60,410)	(89,073)	(267,173)	(142,814)	(263,698)
Proceeds from sale of property and equipment	22,508	23,949	20,785	92,842	52,116	71,754
Proceeds from sale of assets held for sale	10,503	6,248	13,079	19,869	24,480	39,146
Free cash flow¹	120,749	134,715	78,053	700,889	544,644	347,698

*Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

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, 2021, TFI International generated free cash flow of \$700.9 million, compared to \$544.6 million in 2020, which represents a year-over-year increase of \$156.2 million, or 29%. The \$244.5 million increase in net cash from operating activities is attributable to an increase in net income of \$388.7 million, an increase in add backs from depreciation and amortization of \$93.8 million, and an increase in provisions net of payments of \$14.0 million, net of an increase in income taxes paid of \$50.7 million and the exclusion of the bargain purchase gain of \$193.5 million. The additions to property and equipment increased by \$124.4 million as compared to the same prior year period as a result of implementing delayed capital expenditures from 2020. The proceeds from the sale of property and equipment and assets held for sale increased by \$36.1 million as compared to the prior year, due to the replenishment of the fleet.

Free cash flow conversion¹, which measures the level of capital employed to generate earnings, for the year ended December 31, 2021, of 87.3% compares to 89.9% in the same prior year period, as net capital expenditures in 2020 were delayed.

Based on the December 31, 2021, closing share price of \$112.11, the free cash flow¹ generated by the Company in the preceding twelve months (\$700.9 million, or \$7.61 per share outstanding) represented a yield of 6.8%.

¹ This is a non-IFRS measure. Refer to the "Non-IFRS financial measures" section below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial position

<i>(unaudited) (in thousands of U.S. dollars)</i>	As at December 31, 2021	As at December 31, 2020
Intangible assets	1,792,921	1,747,663
Total assets, less intangible assets ¹	3,960,202	2,099,591
Long-term debt	1,608,094	872,544
Lease liabilities	429,206	355,986
Shareholders' equity	2,220,311	1,788,612

¹ This is a non-IFRS measure. Refer to the reconciliation in "Non-IFRS financial measures" below.

Compared to December 31, 2020, the Company's total assets, total assets less intangible assets, lease liabilities and long-term debt increased, as a result of the acquisition of TForce Freight and the new debt of \$500 million issued during the first quarter of 2021, and \$130 million issued during the third quarter of 2021. The proceeds of the new debt were partially used to repay existing revolver debt and the remaining amount was being held as cash and used to finance the acquisition of TForce Freight.

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, 2021, including future interest payments.

<i>(unaudited) (in thousands of U.S. dollars)</i>	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Unsecured revolving facility – August 2025	242,283	—	—	242,283	—
Unsecured term loan – June 2022	324,444	324,444	—	—	—
Unsecured debenture – December 2024	158,265	—	158,265	—	—
Unsecured senior notes – December 2026 to 2036	780,000	—	—	—	780,000
Conditional sales contracts	107,888	39,142	52,410	16,062	274
Lease liabilities	429,206	115,344	169,258	73,094	71,510
Interest on debt and lease liabilities	308,844	47,999	79,342	59,599	121,904
Total contractual obligations	2,350,930	526,929	459,275	391,038	973,688

On January 13, 2021, the Company received \$500 million in proceeds from new debt taking the form of unsecured senior notes consisting of four tranches maturing between January 2029 and January 2036 and bearing interest between 3.15% and 3.50%.

On July 2, 2021, the Company received \$100 million in proceeds from the issuance of a new debt taking the form of unsecured senior notes consisting of two tranches maturing on July 2, 2029 and July 2, 2033, bearing fixed interest of 2.87% and 3.34%.

On July 14, 2021, the Company received \$30 million in proceeds from the issuance of a new debt taking the form of unsecured senior notes consisting of two tranches maturing on July 14, 2029 and July 14, 2033, bearing fixed interest of 2.89% and 3.37%.

On April 30, 2021, the Company acquired UPS Freight, recording \$100.9 million of lease liabilities.

The unsecured term loan of \$324.4 million is recognized as a current liability as it matures less than a year. The Company has adequate available liquidity through its revolving credit facilities, \$797.9 million as at December 31, 2021, to repay the unsecured term loan.

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:

<i>Covenants</i>	<i>Requirements</i>	<i>As at December 31, 2021</i>
Funded debt-to- EBITDA ratio [ratio of total debt, net of cash, 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	1.51
EBITDAR Coverage 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	5.59

As at December 31, 2021, the Company had \$47.4 million of outstanding letters of credit (\$29.5 million on December 31, 2020).

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at December 31, 2021, the Company had \$87.5 million of purchase commitments and \$13.2 million of purchase orders that the Company intends to enter into a lease that is expected to materialize within a year (December 31, 2020 – \$117.1 million and \$44.1 million, respectively).

Dividends and outstanding share data

Dividends

The Company declared \$24.9 million in dividends, or \$0.27 per common share, in the fourth quarter of 2021. The Board of Directors approved a quarterly dividend of \$0.27 per outstanding common share of the Company's capital, for an expected aggregate payment of \$24.7 million to be paid on April 15, 2022, to shareholders of record at the close of business on March 31, 2022.

Outstanding shares and share-based awards

A total of 92,152,893 common shares were outstanding as at December 31, 2021 (December 31, 2020 – 93,397,985). There was no material change in the Company's outstanding share capital between December 31, 2021 and March 14, 2022.

As at December 31, 2021, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 2,060,960 (December 31, 2020 – 2,982,514) of which 1,705,284 were exercisable (December 31, 2020 – 2,111,364). 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, 2021, the number of restricted share units ("RSUs") granted under the Company's equity incentive plan to its senior employees was 271,704 (December 31, 2020 – 299,075). On February 8, 2021, the Board of Directors approved the grant of 78,122 RSUs under the Company's equity incentive plan. In addition, on April 27, 2021, the Company granted 12,924 RSUs to the Board of Directors in accordance with the changes made to director compensation. The RSUs will vest in February of the third year following the grant date. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

As at December 31, 2021, the number of performance share units ("PSUs") granted under the Company's equity incentive plan to its senior employees was 225,765 (December 31, 2020 – 147,121). On February 8, 2021, the Board of Directors approved the grant of 78,122 PSUs under the Company's equity incentive plan. The PSUs will vest in February of the third 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

The North American economy continued its gradual recovery during 2021, following the 2020 onset of the COVID-19 pandemic. By the end of the fourth quarter, most end markets served by TFI International had fully recovered and many surpassed pre-pandemic strength. While most economists continue to forecast positive GDP growth for 2022, macro uncertainty has recently increased due to the war in Ukraine, and the economy faces the prospect of continued high inflation, high fuel costs, rising interest rates, global supply chain challenges, persistent labor shortages, and the possibility of additional variants of the virus that causes COVID-19.

TFI International has successfully navigated macro challenges over the past two years and management remains vigilant in its monitoring for new potential risks including geopolitical risks related to rising tensions in eastern Europe. With specific regard to TFI International, macro risks include rapidly rising fuel costs, additional variants and the potential economic disruption they could cause, supply chain disruption, driver availability and higher wages. As in the past, factors such as these may cause additional rounds of declining freight volumes and higher costs, adversely affect TFI's operating companies and the markets they serve. Additional uncertainties include but are not limited to policy changes surrounding international trade, environmental mandates and changes to the tax code in any jurisdictions in which TFI International operates.

Management believes the Company is positioned well for continued solid operational and financial performance in 2022 due to its focus on efficiency and its lean cost structure, partially reflecting cost reduction measures enacted in 2020 in response to the pandemic, as well as a longstanding focus on profitability, efficiency, improving density, strong customer service, optimizing pricing, driver retention, and the rationalization of assets to avoid internal overcapacity. TFI also continues to

MANAGEMENT'S DISCUSSION AND ANALYSIS

have material synergy opportunities related to 2021's acquisition of UPS Freight (now TForce Freight). In addition, the company remains well positioned to benefit from the expansion of e-commerce, which provides both growth and margin expansion opportunities for its P&C and Logistics business segments, and from potential future strength in the industrial economy which benefits its Specialized TL and LTL businesses.

Assuming no significant worsening of North American economic conditions, TFI International's favorable positioning, which was significantly enhanced by last year's acquisition of UPS Freight, should enable the Company to produce continued strong results. Longer term, regardless of the operating environment, management's goal is to build shareholder value through consistent adherence to its operating principles, including the intense customer focus exhibited by its many dedicated professionals, its asset-light approach to the business, continual efforts to enhance efficiencies including a focus on "freight that fits" its valuable network, a keen focus on free cash flow generation, and maintaining strong liquidity and a conservative balance sheet.

SUMMARY OF EIGHT MOST RECENT QUARTERLY RESULTS

<i>(in millions of U.S. dollars, except per share data)</i>	Q4'21	Q3'21	Q2'21	Q1'21	Q4'20	Q3'20	Q2'20	Q1'20
Total revenue	2,140.9	2,094.0	1,836.7	1,148.8	1,122.0	936.1	798.5	924.5
Adjusted EBITDA ¹	318.5	296.4	285.4	176.2	193.5	189.4	167.6	149.1
Operating income	215.0	192.8	310.3	101.7	117.1	117.0	95.1	87.3
Net income	144.1	132.8	251.1	66.9	86.3	83.1	50.5	55.8
EPS – basic	1.56	1.43	2.69	0.72	0.92	0.91	0.58	0.66
EPS – diluted	1.52	1.40	2.63	0.70	0.91	0.90	0.57	0.65
Adjusted net income ¹	148.6	138.9	137.2	73.6	93.4	87.5	67.2	52.6
Adjusted EPS - diluted ¹	1.57	1.46	1.44	0.77	0.98	0.94	0.76	0.61

¹ This is a non-IFRS measure. For a reconciliation refer to the "Non-IFRS financial measures" section below.

The differences between the quarters are mainly the result of seasonality (softer in Q1) and business acquisitions. The decline in Q2 2020 is due to COVID-19 related business interruptions.

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, on sale of business 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): Net income or loss before finance income and costs and income tax expense, as stated in the consolidated financial statements.

This MD&A includes references to certain non-IFRS financial measures as described below. These non-IFRS financial measures are not standardized financial measures under IFRS used to prepare the financial statements of the Company to which the measures relate and might not be comparable to similar financial measures disclosed by other issuers. 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 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: 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 sale of business, gain or loss on the disposal of intangible assets and U.S. Tax Reform. In presenting an adjusted net income and adjusted EPS, the Company's intent is to help provide an understanding of what would have been the net income and earnings per share in a context of significant business combinations and excluding specific impacts and to reflect earnings from a strictly operating perspective. The amortization of intangible assets related to business acquisitions comprises amortization expense of customer relationships, trademarks and non-compete agreements accounted for in business combinations and the income tax effects related to this amortization. Management also believes, in excluding amortization of intangible assets related to business acquisitions, it provides more information on the amortization of intangible asset expense portion, net of tax, that will not have to be replaced to preserve the Company's ability to generate similar future cash flows. The Company excludes these items because they affect the comparability of its financial results and could

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 7.

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

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

Adjusted EBITDA: Net income 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, sale of business, and gain or loss on disposal of intangible assets. Management believes adjusted EBITDA to be a useful supplemental measure. Adjusted EBITDA is provided to assist in determining the ability of the Company to assess its performance.

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

Consolidated adjusted EBITDA reconciliation:

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31			Years ended December 31		
	2021	2020	2019*	2021	2020	2019*
Net income	144,139	86,328	57,955	664,361	275,675	244,225
Net finance costs	21,441	15,382	15,552	73,018	53,910	62,107
Income tax expense	49,399	15,412	19,277	151,806	86,982	76,536
Depreciation of property and equipment	65,294	43,753	44,721	225,007	170,520	168,720
Depreciation of right-of-use assets	31,190	21,618	19,508	112,782	80,496	77,326
Amortization of intangible assets	13,653	13,557	12,757	55,243	48,213	49,701
Gain on sale of business	—	(306)	—	—	(306)	—
Bargain purchase gain	—	—	—	(193,549)	(4,008)	(8,014)
(Gain) loss on sale of land and buildings	9	5	(8)	19	6	(9)
Gain loss on sale of assets held for sale	(6,654)	(2,211)	(6,365)	(12,209)	(11,899)	(21,571)
Loss on sale of intangible assets	(5)	—	—	1	—	—
Adjusted EBITDA	318,466	193,538	163,397	1,076,479	699,589	649,021

*Recasted for change in presentation currency from Canadian dollar to U.S. dollar.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Segmented adjusted EBITDA reconciliation:

(unaudited) (in thousands of U.S. dollars)	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Package and Courier				
Operating income	36,713	29,401	108,440	78,753
Depreciation and amortization	6,783	6,626	26,404	25,357
Gain on sale of land and buildings	—	(1)	—	—
Gain on sale of assets held for sale	—	(92)	—	(91)
Loss on disposal of intangible assets	—	—	1	—
Adjusted EBITDA	43,496	35,934	134,845	104,019
Less-Than-Truckload				
Operating income	103,449	24,464	482,754	87,950
Depreciation and amortization	37,739	12,611	116,060	50,354
Bargain purchase gain	—	—	(181,549)	—
Loss on sale of land and buildings	6	1	16	1
(Gain) loss on sale of assets held for sale	(5)	8	(1,640)	56
Adjusted EBITDA	141,189	37,084	415,641	138,361
Truckload				
Operating income	61,803	53,604	230,189	206,346
Depreciation and amortization	56,699	50,212	211,561	188,979
Gain on sale of business	—	(306)	—	(306)
Gain on sale of assets held for sale	(6,649)	(2,127)	(10,569)	(11,864)
Gain on disposal of intangible assets	(5)	—	—	—
Adjusted EBITDA	111,848	101,383	431,181	383,155
Logistics				
Operating income	32,869	26,462	142,794	84,459
Depreciation and amortization	9,593	9,342	38,208	33,429
Bargain purchase gain	—	—	(12,000)	(4,008)
Loss on sale of land and buildings	3	5	3	5
Adjusted EBITDA	42,465	35,809	169,005	113,885
Corporate				
Operating loss	(19,855)	(16,809)	(74,992)	(40,941)
Depreciation and amortization	(677)	137	799	1,110
Adjusted EBITDA	(20,532)	(16,672)	(74,193)	(39,831)

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

Free cash flow: Net cash from 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 17.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Free cash flow conversion: Adjusted EBITDA less net capital expenditures, divided by the adjusted EBITDA. Management believes that this measure provides a benchmark to evaluate the performance of the Company in regard to its ability to convert its operating profit into free cash flow.

Free cash flow conversion reconciliation:

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Net income	144,139	86,328	664,361	275,675
Net finance costs	21,441	15,382	73,018	53,910
Income tax expense	49,399	15,412	151,806	86,982
Depreciation of property and equipment	65,294	43,753	225,007	170,520
Depreciation of right-of-use assets	31,190	21,618	112,782	80,496
Amortization of intangible assets	13,653	13,557	55,243	48,213
Gain on the sale of business	—	(306)	—	(306)
Bargain purchase gain	—	—	(193,549)	(4,008)
Loss on sale of land and buildings	9	5	19	6
Gain on sale of assets held for sale	(6,654)	(2,211)	(12,209)	(11,899)
(Gain) loss on sale of intangible assets	(5)	—	1	—
Adjusted EBITDA	318,466	193,538	1,076,479	699,589
Net capital expenditures	(68,237)	(31,211)	(136,782)	(70,764)
Adjusted EBITDA less net capital expenditures	250,229	162,327	939,697	628,825
Free cash flow conversion	78.6%	83.9%	87.3%	89.9%

Total assets less intangible assets: Management believes that this presents a more useful basis to evaluate the return on the productive assets. The excluded intangibles relate primarily to intangibles assets acquired through business acquisitions.

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Package and Courier	Less- Than- Truckload	Truckload	Logistics	Corporate	Eliminations	Total
As at December 31, 2021							
Total assets	379,881	2,220,598	2,317,615	746,638	88,391	-	5,753,123
Intangible assets	193,765	188,604	955,608	454,612	332	-	1,792,921
Total assets less intangible assets	186,116	2,031,994	1,362,007	292,026	88,059	-	3,960,202
As at December 31, 2020							
Total assets	387,919	593,653	2,100,900	729,690	35,092	-	3,847,254
Intangible assets	193,288	189,579	907,170	457,098	528	-	1,747,663
Total assets less intangible assets	194,631	404,074	1,193,730	272,592	34,564	-	2,099,591

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net capital expenditures: Additions to rolling stock and equipment, net of proceeds from the sale of rolling stock and equipment and assets held for sale excluding property. Management believes that this measure illustrates the recurring net capital expenditures which is required for the respective period.

<i>(unaudited) (in thousands of U.S. dollars)</i>	Package and Courier	Less- Than- Truckload	Truckload	Logistics	Corporate	Eliminations	Total
Three months ended December 31, 2021							
Additions to rolling stock	4,794	47,680	33,394	-	-		85,868
Additions to equipment	1,112	1,620	1,801	235	20		4,788
Proceeds from the sale of rolling stock	20	(2,313)	(20,075)	(26)	-		(22,394)
Proceeds from the sale of equipment	-	(1)	(7)	(17)	-		(25)
Net capital expenditures	5,926	46,986	15,113	192	20		68,237
Three months ended December 31, 2020							
Additions to rolling stock	1,571	6,107	45,008	58	-		52,744
Additions to equipment	1,014	89	1,211	72	225		2,611
Proceeds from the sale of rolling stock	(52)	(781)	(23,256)	11	-		(24,078)
Proceeds from the sale of equipment	-	-	(8)	(58)	-		(66)
Net capital expenditures	2,533	5,415	22,955	83	225		31,211
YTD ended December 31, 2021							
Additions to rolling stock	11,569	55,087	150,282	142	-		217,080
Additions to equipment	3,125	2,655	6,897	373	141		13,191
Proceeds from the sale of rolling stock	(246)	(5,024)	(87,995)	(146)	-		(93,411)
Proceeds from the sale of equipment	(3)	(15)	(7)	(53)	-		(78)
Net capital expenditures	14,445	52,703	69,177	316	141		136,782
YTD ended December 31, 2020							
Additions to rolling stock	11,799	13,680	86,950	216	-		112,645
Additions to equipment	5,382	1,558	3,299	250	349		10,838
Proceeds from the sale of rolling stock	(504)	(3,556)	(48,305)	(103)	-		(52,468)
Proceeds from the sale of equipment	(4)	(9)	(163)	(75)	-		(251)
Net capital expenditures	16,673	11,673	41,781	288	349		70,764

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

Adjusted operating ratio: Operating expenses before gain on sale of business, bargain purchase gain, and gain or loss on sale of land and buildings and assets held for sale, and gain or loss on disposal of 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 reconciliation:

<i>(unaudited) (in thousands of U.S. dollars)</i>	Three months ended December 31			Years ended December 31		
	2021	2020	2019*	2021	2020	2019*
Operating expenses	1,925,935	1,004,884	896,248	6,331,244	3,364,567	3,520,677
Gain on sale of business	—	306	—	—	306	—
Bargain purchase gain	—	—	—	193,549	4,008	8,014
Gain (loss) on sale of land and building	(9)	(5)	8	(19)	(6)	9
Gain on sale of assets held for sale	6,654	2,211	6,365	12,209	11,899	21,571
Gain (loss) on disposal of intangible assets	5	—	—	(1)	—	—
Adjusted operating expenses	1,932,585	1,007,396	902,621	6,536,982	3,380,774	3,550,271
Fuel surcharge revenue	(252,491)	(73,859)	(105,315)	(751,644)	(296,831)	(425,969)
Adjusted operating expenses, net of fuel surcharge revenue	1,680,094	933,537	797,306	5,785,338	3,083,943	3,124,302
Revenue before fuel surcharge	1,888,423	1,048,147	883,717	6,468,785	3,484,303	3,477,576
Adjusted operating ratio	89.0%	89.1%	90.2%	89.4%	88.5%	89.8%

*Recasted for changes in presentation currency from Canadian dollar to U.S. dollar.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Less-Than-Truckload				
Total revenue	959,546	157,628	2,815,390	589,235
Total operating expenses	856,097	133,164	2,332,636	501,285
Operating income	103,449	24,464	482,754	87,950
Operating expenses	856,097	133,164	2,332,636	501,285
Bargain purchase gain	—	—	181,549	—
Gain (loss) on sale of land and buildings and assets held for sale	(1)	(9)	1,624	(57)
Adjusted operating expenses	856,096	133,155	2,515,809	501,228
Fuel surcharge revenue	(136,635)	(16,547)	(374,750)	(66,384)
Adjusted operating expenses, net of fuel surcharge revenue	719,461	116,608	2,141,059	434,844
Revenue before fuel surcharge	822,911	141,081	2,440,640	522,851
Adjusted operating ratio	87.4%	82.7%	87.7%	83.2%
Less-Than-Truckload - Revenue before fuel surcharge				
U.S. based LTL	680,212	625	1,889,611	2,692
Canadian based LTL	144,697	141,081	556,891	522,842
Eliminations	(1,998)	(625)	(5,862)	(2,683)
	822,911	141,081	2,440,640	522,851
Less-Than-Truckload - Fuel surcharge revenue				
U.S. based LTL	108,275	-	281,110	-
Canadian based LTL	28,598	16,547	94,166	66,384
Eliminations	(238)	-	(526)	-
	136,635	16,547	374,750	66,384
Less-Than-Truckload - Operating income (loss)				
U.S. based LTL	72,077	77	369,027	317
Canadian based LTL	31,372	24,387	113,727	87,633
	103,449	24,464	482,754	87,950
U.S. based LTL				
Operating expenses*	716,410	548	1,801,694	2,375
Bargain purchase gain	—	—	181,549	—
Loss on sale of land and buildings and assets held for sale	(7)	—	(17)	—
Adjusted operating expenses	716,403	548	1,983,226	2,375
Fuel surcharge revenue	(108,275)	—	(281,110)	—
Adjusted operating expenses, net of fuel surcharge	608,128	548	1,702,116	2,375
Revenue before fuel surcharge	680,212	625	1,889,611	2,692
Adjusted operating ratio	89.4%	87.7%	90.1%	88.2%
Canadian based LTL				
Operating expenses*	141,923	133,241	537,330	501,593
Gain (loss) on sale of land and buildings and assets held for sale	6	(9)	1,641	(57)
Adjusted operating expenses	141,929	133,232	538,971	501,536
Fuel surcharge revenue	(28,598)	(16,547)	(94,166)	(66,384)
Adjusted operating expenses, net of fuel surcharge	113,331	116,685	444,805	435,152
Revenue before fuel surcharge	144,697	141,081	556,891	522,842
Adjusted operating ratio	78.3%	82.7%	79.9%	83.2%

* Operating expenses excluding intra LTL eliminations

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Truckload				
Total revenue	584,009	477,262	2,162,752	1,748,359
Total operating expenses	522,206	423,658	1,932,563	1,542,013
Operating income	61,803	53,604	230,189	206,346
Operating expenses	522,206	423,658	1,932,563	1,542,013
Gain on sale of business	—	306	—	306
Gain on sale of land and buildings and assets held for sale	6,649	2,127	10,569	11,864
Adjusted operating expenses	528,855	426,091	1,943,132	1,554,183
Fuel surcharge revenue	(77,577)	(39,127)	(261,595)	(163,522)
Adjusted operating expenses, net of fuel surcharge revenue	451,278	386,964	1,681,537	1,390,661
Revenue before fuel surcharge	506,432	438,135	1,901,157	1,584,837
Adjusted operating ratio	89.1%	88.3%	88.4%	87.7%
Truckload - Revenue before fuel surcharge				
U.S. based Conventional TL	186,988	161,476	734,027	632,590
Canadian based Conventional TL	73,786	58,497	250,177	206,418
Specialized TL	247,641	219,093	923,683	749,655
Eliminations	(1,983)	(931)	(6,730)	(3,826)
	506,432	438,135	1,901,157	1,584,837
Truckload - Fuel surcharge revenue				
U.S. based Conventional TL	33,864	19,006	122,134	81,222
Canadian based Conventional TL	9,414	4,798	29,043	19,408
Specialized TL	34,485	15,244	110,930	63,018
Eliminations	(186)	79	(512)	(126)
	77,577	39,127	261,595	163,522
Truckload - Operating income				
U.S. based Conventional TL	15,070	13,722	55,464	51,857
Canadian based Conventional TL	8,565	8,673	30,367	28,337
Specialized TL	38,168	31,209	144,358	126,152
	61,803	53,604	230,189	206,346
U.S. based Conventional TL				
Operating expenses*	205,782	166,760	800,697	661,955
Gain on sale of land and buildings and assets held for sale	6,643	—	6,643	1,103
Adjusted operating expenses	212,425	166,760	807,340	663,058
Fuel surcharge revenue	(33,864)	(19,006)	(122,134)	(81,222)
Adjusted operating expenses, net of fuel surcharge revenue	178,561	147,754	685,206	581,836
Revenue before fuel surcharge	186,988	161,476	734,027	632,590
Adjusted operating ratio	95.5%	91.5%	93.3%	92.0%
Canadian based Conventional TL				
Operating expenses*	74,635	54,622	248,853	197,489
Gain on sale of land and buildings and assets held for sale	—	—	17	—
Adjusted operating expenses	74,635	54,622	248,870	197,489
Fuel surcharge revenue	(9,414)	(4,798)	(29,043)	(19,408)
Adjusted operating expenses, net of fuel surcharge revenue	65,221	49,824	219,827	178,081
Revenue before fuel surcharge	73,786	58,497	250,177	206,418
Adjusted operating ratio	88.4%	85.2%	87.9%	86.3%
Specialized TL				
Operating expenses*	243,958	203,128	890,255	686,521
Gain on sale of business	—	306	—	306
Gain on sale of assets held for sale	6	2,127	3,909	10,761
Adjusted operating expenses	243,964	205,561	894,164	697,588
Fuel surcharge revenue	(34,485)	(15,244)	(110,930)	(63,018)
Adjusted operating expenses, net of fuel surcharge revenue	209,479	190,317	783,234	634,570
Revenue before fuel surcharge	247,641	219,093	923,683	749,655
Adjusted operating ratio	84.6%	86.9%	84.8%	84.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Return on invested capital ("ROIC"): Management believes ROIC at the segment level is a useful measure in the efficiency in the use of capital funds. The Company calculates ROIC as segment operating income net of exclusions, after tax, divided by the segment average invested capital. Operating income net of exclusions, after tax, is calculated as the trailing twelve months of operating income before bargain purchase gain, gain or loss on the sale of land and buildings and assets held for sale, and amortization of intangible assets, after tax using the statutory tax rate of the Company. Average invested capital is calculated as total assets excluding intangibles, net of trade and other payables, current taxes payable and provisions averaged between the beginning and ending balance over a twelve-month period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Return on invested capital segment reconciliation:

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	As at December 31 2021	
	2021	2020
Package and Courier		
Operating income	108,440	78,753
(Gain) loss on sale of land and buildings	—	—
Gain on sale of assets held for sale	—	(91)
Amortization of intangible assets	903	947
Operating income, net of exclusions	109,343	79,609
Income tax	26.5%	26.5%
Operating income net of exclusions, after tax	80,367	58,513
Intangible assets	193,765	193,288
Total assets, excluding intangible assets	186,116	194,631
less: Trade and other payables, income taxes payable and provisions	(65,438)	(66,793)
Total invested capital, current year	314,443	321,126
Intangible assets, prior year	193,288	190,135
Total assets, excluding intangible assets, prior year	194,631	180,902
less: Trade and other payables, income taxes payable and provisions, prior year	(66,793)	(49,963)
Total invested capital, prior year	321,126	321,074
Average invested capital	317,785	321,100
Return on invested capital	25.3%	18.2%
Less-Than-Truckload - Canadian based LTL		
Operating income	113,727	87,633
Gain on sale of assets held for sale	(1,640)	56
Amortization of intangible assets	9,004	8,392
Operating income, net of exclusions	121,091	96,081
Income tax	26.5%	26.5%
Operating income net of exclusions, after tax	89,002	70,620
Intangible assets	182,084	189,579
Total assets, excluding intangible assets	373,655	403,549
less: Trade and other payables, income taxes payable and provisions	(74,241)	(76,608)
Total invested capital, current year	481,498	516,520
Intangible assets, prior year	189,579	188,448
Total assets, excluding intangible assets, prior year	403,549	406,488
less: Trade and other payables, income taxes payable and provisions, prior year	(76,608)	(74,156)
Total invested capital, prior year	516,520	520,780
Average invested capital	499,009	518,650
Return on invested capital	17.8%	13.6%
Truckload - U.S. based Conventional TL		
Operating income	55,464	51,857
Gain on sale of assets held for sale	(6,643)	(1,103)
Amortization of intangible assets	7,206	7,067
Operating income, net of exclusions	56,027	57,821
Income tax	26.5%	26.5%
Operating income net of exclusions, after tax	41,180	42,498
Intangible assets	311,195	317,145
Total assets, excluding intangible assets	593,049	540,648
less: Trade and other payables, income taxes payable and provisions	(117,621)	(95,275)
Total invested capital, current year	786,623	762,518
Intangible assets, prior year	317,145	320,425
Total assets, excluding intangible assets, prior year	540,648	578,459
less: Trade and other payables, income taxes payable and provisions, prior year	(95,275)	(67,963)
Total invested capital, prior year	762,518	830,921
Average invested capital	774,571	796,720
Return on invested capital	5.3%	5.3%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Return on invested capital segment reconciliation (continued):

<i>(unaudited)</i> <i>(in thousands of U.S. dollars)</i>	As at December 31	
	2021	2020
Truckload - Canadian based Conventional TL		
Operating income	30,367	28,337
Gain on sale of land and buildings	—	(8)
Gain on sale of assets held for sale	(17)	—
Amortization of intangible assets	2,124	2,081
Operating income, net of exclusions	32,474	30,410
Income tax	26.5%	26.5%
Operating income net of exclusions, after tax	23,868	22,351
Intangible assets	104,947	96,737
Total assets, excluding intangible assets	169,197	121,407
less: Trade and other payables, income taxes payable and provisions	(28,473)	(24,839)
Total invested capital, current year	245,671	193,305
Intangible assets, prior year	96,737	96,909
Total assets, excluding intangible assets, prior year	121,407	124,428
less: Trade and other payables, income taxes payable and provisions, prior year	(24,839)	(21,569)
Total invested capital, prior year	193,305	199,768
Average invested capital	219,488	196,537
Return on invested capital	10.9%	11.4%
Truckload - Specialized TL		
Operating income	144,358	126,152
Gain on sale of land and buildings	—	—
Gain on sale of assets held for sale	(3,910)	(13,583)
Amortization of intangible assets	12,250	10,194
Operating income, net of exclusions	152,698	122,763
Income tax	26.5%	26.5%
Operating income net of exclusions, after tax	112,233	90,231
Intangible assets	539,466	493,287
Total assets, excluding intangible assets	599,761	531,677
less: Trade and other payables, income taxes payable and provisions	(81,776)	(83,225)
Total invested capital, current year	1,057,451	941,739
Intangible assets, prior year	493,287	443,245
Total assets, excluding intangible assets, prior year	531,677	503,682
less: Trade and other payables, income taxes payable and provisions, prior year	(83,225)	(63,649)
Total invested capital, prior year	941,739	883,278
Average invested capital	999,595	912,509
Return on invested capital	11.2%	9.9%
Logistics		
Operating income	142,794	84,459
Loss on sale of land and buildings	3	5
Amortization of intangible assets	22,683	17,889
Bargain Purchase gain	(12,000)	(4,008)
Operating income, net of exclusions	153,480	98,345
Income tax	26.5%	26.5%
Operating income net of exclusions, after tax	112,808	72,284
Intangible assets	454,612	457,098
Total assets, excluding intangible assets	292,026	272,592
less: Trade and other payables, income taxes payable and provisions	(199,967)	(144,305)
Total invested capital, current year	546,671	585,385
Intangible assets, prior year	457,098	262,691
Total assets, excluding intangible assets, prior year	272,592	159,152
less: Trade and other payables, income taxes payable and provisions, prior year	(144,305)	(61,560)
Total invested capital, prior year	585,385	360,283
Average invested capital	566,028	472,834
Return on invested capital	19.9%	15.3%

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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

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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 the Company will be able to maintain its current safety ratings or that it 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 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 extending by three years the date for state driver's licensing agencies to comply with certain requirements. The December 2016 commercial driver's license rule 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' compliance with the requirement, which was set to begin January 2020, to be delayed until January 2023. The compliance date of January 2020 remained in place for all other requirements set forth in the clearinghouse final rule, however. Upon implementation, the rule may reduce the number of available drivers in an already constrained driver market. Pursuant to a new rule

finalized by the FMCSA, effective November 2021, states are required to query the clearinghouse when issuing, renewing, transferring, or upgrading a commercial drivers license and must revoke a driver's commercial driving privileges if such driver is prohibited from driving a motor vehicle for one or more drug or alcohol violations.

In addition, other rules have been 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 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 May 2021, however, a bill was reintroduced in the U.S. House of Representatives that would require commercial motor vehicles with gross weight exceeding 26,000 pounds to be equipped with a speed limiting device, prohibiting speeds greater than 65 miles per hour. Whether the bill will become law is uncertain. 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's subsidiaries with U.S. operating authority currently have a satisfactory DOT rating, which is the highest available rating under the current safety rating scale. If the Company's subsidiaries with U.S. operating authority 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

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and results of operations. The FMCSA has also indicated that it is in the early phases of a new study on the causation of large truck crashes. Although it remains unclear whether such a study will ultimately be completed, the results of such 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. However, 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 also would extend by two hours the duty time for U.S. drivers encountering adverse weather, and extend the shorthaul exemption by lengthening the drivers' maximum on-duty period from 12 hours to 14 hours. In June 2020, the FMCSA adopted a final rule substantially as proposed, which became effective in September 2020. Certain industry groups have challenged these rules in U.S. courts, and it remains unclear what, if anything, will come from such challenges. Any future changes to U.S. 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 (the "Ninth Circuit") 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 decision stood. 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 was appealed by labor groups and multiple lawsuits were filed in U.S. courts seeking to overturn the decision. In January 2021, however, the Ninth Circuit upheld the FMCSA's determination that U.S. federal law does pre-empt California's meal and rest break laws, as applied to drivers of property-carrying commercial motor vehicles. Other 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, and 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. If U.S. federal legislation is not passed pre-empting state and local wage and hour laws, 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 labor 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.

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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 significant 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 current United States Presidential Administration provided informal guidance that it is in favor of certain changes to U.S. tax law, including increasing the corporate tax rate from its current rate of 21%. In the event that the corporate tax rate is increased, the Company's financial position, and financial results from its United States operations may be adversely affected.

The implementation of tariffs or quotas or changes to certain trade agreements could, among other things, increase the costs of the materials used by the Company's suppliers to produce new revenue equipment or increase the price of fuel. Such cost increases for the Company's revenue

equipment suppliers would likely be passed on to the Company, and to the extent fuel prices increase, the Company may not be able to fully recover such increases through rate increases or the Company's fuel surcharge program, either of which could have a material adverse effect on the Company's business.

The United States-Mexico-Canada Agreement ("USMCA") entered into effect in July 2020. 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. 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 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.

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, including the current shortage of semiconductors and other components and supplies, such as steel, 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 negatively impact the Company's financial results if it incurs higher costs to purchase tractors and trailers; and
- increased prices for new revenue equipment, design changes of new engines, reduced equipment efficiency resulting from new engines

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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, and fires, which may increase in frequency and severity due to climate change, as well as other man-made disasters. 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) limited supply and increased cost of new and used equipment; (iv) recruiting and retaining qualified drivers; (v) strikes, work stoppages or work slowdowns at the Company's facilities or at customer, port, border crossing or other shipping-related facilities; (vi) compliance with ongoing regulatory requirements; (vii) increases in interest rates, fuel taxes, tolls and license and registration fees; and (viii) rising healthcare and insurance and claims costs in the United States; and (ix) the impact of the COVID-19 pandemic.

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

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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.

Coronavirus and its variants ("COVID-19") outbreak or other similar outbreaks. The recent outbreak of COVID-19, and any other outbreaks of contagious diseases or other adverse public health developments, could have a materially adverse effect on the Company's financial condition, liquidity, results of operations, and cash flows. The outbreak of COVID-19 has resulted in governmental authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place orders, increased border and port controls and closures, and shutdowns. There is considerable uncertainty regarding such measures and potential future measures, including vaccine, testing and masks mandates, all of which could limit the Company's ability to meet customer demand, as well as reduce customer demand. Furthermore, government vaccine, testing, and mask mandates may increase the Company's turnover and make recruiting more difficult, particularly among the Company's driver personnel.

Certain of the Company's office personnel have been working remotely, which could disrupt to a certain extent the Company's management, business, finance, and financial reporting teams. The Company may experience an increase in absences or terminations among its driver and non-driver personnel due to the outbreak of COVID-19, which could have a materially adverse effect on the Company's operating results. Further, the Company's operations, particularly in areas of increased COVID-19 infections, could be disrupted resulting in a negative impact on the Company's operations and results.

The outbreak of COVID-19 has significantly increased uncertainty. Risks related to a slowdown or recession are described in the Company's risk factor titled "General Economic, Credit and Business Conditions".

Short-term and long-term developments related to COVID-19 have been unpredictable and the extent to which further developments could impact the Company's operations, financial condition, access to credit, liquidity, results of operations, and cash flows is highly uncertain. Such developments

may include the geographic spread and duration of the virus, the distribution and availability of vaccines, vaccine hesitancy, the severity of the disease and the actions that may be taken by various governmental authorities and other third parties in response to the outbreak.

In November 2021, the U.S. Department of Labor's Occupational Safety and Health Administration ("OSHA") published an emergency temporary standard requiring all employers within the U.S. with over 100 employees to ensure that their employees are fully vaccinated or, in the alternative, to ensure that all unvaccinated employees return a negative COVID-19 test at least once a week before coming to work. However, the United States Supreme Court blocked this emergency temporary standard from coming into effect.

Effective January 2022, the Canadian government is prohibiting unvaccinated foreigners, including U.S. citizens, from crossing the border. Effective January 2022, the U.S. Government is prohibiting unvaccinated foreigners, including Canadian citizens, from crossing the U.S.-Canada border and the U.S.-Mexico border. The effect of these border requirements, in addition to any other vaccine, testing, or mask mandates that go into effect may, amongst other things, (i) cause the Company's employees to go to smaller employers, especially if any future mandates are only subject to larger employers, or leave the trucking industry altogether, (ii) result in logistical issues, increased expenses, and operational issues resulting from ensuring compliance with such mandates, such as the costs of arranging for COVID-19 tests for the Company's unvaccinated employees, especially for the Company's unvaccinated drivers, (iii) result in increased costs relating to recruiting and training of drivers, and (iv) result in decreased revenue and other operational issues if we are unable to recruit and retain drivers. Any such vaccine, testing, or mask mandate that is interpreted as to apply to commercial drivers would significantly reduce the pool of drivers available to us and the industry as a whole, exacerbating the current driver shortage even further. Accordingly, any vaccine, testing, or mask mandate, to the extent that it goes into effect, may have a material adverse effect on the Company's business, the Company's operations, and the Company's financial condition and position.

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 U.S. dollars and a large portion of the Company's revenue and operating costs are realized in currencies other than the U.S. dollar, primarily the Canadian dollar. The exchange rates between these currencies and the U.S. 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 U.S. 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,

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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. With the acquisition of UPS Freight and prior Canadian acquisitions, the Company has a substantial number of unionized employees in the U.S. and Canada. 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 will not attempt to unionize.

The unionization of the Company's employees in additional business units, adverse changes in terms under collective bargaining agreements, or actual or threatened strikes, work stoppages or slow downs, could have a material adverse effect on the Company's business, customer retention, results of operations, financial condition and liquidity, and could cause significant disruption of, or inefficiencies in, its operations, because:

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- restrictive work rules could hamper the Company's ability to improve or sustain operating efficiency or could impair the Company's service reputation and limit its ability to provide certain services;
- a strike or work stoppage could negatively impact the Company's profitability and could damage customer and employee relationships;
- shippers may limit their use of unionized trucking companies because of the threat of strikes and other work stoppages;
- the Company could fail to extend or renegotiate its collective agreements or experience material increases in wages or benefits;
- disputes with the Company's unions could arise; and
- an election and bargaining process could divert management's time and attention from the Company's overall objectives and impose significant expenses.

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.

The Company has limited experience with unionized employees in the U.S. There may be additional risks related to the increased number of unionized U.S. employees from the acquisition of UPS Freight. The impact the Company's unionized operations could have on non-unionized operations is uncertain.

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. In addition, enrollment at driving schools may be further limited by COVID-19 social distancing requirements, vaccine, testing, and mask mandates, and other regulatory requirements that reduces the number of eligible drivers. 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

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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. The most recent example being the Protecting the Rights to Organize ("PRO") Act, which was passed by the U.S. House of Representatives and received by the U.S. Senate in March 2021 and remains with the U.S. Senate's Committee on Health, Education, Labor, and Pensions. The PRO Act proposes to apply the "ABC Test" (described below) for classifying workers under Federal Fair Labor Standards Act claims. It is unknown whether any of the proposed legislation will become law or whether any industry-based exemptions from any resulting law will be granted. 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 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. In January 2021, however, the California Supreme Court ruled that the ABC Test could apply retroactively to all cases not yet final as of the date the original decision was rendered, April 2018. While it was set to enter into effect in January 2020, a U.S. 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. The Ninth Circuit rejected the reasoning behind the injunction in April 2021, ruling that AB5 is not pre-empted by U.S. federal law, but granted a stay of the AB5 mandate in June 2021 (preventing its application and temporarily continuing the injunction) while the CTA petitioned the United States Supreme Court (the "Supreme Court") to review

the decision. In November 2021, the Supreme Court requested that the U.S. solicitor general weigh in on the case. The injunction will remain in place until the Supreme Court makes a decision on whether to proceed in hearing the case. While the stay of the AB5 mandate provides temporary relief to the enforcement of AB5, it remains unclear how long such relief will last, and whether the CTA will ultimately be successful in invalidating the law. It is also possible AB5 will spur similar legislation in states other than California, which could adversely affect the Company's results of operations and profitability.

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 favor 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, labor, 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;
- risks of entering new markets or business offerings in which we have had no or only limited prior experience;
- 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.

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Given the nature and size of UPS Freight, as well as the structure of the acquisition as a carveout from UPS, the acquisition of UPS Freight presents the following risks, in addition to risks noted elsewhere in these risk factors:

- a large portion of the business of UPS Freight prior to the acquisition was with affiliates of UPS. While there are transportation service agreements in effect with such affiliates of UPS, such affiliates may decide to reduce or eliminate business with the Company in the future and we have limited contractual protections to prevent the loss of such business;
- some of the information and operating systems of UPS Freight were integrated with UPS prior to the acquisition. The Company is in the process of transitioning such systems and could experience disruptions during the transition or difficulty or delay in building its systems and personnel to operate them;
- the Company had limited experience in the U.S. LTL market prior to the acquisition and we may be unsuccessful in integrating UPS Freight and operating it profitably;
- given the size and complexity of the acquired U.S. LTL operations of UPS Freight, management's attention may be diverted from other areas of the Company; and
- the Company acquired a substantial number of unionized U.S. employees in the acquisition and unionized employees present significant risks.

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.

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

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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 labor 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

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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 favorable 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 2022 to 2036. 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 favorable 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 favorable to the Company than at present. If the Company is unable to generate sufficient cash flow from operations and obtain financing on terms favorable to the Company in the future, the Company may have to limit the Company's fleet size, enter into less favorable 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; (iii) the pricing discretion of equipment manufacturers; and (iv) component and supply chain issues that limit availability of new equipment and increase prices. 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. Currently, tractor and trailer manufacturers are experiencing significant shortages of semiconductor chips and other component parts and supplies, including steel, forcing many manufacturers to curtail or suspend their production, which has led to a lower supply of tractors and trailers, higher prices, and lengthened trade cycles, which could have a material adverse effect on the Company's business, financial condition, and results of operations, particularly the Company's maintenance expense and driver retention.

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

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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, 2021. 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 favorable 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 disasters, such as fires, storms, and floods, which may increase in frequency and severity due to climate change, as well as other events beyond the Company's control, including cybersecurity breaches and threats, such as hackers, malware and viruses, 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

other system disruption could interrupt or delay the Company's operations, damage its reputation, cause the Company to lose customers, cause the Company to incur costs to repair its systems, pay fines or in respect of litigation or impact the Company's ability to manage its operations and report its financial performance, any of which could have a material adverse effect on the Company's business.

Litigation. The Company's business is subject to the risk of litigation by employees, customers, vendors, government agencies, shareholders and other parties. The outcome of litigation is difficult to assess or quantify, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend litigation may also be significant. Not all claims are covered by the Company's insurance, and there can be no assurance that the Company's coverage limits will be adequate to cover all amounts in dispute. In the United States, where the Company has growing operations, many trucking companies have been subject to class-action lawsuits alleging violations of various federal and state wage laws regarding, among other things, employee classification, employee meal breaks, rest periods, overtime eligibility, and failure to pay for all hours worked. A number of these lawsuits have resulted in the payment of substantial settlements or damages by the defendants. The Company may at some future date be subject to such a class-action lawsuit. 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. Beginning with the year ended December 31, 2021, the Company is required, pursuant to Section 404 of the U.S. Sarbanes-Oxley Act, to furnish a report by management on the effectiveness of its internal control over financial reporting. In addition, the Company's independent registered public accounting firm must report on its evaluation of the Company's internal control over financial reporting. The Company has identified material weaknesses as at December 31, 2021 in the Company's internal control over financial reporting related to Information technology general controls and the order to cash process. As a result of these material weaknesses, the Company has concluded that it did not maintain effective disclosure controls and procedures and internal controls over financial reporting. Further, Company's independent registered public accounting firm has issued an adverse opinion indicating that the Company has not maintained effective internal control over financial reporting as at December 31, 2021. The Company's management team has begun taking action to develop a remediation plan for these material weaknesses, and while the Company expects to remediate these in fiscal 2022, the Company cannot be certain when the remediation will be completed. If the Company fails to fully remediate these material weaknesses or fails to maintain effective internal controls in the future, it

could result in a material misstatement of the Company's financial statements, which could cause investors to lose confidence in the Company's financial statements and cause the trading price of the Common Shares to decline.

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 establishing the fair value of intangible assets related to business combinations, determining estimates and assumptions related to impairment tests for goodwill, determining estimates and assumptions related to the accrued benefit obligation, and determining estimates and assumptions related to the evaluation of provisions for self-insurance and

MANAGEMENT'S DISCUSSION AND ANALYSIS

litigations. These estimates and assumptions are based on management's best estimates and judgments. Key drivers in critical estimates are as follows:

Fair value of intangible assets related to business combinations

- Projected future cashflows
- Acquisition specific discount rate
- Attrition rate established from historical trends

Impairment tests for goodwill

- Discount rates
- Forecasted revenue growth, operating margin, EBITDA margin as well as capital expenditures
- Comparable public company EBITDA multiples

Accrued benefit obligation

- Discount rates
- Salary growth
- Mortality tables

Self-Insurance and litigations

- Historical claim experience, severity factors affecting the amounts ultimately paid, and current and expected levels of cost per claims
- Third party evaluations

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, 2021 and have been applied in preparing the audited consolidated financial statements:

Interest Rate Benchmark Reform – Phase 2

(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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, 2021, and have not been applied in preparing the audited consolidated financial statements:

Classification of Liabilities as Current or Non-current
(Amendments to IAS 1)

Onerous Contracts – Cost of fulfilling a Contract (Amendments to IAS 37)

Definition of Accounting Estimates (Amendments to IAS 8)

Further information can be found in note 3 of the December 31, 2021 audited consolidated financial statements.

CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' National Instrument 52-109 and the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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 of disclosure controls and procedures and the design of internal controls over financial reporting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Disclosure controls and procedures

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), have designed disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act), 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; and
- information required to be disclosed by the Company in its filings, under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As at December 31, 2021, an evaluation was carried out under the supervision of the CEO and CFO, of the design and operating effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the CEO and CFO concluded that due to the material weaknesses in our internal control over financial reporting as described below in Management's Annual Report on Internal Controls over Financial Reporting, the Company's disclosure controls and procedures were not effective as of December 31, 2021.

Management's Annual Report on Internal Controls over Financial Reporting

The CEO and CFO have also designed internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), 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, 2021, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the Company's internal control over financial reporting. Based on this evaluation, the CEO and the CFO concluded that material weaknesses exist, as described below, and due to these material weaknesses, the Company's internal control over financial reporting is not effective as of December 31, 2021. The control framework used to design the Company's internal controls over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework). A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the Company's evaluation of internal controls over financial reporting, the following control deficiencies were considered to be material weaknesses:

- **IT General Controls:** The Company had an aggregation of control deficiencies within its information technology (IT) general controls across multiple systems supporting the Company's business processes, including deficiencies relating to user access controls, change management, and high-privileged access. The Company concluded that process-level automated controls and manual controls that are dependent on information from affected IT systems, where risks could not be mitigated, were ineffective because they could have been adversely impacted by the IT general control deficiencies; and
- **Order to Cash Process:** Due to the material weakness described above, automated controls and manual controls that are dependent on information from affected IT systems around the order to cash process, which encompasses billing and pricing sub processes were found to not be effective. In addition, there was inadequate review and documentation of manual process level controls.

Notwithstanding these material weaknesses, management has concluded that the Company's Audited consolidated financial statements as at and for the year ended December 31, 2021 present fairly, in all material respects, the Company's financial position, results of operations, changes in equity and cash flows in accordance with IFRS. These material weaknesses did not have an impact on the Company's financial reporting and as a result, there were no material adjustments to the Company's audited consolidated financial statements for the year ended December 31, 2021 and there were no changes to previously released financial results. However, because the material weaknesses create a reasonable possibility that a material misstatement to our financial statements would not be prevented or detected on a timely basis, we concluded that as of December 31, 2021 the internal control over financial reporting was not effective.

The effectiveness of internal controls over financial reporting as of December 31, 2021 has been audited by KPMG LLP, the Company's registered public accounting firm that audited the consolidated financial statements and is included with the Company's consolidated financial statements. KPMG LLP's adverse opinion, as stated in their report, is that the Company has not maintained effective internal control over financial reporting as of December 31, 2021.

Limitation on scope of design

As permitted under the relevant securities rules, the Company has limited the scope of its evaluation of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of UPS Freight (now TForce Freight) as it was acquired not more than 365 days before the end of the financial period to which the CEO and CFO certificates relate. For the year ended December 31, 2021, TForce Freight constituted 39.1% of current assets, 27.8% of long term assets, 21.1% of current liabilities, 17.6% of long term liabilities, 31.8% of total revenue, and 18.5% of net income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company is required to and will include TForce Freight in its disclosure controls and procedures and internal controls over financial reporting beginning in the second quarter of 2022.

Remediation plan

Management has initiated, and continues to implement remediation measures designed to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include:

- Additional training for control performers and reviewers;
- Procuring additional resources to assist with the remediation, including hiring of subject experts and leveraging consultants where necessary;
- Implementing an IT management review and testing plan to monitor IT general controls with a specific focus on systems supporting our financial reporting processes; and
- Enhanced quarterly reporting on the remediation measures to the Audit Committee of our Board of Directors.

While remediation of key controls related to the IT general controls and the order to cash process are expected to be completed in fiscal year 2022, the Company cannot be certain when the remediation will be completed. The material weaknesses will not be considered fully remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in internal controls over financial reporting

Other than the material weaknesses described above, the remediation process described above, and the implementation of controls related to TForce Freight, there were no changes to the Company's internal controls over financial reporting during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of TFI International Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of TFI International Inc. (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2021 and 2020, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the financial performance and its cash flows for the years ended December 31, 2021 and 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 14, 2022 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.



Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the provisional fair value measurement of land and buildings acquired in the UPS Ground Freight, Inc. acquisition

As discussed in note 5 to the consolidated financial statements, on April 30, 2021, the Company completed the acquisition of UPS Ground Freight, Inc., the Less-Than-Truckload and dedicated truckload divisions of United Parcel Service, Inc. As a result of the business combination, the Company acquired, amongst other assets, land and buildings with a provisional fair value of \$735.9 million. As of December 31, 2021, the fair values measured regarding the UPS Ground Freight, Inc. acquisition were on a provisional basis, including for land and buildings. The provisional fair value of land and buildings was determined by management using the market comparison technique and cost technique. The valuation model considered market prices for comparable sites, when available, and considers depreciated replacement cost, which reflects adjustments for physical deterioration, when appropriate. Significant inputs included market prices for comparable sites and average rebuild cost. A preliminary bargain purchase gain in the amount of \$193.5 million was recognized in the statement of income as at December 2021.

We identified the evaluation of the provisional fair value measurement of land and buildings acquired in the UPS Ground Freight, Inc. acquisition as a critical audit matter. There was a high degree of subjectivity that required significant auditor judgement in evaluating the market prices for comparable land and average rebuild costs for comparable depreciated buildings. Additionally, the procedures required use of professionals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the acquisition-date provisional valuation process of the land and buildings, including the controls over the development of certain assumptions. For a sample of land items, we compared the market prices used by management to external market data for comparable items. For a selection of building items, we compared the average rebuild costs used by management to external market data for comparable items. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the valuation methods and certain assumptions used in the determination of the land and buildings provisional fair value measurements.



Assessment of the self-insurance provisions

As discussed in Note 16 to the consolidated financial statements, the Company has \$69.5 million of self-insurance provisions as of December 31, 2021. As discussed in Note 3I), self-insurance provisions represent the uninsured portion of outstanding claims at year-end, related to cargo loss, bodily injury, worker's compensation and property damages. The Company records an estimate of the provisions for estimated future disbursements associated with the self-insured portion for claims filed at year-end and incurred but not reported.

We identified the assessment of the self-insurance provisions as a critical audit matter. Significant auditor judgment was required to evaluate the amounts that will ultimately be paid to settle these claims. Significant assumptions that affected the estimated provisions included the consideration of historical claim experience, severity factors affecting the amounts ultimately paid which are used to determine the loss development patterns, and current and expected levels of cost per claims which are used to determine expected loss ratios. Additionally, the provisions included estimates for claims that have been incurred but have not been reported, and specialized skills and knowledge were needed to evaluate the actuarial methods and assumptions used to assess these estimates.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the reconciliation and monitoring of its self-insurance provision. For claims for which the estimate is determined using actuarial methods, which included all claims incurred but not reported, we involved actuarial professionals with specialized skills and knowledge, who assisted in:

- Comparing the Company's actuarial reserving methods with generally accepted actuarial standards;
- Evaluating assumptions used in determining the provisions, including the loss development pattern and the expected loss ratios;
- Developing an expected range of the provisions, including for claims incurred but not reported, by applying actuarial methods and assumptions to the Company's data and comparing to the Company's estimated provisions.

For claims for which the estimate is not determined using actuarial methods, for a selection of claims, we confirmed with the Company's external counsel regarding the Company's evaluation of claims and any excluded claims.

We have served as the Company's auditor since 2003.

Montréal, Canada

March 14, 2022

*CPA auditor, CA, public accountancy permit No. A123145



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors TFI International Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited TFI International Inc.'s (the "Company") internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weaknesses, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the consolidated statements of financial position of the Company as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2021 and 2020, and the related notes (collectively, the "consolidated financial statements"), and our report dated March 14, 2022 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment:

- IT General Controls: The Company had an aggregation of control deficiencies within its information technology (IT) general controls across multiple systems supporting the Company's business processes, including deficiencies relating to user access controls, change management, and high-privileged access. Process-level automated controls and manual controls that are dependent on information from affected IT systems, where risks could not be mitigated, were ineffective because they could have been adversely impacted by the IT general control deficiencies; and
- Order to Cash Process: Due to the material weakness described above, automated controls and manual controls that are dependent on information from affected IT systems around the order to cash process, which encompasses billing and pricing sub-processes were found to not be effective. In addition, there was inadequate review of manual process level controls and documentation.



The material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2021 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

The Company acquired UPS Ground Freight, Inc. (now TForce Freight, Inc.) during 2021, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, TForce Freight, Inc.'s internal control over financial reporting associated with 39.1% of current assets and 27.8% of long term assets, 21.1% of current liabilities, 17.6% of long term liabilities, 31.8% of total revenue, and 18.5% of net income included in the consolidated financial statements of the Company as of and for the year ended December 31, 2021. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of TForce Freight, Inc.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the "Management's Annual Report on Internal Controls over Financial Reporting" section in the Company's Management's Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.



Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*KPMG LLP**

Montréal, Canada

March 14, 2022

TFI International Inc.
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

(in thousands of U.S. dollars)	Note	As at December 31, 2021	As at December 31, 2020*
Assets			
Cash and cash equivalents		19,292	4,297
Trade and other receivables	6	1,056,023	597,873
Inventoried supplies		24,402	8,761
Current taxes recoverable		6,080	7,606
Prepaid expenses		54,518	29,904
Assets held for sale		1,943	4,331
Current assets		1,162,258	652,772
Property and equipment	8	2,331,874	1,074,428
Right-of-use assets	9	398,533	337,285
Intangible assets	10	1,792,921	1,747,663
Other assets	11	37,842	23,899
Deferred tax assets	17	29,695	11,207
Non-current assets		4,590,865	3,194,482
Total assets		5,753,123	3,847,254
Liabilities			
Trade and other payables	12	861,362	468,238
Current taxes payable		16,250	33,220
Provisions	16	39,012	17,452
Other financial liabilities		10,566	4,031
Long-term debt	13	363,586	42,997
Lease liabilities	14	115,344	88,522
Current liabilities		1,406,120	654,460
Long-term debt	13	1,244,508	829,547
Lease liabilities	14	313,862	267,464
Employee benefits	15	68,037	15,502
Provisions	16	83,630	36,803
Other financial liabilities		8,033	22,699
Deferred tax liabilities	17	408,622	232,167
Non-current liabilities		2,126,692	1,404,182
Total liabilities		3,532,812	2,058,642
Equity			
Share capital	18	1,133,181	1,120,049
Contributed surplus	18, 20	39,150	19,783
Accumulated other comprehensive income		(144,665)	(154,723)
Retained earnings		1,192,645	803,503
Equity attributable to owners of the Company		2,220,311	1,788,612
Contingencies, letters of credit and other commitments	26		
Subsequent events	28		
Total liabilities and equity		5,753,123	3,847,254

* Recasted for change in accounting policy (see note 10)

The notes on pages 59 to 104 are an integral part of these consolidated financial statements.

On behalf of the Board:

Alain Bédard

Director

André Bérard

Director

TFI International Inc.
**CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020**

(In thousands of U.S. dollars, except per share amounts)	Note	2021	2020
Revenue		6,468,785	3,484,303
Fuel surcharge		751,644	296,831
Total revenue		7,220,429	3,781,134
Materials and services expenses	21	3,815,453	2,051,835
Personnel expenses	22	1,974,081	888,185
Other operating expenses		380,342	150,572
Depreciation of property and equipment	8	225,007	170,520
Depreciation of right-of-use assets	9	112,782	80,496
Amortization of intangible assets	10	55,243	48,213
Gain on sale of business		-	(306)
Bargain purchase gain	5	(193,549)	(4,008)
Gain on sale of rolling stock and equipment		(24,644)	(7,888)
Gain on derecognition of right-of-use assets		(1,282)	(1,159)
Loss on sale of land and buildings		19	6
Gain on sale of assets held for sale		(12,209)	(11,899)
Loss on disposal of intangible assets		1	-
Total operating expenses		6,331,244	3,364,567
Operating income		889,185	416,567
Finance (income) costs			
Finance income	23	(5,127)	(2,776)
Finance costs	23	78,145	56,686
Net finance costs		73,018	53,910
Income before income tax		816,167	362,657
Income tax expense	24	151,806	86,982
Net income for the year attributable to owners of the Company		664,361	275,675
Earnings per share attributable to owners of the Company			
Basic earnings per share	19	7.14	3.09
Diluted earnings per share	19	6.97	3.03

The notes on pages 59 to 104 are an integral part of these consolidated financial statements.

TFI International Inc.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
YEARS ENDED DECEMBER 31, 2021 AND 2020

(In thousands of U.S. dollars)	2021	2020
Net income for the year attributable to owners of the Company	664,361	275,675
Other comprehensive income (loss)		
Items that may be reclassified to income or loss in future years:		
Foreign currency translation differences	12,960	21,182
Net investment hedge, net of tax	(15,542)	(2,010)
Changes in fair value of cash flow hedge, net of tax	-	(487)
Employee benefits, net of tax	87	(10)
Items that may never be reclassified to income:		
Defined benefit plan remeasurement, net of tax	(4,128)	(1,623)
Items directly reclassified to retained earnings:		
Unrealized gain on investments in equity securities measured at fair value through OCI, net of tax	24,147	-
Other comprehensive income for the year, net of tax	17,524	17,052
Total comprehensive income for the year attributable to owners of the Company	681,885	292,727

The notes on pages 59 to 104 are an integral part of these consolidated financial statements.

TFI International Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

(In thousands of U.S. dollars)		Share capital	Contributed surplus	Accumulated unrealized loss on employee benefit plans	Accumulated cash flow hedge gain (loss)	Accumulated foreign currency translation differences & net investment hedge	Accumulated unrealized gain (loss) on investments in equity securities	Retained earnings (deficit)	Total equity attributable to owners of the Company
	Note								
Balance as at December 31, 2020*		1,120,049	19,783	(379)	-	(154,344)	-	803,503	1,788,612
Net income for the year		-	-	-	-	-	-	664,361	664,361
Other comprehensive income (loss) for the year, net of tax		-	-	87	-	(2,582)	24,147	(4,128)	17,524
Realized gain (loss) on equity securities		-	-	-	-	-	(11,594)	11,594	-
Total comprehensive income (loss) for the year		-	-	87	-	(2,582)	12,553	671,827	681,885
Share-based payment transactions, net of tax	20	-	27,577	-	-	-	-	-	27,577
Stock options exercised, net of tax	18, 20	26,324	(3,266)	-	-	-	-	-	23,058
Dividends to owners of the Company	18	-	-	-	-	-	-	(89,121)	(89,121)
Repurchase of own shares	18	(23,449)	-	-	-	-	-	(174,704)	(198,153)
Net settlement of restricted share units, net of tax	18, 20	10,257	(4,944)	-	-	-	-	(18,860)	(13,547)
Total transactions with owners, recorded directly in equity		13,132	19,367	-	-	-	-	(282,685)	(250,186)
Balance as at December 31, 2021		1,133,181	39,150	(292)	-	(156,926)	12,553	1,192,645	2,220,311
Balance as at December 31, 2019*		678,915	19,549	(369)	487	(173,516)	-	632,661	1,157,727
Net income for the year		-	-	-	-	-	-	275,675	275,675
Other comprehensive income (loss) for the year, net of tax		-	-	(10)	(487)	19,172	-	(1,623)	17,052
Total comprehensive income (loss) for the year		-	-	(10)	(487)	19,172	-	274,052	292,727
Share-based payment transactions	20	-	7,046	-	-	-	-	-	7,046
Stock options exercised	18, 20	25,915	(4,554)	-	-	-	-	-	21,361
Issuance of shares, net of expenses	18	425,350	-	-	-	-	-	-	425,350
Dividends to owners of the Company	18	-	-	-	-	-	-	(72,735)	(72,735)
Repurchase of own shares	18	(12,025)	-	-	-	-	-	(25,996)	(38,021)
Net settlement of restricted share units	18, 20	1,894	(2,258)	-	-	-	-	(4,479)	(4,843)
Total transactions with owners, recorded directly in equity		441,134	234	-	-	-	-	(103,210)	338,158
Balance as at December 31, 2020*		1,120,049	19,783	(379)	-	(154,344)	-	803,503	1,788,612

* Recasted for change in accounting policy (see note 10)

The notes on pages 59 to 104 are an integral part of these consolidated financial statements.

TFI International Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(In thousands of U.S. dollars)	Note	2021	2020
Cash flows from operating activities			
Net income for the year		664,361	275,675
Adjustments for:			
Depreciation of property and equipment	8	225,007	170,520
Depreciation of right-of-use assets	9	112,782	80,496
Amortization of intangible assets	10	55,243	48,213
Share-based payment transactions	20	15,424	7,046
Net finance costs	23	73,018	53,910
Income tax expense	24	151,806	86,982
Gain on sale of business		-	(306)
Bargain purchase gain		(193,549)	(4,008)
Gain on sale of property and equipment		(24,625)	(7,882)
Gain on derecognition of right-of-use assets		(1,282)	(1,159)
Gain on sale of assets held for sale		(12,209)	(11,899)
Loss on disposal of intangible assets		1	-
Employee benefits		(20,193)	(1,656)
Provisions net of payments		21,890	7,930
		1,067,674	703,862
Net change in non-cash operating working capital	7	41,940	33,661
Cash generated from operating activities before the following		1,109,614	737,523
Interest paid		(65,453)	(50,366)
Income tax paid		(188,810)	(73,256)
Settlement of derivative contract		-	(3,039)
Net cash from operating activities		855,351	610,862
Cash flows used in investing activities			
Purchases of property and equipment	8	(268,656)	(142,710)
Proceeds from sale of property and equipment		92,842	52,116
Proceeds from sale of assets held for sale		19,869	24,480
Purchases of intangible assets	10	(7,143)	(1,665)
Proceeds from sale of business		-	2,351
Business combinations, net of cash acquired	5	(1,008,131)	(327,650)
Purchases of investments		(35,913)	(7,446)
Proceeds from sale of investments		40,686	-
Proceeds from collection of promissory note		-	18,892
Others		3,789	3,151
Net cash used in investing activities		(1,162,657)	(378,481)
Cash flows from (used in) financing activities			
Decrease in bank indebtedness		(7,173)	(2,231)
Proceeds from long-term debt	13	661,039	33,175
Repayment of long-term debt	13	(43,868)	(191,221)
Net increase (decrease) in revolving facilities	13	118,859	(326,201)
Repayment of lease liabilities	14	(115,336)	(82,587)
(Decrease) increase in other financial liabilities		(11,216)	4,738
Dividends paid		(85,386)	(67,604)
Repurchase of own shares	18	(198,153)	(38,021)
Proceeds from exercise of stock options	18	20,114	21,361
Repurchase of own shares for restricted share unit settlement	18	(16,579)	(4,843)
Proceeds from the issuance of common shares, net of expenses	18	-	425,350
Net cash from (used in) financing activities		322,301	(228,084)
Net change in cash and cash equivalents		14,995	4,297
Cash and cash equivalents, beginning of year		4,297	-
Cash and cash equivalents, end of year		19,292	4,297

The notes on pages 59 to 104 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, 2021 and 2020 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 March 14, 2022.

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.

These consolidated financial statements are expressed in U.S. dollars, except where otherwise indicated.

c) Functional and presentation currency

The Company's consolidated financial statements are presented in U.S. dollars ("U.S. dollars" or "USD"). All information in these consolidated financial statements is presented in USD unless otherwise specified.

The Company's functional currency is the Canadian dollar ("CAD" or "CDN\$"). Translation gains and losses from the application of the U.S. dollar as the presentation currency while the Canadian dollar is the functional currency are included as part of the accumulated foreign currency translation differences and net investment hedge.

All financial information presented in U.S. 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, defined benefit obligation 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 intangible assets and land and buildings related to business combinations;

Note 10 – Determining estimates and assumptions related to the determination of the recoverable amount of goodwill when it is tested for impairment;

Note 15 – Determining estimates and assumptions related to the evaluation of the defined benefit obligation; and

Note 16 – Determining estimates and assumptions related to the evaluation of provisions for self-insurance 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.

Translation gains and losses from the application of U.S dollars as the presentation currency while the Canadian dollar is the functional currency are included as part of the cumulative foreign currency translation adjustment.

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.

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 to share capital, 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 retained earnings.

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.

Net investment hedge

The Group designates a portion of its U.S. dollar 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 (CAD), 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 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.

The depreciation method and useful lives are as follows:

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

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

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

f) Intangible assets

i) Goodwill

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

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

ii) Other intangible assets

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

The Group determines the fair value of the customer relationship intangible assets using the excess earnings model and internally developed significant assumptions including:

1. Forecasted revenue attributable to existing customer contracts and relationships;
2. Estimated annual attrition rate;
3. Forecasted operating margins; and
4. Discount rates

The internally developed assumptions are based on limited observable market information which cause measurement uncertainty, and the fair value of the customer related intangible assets are sensitive to changes to these assumptions.

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 10).

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

g) Leases

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.

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, 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.

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.

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 Company performs goodwill impairment testing annually, or more frequently if events or circumstances indicate the carrying value of a CGU, which is a Group's operating segment, may exceed the recoverable amount of the CGU. 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 fair value less cost to sell is based on market comparable multiples applied to forecasted earnings before financial expenses, income taxes, depreciation and amortization ("adjusted EBITDA") for the next year, which takes into account financial forecasts approved by senior management.

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

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

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

j) Assets held for sale

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

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

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

k) Employee benefits

i) Defined contribution plans

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

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 AAA, AA or A credit-rated fixed income securities that have maturity dates approximating the terms of the Group's obligations and that are

denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

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

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

iii) Short-term employee benefits

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

iv) Share-based payment transactions

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

The fair value of the amount payable to board members in respect of deferred share unit ("DSU"), which are to be settled in cash, is recognized as an expense with a corresponding increase in liabilities. The liability is remeasured at each reporting date until settlement. The Group presents mark-to-market (gain) loss on DSUs in personnel expenses.

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.

I) 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

Self-insurance provisions represent the uninsured portion of outstanding claims at year-end. The 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 the consideration of historical claim experience, severity factors affecting the amounts ultimately paid, and current and expected levels of cost per 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 lading 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) Other operating expenses

Other operating expenses consist primarily of third-party commissions, transitional service agreement fees, information technology support and software expenses, building expenses (including repairs and maintenance, electricity, janitorial & security services and property taxes).

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.

s) Government grants

The Group recognizes a government grant when there is reasonable assurance it will comply with the conditions required to qualify for the grant, and that the grant will be received. The Group recognizes government grants as a reduction to the expense that the grant is intended to offset.

t) New standards and interpretations adopted during the year

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, 2021 and have been applied in preparing these consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16): On August 27, 2020, the IASB finalized its response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. The amendments are effective for annual periods beginning on or after January 1, 2021.

The amendments complement those issued in 2019 as part of Phase 1 amendments and mainly relate to:

- changes to contractual cash flows—a company does not have to derecognise the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting—a company does not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures—a company is required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments did not have a material impact on the Group's consolidated financial statements as there were no debt modifications that have occurred to date due to rate reform. As at December 31, 2021, the only debt balances subject to LIBOR reform are the USD portion of unsecured revolver with a drawn amount of \$123 million at year-end and a total facility balance of CAD \$1,260 million. The LIBOR tenor will cease to exist no later than June 30, 2023. The revolver agreement indicates that SOFR will be the main replacement for LIBOR in the United States. This benchmark is based on the rates U.S. financial institutions pay each other for overnight loans. These transactions take the form of Treasury bond repurchase agreements, otherwise known as repos agreements. As at December 31, 2021, the Group has no interest rate swaps that hedge variable interest debt.

New standards and interpretations not yet adopted

The following new standards are not yet effective for the year ended December 31, 2021, and have not been applied in preparing these consolidated financial statements:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

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

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

On May 14, 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted. IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB's amendments address this issue by clarifying that the "costs of fulfilling a contract" comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property and equipment used in fulfilling the contract.

The adoption of the amendments is not expected to have a material impact.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

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 ^(b) :	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:	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, amongst others, 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) Beginning in the second quarter of fiscal 2021, due to the acquisition of UPS Ground Freight Inc., the Less-Than-Truckload reporting segment now represents the aggregation of the Canadian Less-Than-Truckload and U.S. Less-Than-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, amongst others, with respect to the nature of services offered and the methods used to distribute their services, additionally, they have similar economic characteristics with respect to long-term expected gross margin, levels of capital invested and market place trends.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating income or loss. This measure is included in the internal management reports that are reviewed by the Group's CEO and refers to "Operating income" 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.

TFI International Inc.

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	Package and Courier	Less- Than- Truckload	Truckload	Logistics	Corporate	Eliminations	Total
2021							
External revenue	558,800	2,413,995	1,878,025	1,617,965	-	-	6,468,785
External fuel surcharge	81,104	371,426	258,081	41,033	-	-	751,644
Inter-segment revenue and fuel surcharge	1,545	29,969	26,646	3,074	-	(61,234)	-
Total revenue	641,449	2,815,390	2,162,752	1,662,072	-	(61,234)	7,220,429
Operating income (loss)	108,440	482,754	230,189	142,794	(74,992)	-	889,185
Selected items:							
Depreciation and amortization	26,404	116,060	211,561	38,208	799	-	393,032
Loss on sale of land and buildings	-	(16)	-	(3)	-	-	(19)
Gain on sale of assets held for sale	-	1,640	10,569	-	-	-	12,209
Loss on disposal of intangible assets	(1)	-	-	-	-	-	(1)
Bargain purchase gain	-	181,549	-	12,000	-	-	193,549
Intangible assets	193,765	188,604	955,608	454,612	332	-	1,792,921
Total assets	379,881	2,220,598	2,317,615	746,638	88,391	-	5,753,123
Total liabilities	128,599	916,652	559,438	248,122	1,680,135	(134)	3,532,812
Additions to property and equipment	19,347	65,543	181,313	809	161	-	267,173
2020*							
External revenue	478,707	516,720	1,569,835	919,041	-	-	3,484,303
External fuel surcharge	47,393	66,144	161,680	21,614	-	-	296,831
Inter-segment revenue and fuel surcharge	3,055	6,371	16,844	4,475	-	(30,745)	-
Total revenue	529,155	589,235	1,748,359	945,130	-	(30,745)	3,781,134
Operating income (loss)	78,753	87,950	206,346	84,459	(40,941)	-	416,567
Selected items:							
Depreciation and amortization	25,357	50,354	188,979	33,429	1,110	-	299,229
Loss on sale of land and buildings	-	(1)	-	(5)	-	-	(6)
Gain (loss) on sale of assets held for sale	91	(56)	11,864	-	-	-	11,899
Gain on sale of business	-	-	306	-	-	-	306
Bargain purchase gain	-	-	-	4,008	-	-	4,008
Intangible assets	193,288	189,579	907,170	457,098	528	-	1,747,663
Total assets	387,919	593,653	2,100,900	729,690	35,092	-	3,847,254
Total liabilities	123,970	219,234	478,630	226,218	1,010,723	(133)	2,058,642
Additions to property and equipment	17,304	22,829	101,477	760	444	-	142,814

* Recasted for change in accounting policy (see note 10)

Geographical information

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

	Package and Courier	Less- Than- Truckload	Truckload	Logistics	Eliminations	Total
2021						
Canada	641,449	576,311	912,166	269,568	(31,193)	2,368,301
United States	-	2,239,079	1,250,586	1,370,843	(30,041)	4,830,467
Mexico	-	-	-	21,661	-	21,661
Total	641,449	2,815,390	2,162,752	1,662,072	(61,234)	7,220,429
2020						
Canada	529,155	517,199	725,347	239,413	(26,019)	1,985,095
United States	-	72,036	1,023,012	686,811	(4,726)	1,777,133
Mexico	-	-	-	18,906	-	18,906
Total	529,155	589,235	1,748,359	945,130	(30,745)	3,781,134

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

	As at December 31, 2021	As at December 31, 2020*
Property and equipment, right-of-use assets and intangible assets		
Canada	1,933,050	1,800,307
United States	2,575,363	1,342,720
Mexico	14,915	16,349
	4,523,328	3,159,376

* Recasted for change in accounting policy (see note 10)

5. Business combinations

a) Business combinations

In line with the Group's growth strategy, the Group acquired ten businesses during 2021, of which UPS Ground Freight Inc. ("UPS Freight"), which was renamed TForce Freight Inc. ("TForce Freight") in April 2021, was considered material. All other acquisitions were not considered to be material. These transactions were concluded in order to add density in the Group's current network and further expand value-added services.

On April 30, 2021, the Group completed the acquisition of UPS Freight, the Less-Than-Truckload and dedicated truckload divisions of United Parcel Service, Inc. The purchase price for this business acquisition totalled \$864.6 million, which was funded by cash on hand and the remaining balance was drawn from the currently existing unsecured revolving credit facilities. The estimated fair value of the identifiable net assets acquired, including the fair value of the customer relationships acquired, exceeded the purchase price, resulting in an estimated preliminary bargain purchase gain of \$193.5 million in the Less-Than-Truckload and Logistics segments (\$181.5 million and \$12.0 million respectively). The preliminary bargain purchase gain resulted mainly from the measurement of the fair value related to the company's tangible assets, primarily land and buildings, and customer relationships. During the year ended December 31, 2021, the business contributed revenue and net income of \$2,334.4 million and \$122.6 million (excluding the bargain purchase gain of \$193.5 million), respectively since the acquisition.

During the year ended December 31, 2021, the non-material businesses, in aggregate, contributed revenue and net income of \$64.9 million and \$0.9 million respectively since the acquisitions.

Had the Group acquired the material and non-material businesses on January 1, 2021, as per management's best estimates, the revenue and net income for these entities would have been \$3,613.3 million and \$151.6 million (excluding the bargain purchase gain of \$193.5 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, 2021 and adjusted for interest, based on the purchase price and average borrowing rate of the Group, and income tax expenses based on the effective tax rate.

During 2021, transaction costs of \$8.7 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 2021 acquisitions. Information to confirm fair value of certain assets and liabilities is still to be obtained for these acquisitions. As the Group obtains more information, the allocation will be completed.

The table below presents the purchase price allocation based on the best information available to the Group to date.

Identifiable assets acquired and liabilities assumed	Note	UPS Freight	Others*	December 31, 2021
Cash and cash equivalents	6	11,570	11,576	
Trade and other receivables		328,468	23,806	352,274
Inventoried supplies and prepaid expenses		26,643	3,500	30,143
Property and equipment	8	1,186,198	86,872	1,273,070
Right-of-use assets	9	100,971	10,619	111,590
Intangible assets	10	18,856	25,914	44,770
Other assets		860	65	925
Trade and other payables		(208,928)	(14,470)	(223,398)
Income tax payable		302	(2,668)	(2,366)
Employee benefits	15	(65,849)	-	(65,849)
Provisions	16	(50,352)	(222)	(50,574)
Other non-current liabilities		(56)	(6)	(62)
Long-term debt	13	-	(3,484)	(3,484)
Lease liabilities	14	(100,971)	(10,619)	(111,590)
Deferred tax liabilities		(177,992)	(17,785)	(195,777)
Total identifiable net assets		1,058,156	113,092	1,171,248
Total consideration transferred		864,607	162,313	1,026,920
Goodwill	10	-	49,221	49,221
Bargain purchase gain		(193,549)	-	(193,549)
Cash		864,607	155,100	1,019,707
Contingent consideration		-	7,213	7,213
Total consideration transferred		864,607	162,313	1,026,920

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

The valuation techniques used for measuring the fair value of land and buildings (\$735.9 million) and customer relationships (\$12.0 million) acquired regarding UPS Freight were as follows:

Assets acquired	Valuation technique	Key inputs
Land and buildings	<i>Market comparison technique and cost technique:</i> The valuation model considers market prices for comparable sites, when available, and considers depreciated replacement cost, which reflects adjustments for physical deterioration, when appropriate.	- Market prices for comparable sites - Average rebuild cost
Customer relationships	<i>Excess earnings method:</i> The valuation model considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.	- Forecasted revenue attributable to existing customers and relationships - Annual attrition rate - Forecasted operating margin - Discount rate

The fair values measured on the amounts regarding UPS Freight are on a provisional basis, mainly regarding land and buildings, customer relationships, provisions, and deferred tax liabilities. This is mainly due to pending completion and review of independent valuations and site visits for the land and buildings and mainly due to the complexity of the information for the provisions. Customer relationships and income taxes will be reassessed once all the fair values are final. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition that implies adjustments to the amounts, the accounting for the acquisition will be revised.

The trade receivables comprise gross amounts due of \$361.8 million, of which \$9.6 million was expected to be uncollectible at the acquisition date.

Of the goodwill and intangible assets acquired through business combinations in 2021, \$5.7 million is deductible for tax purposes (2020 - \$21.2 million).

During 2020, the Group acquired thirteen businesses, of which DLS Worldwide ("DLS"), which was renamed "TForce Worldwide" in November 2020, was considered material. All other acquisitions, including R.R. Donnelley & Sons Company, were not considered to be material.

On November 2, 2020, the Group completed the acquisition of DLS, a business unit of R.R. Donnelley & Sons Company. DLS provides logistics services through a third-party logistics network of internal sales personnel, commissioned sales agents, and approximately 140 agent-stations. The purchase price for this business acquisition totalled \$225.0 million, which had been paid in cash. During the year ended December 31, 2020, DLS contributed revenue and net income of \$98.3 million and \$1.5 million, respectively since the acquisition.

On March 2, 2020, the Group completed the acquisition of the courier service business of R.R. Donnelley & Sons Company. The purchase price for this business acquisition totalled \$10.6 million, which had been paid in cash. The estimated 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 \$4.0 million in the logistics segment.

During the year ended December 31, 2020, the thirteen businesses, in aggregate, contributed revenue and net income of \$213.2 million and \$4.6 million respectively since the acquisitions.

Had the Group acquired these thirteen businesses on January 1, 2020, as per management's best estimates, the revenue and net income for these entities would have been \$807.2 million and \$31.9 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, 2020 and adjusted for interest, based on the purchase price and average borrowing rate of the Group, and income tax expenses based on the effective tax rate.

During 2020, transaction costs of \$0.8 million had been expensed in other operating expenses in the consolidated statements of income in relation to the above-mentioned business acquisitions.

The table below presents the purchase price allocation as at December 31, 2020:

Identifiable assets acquired and liabilities assumed	Note	DLS	Others*	December 31, 2020
Cash and cash equivalents		-	3,332	3,332
Trade and other receivables		93,520	29,373	122,893
Inventoried supplies and prepaid expenses		824	1,509	2,333
Property and equipment	8	262	23,741	24,003
Right-of-use assets	9	285	39,928	40,213
Intangible assets	10	65,404	31,125	96,529
Other assets		4,630	-	4,630
Trade and other payables		(54,845)	(9,149)	(63,994)
Income tax payable		-	(445)	(445)
Provisions	16	-	(338)	(338)
Other non-current liabilities		(14,374)	-	(14,374)
Long-term debt	13	-	(5,365)	(5,365)
Lease liabilities	14	(285)	(40,192)	(40,477)
Deferred tax liabilities		-	(6,653)	(6,653)
Total identifiable net assets		95,421	66,866	162,287
Total consideration transferred		225,007	106,595	331,602
Goodwill	10	129,586	43,737	173,323
Bargain purchase gain		-	(4,008)	(4,008)
Cash		225,007	105,975	330,982
Contingent consideration		-	620	620
Total consideration transferred		225,007	106,595	331,602

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

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 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	December 31, 2021*	December 31, 2020
Canadian Less-Than-Truckload	Less-Than-Truckload	(225)	3,872
Canadian Truckload	Truckload	4,079	-
U.S. Truckload	Truckload	2,846	330
Specialized Truckload	Truckload	42,546	33,718
Logistics	Logistics	(25)	135,403
		49,221	173,323

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

c) Adjustment to the provisional amounts for UPS Freight business combination

The interim financial statements of 2021 included details of the Group's business combinations and set out provisional fair values relating to the consideration and net assets of UPS Freight. This acquisition was accounted for under the provisions of IFRS 3. As required by IFRS 3, the provisional fair values have been reassessed in the fourth quarter in light of information obtained during the measurement period following the acquisition. These amounts remain provisional as at December 31, 2021 for the reasons mentioned previously. The below adjustments will be reflected in the Q2 2021 comparative financial information when the Q2 2022 interim financial statements are filed. Consequently, the fair value of certain assets acquired, and liabilities assumed of UPS Freight have been adjusted retrospective to the date of acquisition as follows:

	Provisional fair value included in the interim financial statements	Measurement period adjustment	Reassessed fair value
Cash and cash equivalents	6	-	6
Trade and other receivables	349,742	(21,274)	328,468
Inventoried supplies and prepaid expenses	30,660	(4,017)	26,643
Property and equipment	1,052,816	133,382	1,186,198
Right-of-use assets	100,971	-	100,971
Intangible assets	6,856	12,000	18,856
Other assets	860	-	860
Trade and other payables	(217,539)	8,611	(208,928)
Income tax payable	302	-	302
Employee benefits	(67,828)	1,979	(65,849)
Provisions	(50,352)	-	(50,352)
Other non-current liabilities	(56)	-	(56)
Lease liabilities	(100,971)	-	(100,971)
Deferred tax liabilities	(116,449)	(61,543)	(177,992)
Total identifiable net assets	989,018	69,138	1,058,156
<u>Total consideration transferred</u>	866,092	(1,485)	864,607
Bargain purchase gain	(122,926)	(70,623)	(193,549)
<u>Total consideration transferred</u>	866,092	(1,485)	864,607

d) Contingent consideration

The contingent consideration relates to non-material business acquisitions and is recorded in the original purchase price allocation. The fair value was determined using expected cash flows discounted at rates between 3.9% and 6.4%. The considerations are contingent on achieving specified earning levels in the future periods. The maximum amount payable is \$0.4 million in one year and \$7.6 million in two years. At December 31, 2021, the fair value of the contingent arrangement is estimated at approximately \$7.4 million and is currently presented in other financial liabilities on the consolidated statements of financial position.

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

The 2020 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 DLS and various other 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 DLS and the other non-material acquisitions in fiscal 2020 have been adjusted and finalized in 2021. No material adjustments were required to the provisional fair values for these prior period's business combinations and have been included with the acquisitions of 2021.

6. Trade and other receivables

	December 31, 2021	December 31, 2020
Trade receivables, net of expected credit loss	986,783	570,609
Other receivables	69,240	27,264
	1,056,023	597,873

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

Trade receivables as at December 31, 2021 include \$58.2 million of in-transit revenue balances (December 31, 2020 – \$13.5 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.

7. Additional cash flow information*Net change in non-cash operating working capital*

	2021	2020
Trade and other receivables	(101,664)	(16,399)
Inventoried supplies	(1,233)	2,200
Prepaid expenses	(9,455)	192
Trade and other payables	154,292	47,668
	41,940	33,661

8. Property and equipment

	Note	Land and buildings	Rolling stock	Equipment	Total
Cost					
Balance at December 31, 2019		308,677	1,267,313	125,296	1,701,286
Additions through business combinations	5	1,771	21,634	598	24,003
Other additions		19,331	112,645	10,838	142,814
Disposals		(731)	(133,149)	(5,134)	(139,014)
Reclassification to assets held for sale		(19,201)	(9,971)	-	(29,172)
Sale of business		(484)	(3,395)	(283)	(4,162)
Effect of movements in exchange rates		5,441	12,540	2,919	20,900
Balance at December 31, 2020		314,804	1,267,617	134,234	1,716,655
Additions through business combinations	5	766,391	445,656	61,024	1,273,070
Other additions		36,902	217,080	13,191	267,173
Disposals		(1,473)	(177,992)	(8,773)	(188,238)
Transfer from right-of-use assets		-	21,474	-	21,474
Reclassification (to) from assets held for sale		(8,843)	1,023	-	(7,820)
Effect of movements in exchange rates		2,220	(2,395)	1,089	915
Balance at December 31, 2021		1,110,001	1,772,463	200,765	3,083,229
Accumulated Depreciation					
Balance at December 31, 2019		58,609	437,163	80,085	575,857
Depreciation		8,462	151,369	10,689	170,520
Disposals		(657)	(89,676)	(4,447)	(94,780)
Reclassification to assets held for sale		(7,326)	(8,488)	-	(15,814)
Sale of business		(329)	(2,494)	(253)	(3,076)
Effect of movements in exchange rates		1,058	6,448	2,014	9,520
Balance at December 31, 2020		59,817	494,322	88,088	642,227
Depreciation		16,301	187,895	20,811	225,007
Disposals		(1,332)	(110,341)	(8,347)	(120,020)
Transfer from right-of-use assets		-	5,746	-	5,746
Reclassification (to) from assets held for sale		(2,997)	424	-	(2,573)
Effect of movements in exchange rates		223	(153)	898	968
Balance at December 31, 2021		72,012	577,893	101,450	751,355
Net carrying amounts					
At December 31, 2020		254,987	773,295	46,146	1,074,428
At December 31, 2021		1,037,989	1,194,570	99,315	2,331,874

As at December 31, 2021, \$1.0 million is included in trade and other payables for the purchases of property and equipment (December 31, 2020 – \$2.5 million).

Security

As at December 31 2021, certain rolling stock are pledged as security for conditional sales contracts, with a carrying amount of \$144.5 million (December 31, 2020 - \$140.7 million) (see note 13).

TFI International Inc.

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

9. Right-of-use assets

	Note	Land and buildings	Rolling stock	Equipment	Total
Cost					
Balance at December 31, 2019		430,097	164,090	1,833	596,020
Other additions		18,869	30,353	1,003	50,225
Additions through business combinations	5	13,716	26,497	-	40,213
Derecognition*		(18,524)	(32,111)	(589)	(51,224)
Effect of movements in exchange rates		7,948	2,335	43	10,326
Balance at December 31, 2020		452,106	191,164	2,290	645,560
Transfer to property and equipment		-	(21,474)	-	(21,474)
Other additions		37,768	51,494	1,084	90,346
Additions through business combinations	5	57,916	52,465	1,209	111,590
Derecognition*		(39,842)	(40,434)	(668)	(80,944)
Effect of movements in exchange rates		2,329	495	(12)	2,812
Balance at December 31, 2021		510,277	233,710	3,903	747,890
Depreciation					
Balance at December 31, 2019		193,684	67,153	1,015	261,852
Depreciation		48,628	31,247	621	80,496
Derecognition*		(14,573)	(25,371)	(428)	(40,372)
Effect of movements in exchange rates		4,802	1,474	23	6,299
Balance at December 31, 2020		232,541	74,503	1,231	308,275
Transfer to property and equipment		-	(5,746)	-	(5,746)
Depreciation		59,719	51,953	1,110	112,782
Derecognition*		(35,691)	(30,926)	(579)	(67,196)
Effect of movements in exchange rates		938	308	(4)	1,242
Balance at December 31, 2021		257,507	90,092	1,758	349,357
Net carrying amounts					
At December 31, 2020		219,565	116,661	1,059	337,285
At December 31, 2021		252,770	143,618	2,145	398,533

* Derecognized right-of-use assets include negotiated asset purchases and extinguishments resulting from accidents as well as fully amortized or end of term right-of-use assets.

10. Intangible assets

	Note	Goodwill	Other intangible assets				Total
			Customer relationships	Trademarks	Non-compete agreements	Information technology	
Cost							
Balance at December 31, 2019**		1,331,130	481,428	85,755	11,933	17,620	1,927,866
Additions through business combinations*	5	173,323	88,692	627	3,984	3,226	269,852
Other additions		-	-	-	-	1,665	1,665
Sale of business		(715)	-	-	-	(30)	(745)
Extinguishments		-	(1,397)	(1,014)	(1,456)	(440)	(4,307)
Effect of movements in exchange rates		19,888	6,219	1,034	227	483	27,851
Balance at December 31, 2020**		1,523,626	574,942	86,402	14,688	22,524	2,222,182
Additions through business combinations*	5	49,221	29,130	4,166	4,405	7,069	93,991
Other additions		-	3,263	-	-	3,880	7,143
Extinguishments		-	(18,357)	(1,178)	(1,027)	(1,510)	(22,072)
Effect of movements in exchange rates		(556)	(464)	(579)	(118)	33	(1,684)
Balance at December 31, 2021		1,572,291	588,514	88,811	17,948	31,996	2,299,560
Amortization and impairment losses							
Balance at December 31, 2019**		146,890	219,764	40,181	4,470	13,511	424,816
Amortization		-	39,580	3,897	2,160	2,576	48,213
Sale of business		-	-	-	-	(28)	(28)
Extinguishments		-	(1,397)	(1,014)	(1,456)	(440)	(4,307)
Effect of movements in exchange rates		1,126	3,652	572	130	345	5,825
Balance at December 31, 2020**		148,016	261,599	43,636	5,304	15,964	474,519
Amortization		-	44,862	3,274	3,378	3,729	55,243
Extinguishments		-	(18,357)	(1,178)	(1,027)	(1,509)	(22,071)
Effect of movements in exchange rates		(536)	(526)	(57)	11	56	(1,052)
Balance at December 31, 2021		147,480	287,578	45,675	7,666	18,240	506,639
Net carrying amounts							
At December 31, 2020**		1,375,610	313,343	42,766	9,384	6,560	1,747,663
At December 31, 2021		1,424,811	300,936	43,136	10,282	13,756	1,792,921

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

** Recasted for change in accounting policy following the 2021 IFRS Interpretation Committee's agenda decision on *Configuration or Customization Cost in a Cloud Computing Arrangement (IAS 38 Intangible Assets)*. Implementation costs on cloud computing arrangements, previously capitalized, are expensed as incurred. The result was a decrease in intangible assets of \$2.1 million, a decrease in deferred tax liabilities of \$0.5 million, and a decrease in retained earnings of \$1.6 million reflected in the closing balances of December 31, 2019.

At December 31, 2021, the Group performed its annual impairment testing for indefinite life trademarks. The Group estimated the value in use to be \$36.6 million (2020 - \$42.6 million) compared to its carrying value of \$27.5 million (2020 - \$31.6 million), resulting in no impairment charge. Management used the relief-from-royalty method and discount rates between 6.7% and 9.9% (2020 – between 6.6% and 9.7%) in its analysis.

In 2021, the Group rebranded a subsidiary by initiating a change of name. The Group estimates that previous tradename will retain value for a 2-year period during the transition. Accordingly, the amortization period has been changed from indefinite life to 2 years for the remaining net book value of this subsidiary of \$3.5 million.

In 2020, the Group reassessed useful lives of some operational trademarks from finite to indefinite representing a carrying value of \$6.3 million. Brand recognition 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 trademarks for impairment, which resulted in no impairment charge.

At December 31, 2021, 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	December 31, 2021	December 31, 2020
Package and Courier	190,853	189,533
Less-Than-Truckload		
Canadian Less-Than-Truckload	137,638	136,914
Truckload		
Canadian Truckload	93,152	86,416
U.S. Truckload	245,570	244,824
Specialized Truckload	431,761	394,303
Logistics	325,837	323,620
	1,424,811	1,375,610

The results as at December 31, 2021 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	2021	2020
Package and Courier	9.3%	9.1%
Less-Than-Truckload		
Canadian Less-Than-Truckload	9.3%	9.1%
Truckload		
Canadian Truckload	11.7%	11.5%
U.S. Truckload	10.5%	10.3%
Specialized Truckload	10.5%	10.3%
Logistics	8.7%	8.5%

The discount rates were estimated based on past experience, and industry average weighted average cost of capital, which were based on a possible range of debt leveraging of 40.0% (2020 – 40.0%) at a market interest rate of 5.7% (2020 – 5.9%).

First year cash flows were projected based on forecasted cash flows which are based on previous operating results adjusted to reflect current economic conditions. For a further 4-year period, cash flows were extrapolated using an average growth rate of 2.0% (2020 – 2.0%) in revenues and margins were adjusted where deemed appropriate. The terminal value growth rate was 2.0% (2020 – 2.0%). The values assigned to the key assumptions represent management's assessment of future trends in the transportation industry and were based on both external and internal sources (historical data).

11. Other assets

	As at December 31, 2021	As at December 31, 2020
Security deposits	3,780	3,143
Investments in equity securities	31,391	9,727
Other	2,671	6,293
Indemnification asset	-	4,736
	37,842	23,899

Investments in equity securities include \$16.4 million (2020 – nil) of Level 1 investments that were marked to market with the publicly traded information and \$15.0 million (2020 - \$7.7 million) of Level 3 investments that were marked to fair value based increase in company performance as at December 31, 2021. The Group elected to designate these investments as at fair value through OCI.

12. Trade and other payables

	December 31, 2021	December 31, 2020
Trade payables and accrued expenses	611,546	327,619
Personnel accrued expenses	224,935	119,334
Dividend payable	24,881	21,285
	861,362	468,238

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

13. Long-term debt

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

	As at December 31, 2021	As at December 31, 2020
Non-current liabilities		
Unsecured revolving facilities	239,406	123,666
Unsecured term loan	-	321,852
Unsecured debenture	157,743	156,479
Unsecured senior notes	778,613	150,000
Conditional sales contracts	68,746	77,550
	1,244,508	829,547
Current liabilities		
Current portion of unsecured revolving facilities	-	7,461
Current portion of unsecured term loan	324,444	-
Current portion of conditional sales contracts	39,142	35,536
	363,586	42,997

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

	Currency	Nominal interest rate	Year of maturity	2021		2020	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured revolving facility	a CAD	BA + 1.25%	2025	130,000	101,061	41,700	32,279
Unsecured revolving facility	a CAD	BA + 1.25%	2025	21,279	16,646	-	-
Unsecured revolving facility	a USD	Libor + 1.25%	2025	120,000	118,634	92,634	91,387
Unsecured revolving facility	a USD	Libor + 1.25%	2025	3,100	3,065	7,461	7,461
Unsecured term loan	a CAD	BA + 1.45%	2022	410,000	324,444	410,000	321,852
Unsecured debenture	b CAD	3.32% - 4.22%	2024	200,000	157,743	200,000	156,479
Unsecured senior notes	c USD	2.89% - 3.85%	2026-2033	180,000	179,658	150,000	150,000
Unsecured senior notes	c USD	3.15% - 3.50%	2029-2036	500,000	499,049	-	-
Unsecured senior notes	c USD	2.87% - 3.34%	2029-2033	100,000	99,906	-	-
Conditional sales contracts	d Mainly CAD	1.45% - 4.72%	2022-2024	136,338	107,888	143,796	113,086
				1,608,094		872,544	

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

	Note	2021	2020
Balance at beginning of year		872,544	1,343,307
Proceeds from long-term debt		661,039	33,175
Business combinations	5	3,484	5,365
Repayment of long-term debt		(43,868)	(191,221)
Net increase (decrease) in revolving facilities		118,859	(326,201)
Accretion of deferred financing fees		1,296	1,214
Effect of movements in exchange rates		(23,154)	4,588
Effect of movements in exchange rates - OCI hedge		17,894	2,317
Balance at end of year		1,608,094	872,544

a) Unsecured revolving credit facility and term loans

On August 16, 2021, the Group extended its revolving credit facility until August 16, 2025. Under the new extension, CAD availability is increased by CAD \$10 million and USD availability increased by USD \$50 million. Based on certain ratios, the interest rate will be the sum of the banker's acceptance rate, or Libor rate on US\$ denominated debt, plus an applicable margin, which can vary between 113 basis points and 175 basis points. The applicable margin on the credit facility is currently 1.25%. The Group is subject to certain covenants regarding the maintenance of financial ratios and was in compliance with these covenants at year-end (see note 25(f)). Deferred financing fees of \$1.7 million were recognized on the increase.

The revolving credit facility is unsecured and can be extended annually. The total available amount under this revolving facility is CAD \$1,260 million. The agreement provides an additional \$198.9 million of credit availability (CAD \$245 million and USD \$5 million). The additional credit is available under certain conditions under the Group's syndicated revolving credit agreement. Based on certain ratios, the interest rate will vary between banker's acceptance rate (or Libor rate on USD denominated debt) plus applicable margin, which can vary between 120 basis points and 200 basis points. As of December 31, 2021, the credit facility's interest rate on CAD denominated debt was 1.70% (2020 – 2.90%) and on USD denominated debt was 1.35% (2020 – 1.60%). The Group is subject to certain covenants regarding the maintenance of financial ratios and was in compliance with these covenants at year-end (see note 25(f)).

The remaining second tranche of term loan of CAD \$410 million is unsecured and is 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, 2021, the term loan's interest rate was 1.90% (2020 – 1.90% on the second tranche).

On December 18, 2020, the Group repaid, without penalty, the first tranche of CAD \$200 million of its term loan which was due in June 2021.

b) Unsecured debenture

The unsecured debenture is maturing in December 2024 and is carrying an interest rate between 3.32% and 4.22% (2020 – 3.32% to 4.22%) depending on certain ratios. As of December 31, 2021, the debenture's effective rate was 3.57% (2020 – 3.57%). The debenture may be repaid, without penalty, after December 20, 2022, subject to the approval of the Group's syndicate of bank lenders.

c) Unsecured senior notes

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.

On January 13, 2021, the Group received \$500 million in proceeds from the issuance of a new debt taking the form of unsecured senior notes consisting of four tranches maturing between January 2029 and January 2036 and bearing fixed interest between 3.15% and 3.50%. These notes may be prepaid at any time prior to maturity dates, 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. The Group is subject to certain covenants regarding the maintenance of financial ratios and was in compliance with these covenants at year-end (see note 25(f)). Deferred financing fees of \$1.4 million were recognized on the increase.

On July 2, 2021, the Group received \$100 million in proceeds from the issuance of a new debt taking the form of unsecured senior notes consisting of two tranches maturing on July 2, 2029, and July 2, 2033, bearing fixed interest of 2.87% and 3.34%. These notes may be prepaid at any time prior to maturity dates, 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. The Group is subject to certain covenants regarding the maintenance of financial ratios and was in compliance with these covenants at year-end (see note 25(f)).

On July 14, 2021, the Group received \$30 million in proceeds from the issuance of a new debt taking the form of unsecured senior notes consisting of two tranches maturing on July 14, 2029, and July 14, 2033, bearing fixed interest of 2.89% and 3.37%. These notes may be prepaid at any time prior to maturity dates, 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. The Group is subject to certain covenants regarding the maintenance of financial ratios and was in compliance with these covenants at year-end (see note 25(f)).

d) Conditional sales contracts

Conditional sales contracts are secured by rolling stock having a carrying value of \$144.5 million (December 31, 2020 - \$140.7 million,) (see note 8).

e) 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	-	242,283	-	242,283
Unsecured term loan	324,444	-	-	324,444
Unsecured debenture	-	158,265	-	158,265
Unsecured senior notes	-	-	780,000	780,000
Conditional sales contracts	39,142	68,746	-	107,888
	363,586	469,294	780,000	1,612,880

14. Lease liabilities

	As at December 31, 2021	As at December 31, 2020
Current portion of lease liabilities	115,344	88,522
Long-term portion of lease liabilities	313,862	267,464
	429,206	355,986

The table below summarizes changes to the lease liabilities:

	Note	2021	2020
Balance at beginning of year		355,986	355,591
Business combinations	5	111,590	40,477
Additions		90,346	50,225
Derecognition*		(15,030)	(12,011)
Repayment		(115,336)	(82,587)
Effect of movements in exchange rates		1,650	4,291
Balance at end of year		429,206	355,986

* Derecognized lease liabilities include negotiated asset purchases and extinguishments resulting from accidents.

The incremental borrowing rate used on average for 2021 is 2.59% (2020 – 3.56%).

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 are significant events or significant changes in circumstances within its control.

The lease liabilities include future lease payments of \$12.7 million (2020 – \$21.1 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 \$362.4 million (2020 - \$352.1 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, 2021 was \$18.9 million (2020 - \$17.4 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, 2021 was \$15.4 million (2020 - \$13.8 million), presented in "Other operating expenses".

Contractual cash flows

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

	As at December 31, 2021
Less than 1 year	126,172
Between 1 and 5 years	262,899
More than 5 years	79,323
	468,394

For the year ended December 31, 2021, operating lease expenses of \$42.4 million (2020 – \$26.1 million) were recognized in the consolidated statement of income for leases that either did not meet the definition of a lease under IFRS 16, or were excluded based on practical expedients applied.

15. Employee benefits

TFI International pension plans

The Group sponsors defined benefit pension plans for 105 of its employees (2020 – 161).

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 plans 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, 2020 and the next required valuation will be as of December 31, 2021.

TForce Freight pension plans

Pursuant to the terms of the purchase agreement with UPS Freight, the Group has recognized defined benefit pension plans for certain participants of the UPS Pension plans. The pension plans have ongoing benefit accruals and new employees that are eligible to participate in the plans once they satisfy the participation requirements. The pension plans include 9,399 active participants.

The plans do not have recurring contributions for employees. These plans are still required to fund past service costs and are fully funded by the Group. The Group obtained an actuarial valuation as at the date of acquisition to establish the benefit obligation at that date. The plans' service costs are also established by the actuarial valuation.

The Group also 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, 2021.

Other post-retirement plans

In addition to the above-mentioned defined benefit plans, the Group sponsors an employee severance plan in Mexico. At December 31, 2021, total obligation under this arrangement amounted to \$1.2 million (\$1.1 million in 2020).

Information in the tables that follow pertains to all of the Group's defined benefit pension plans.

	December 31, 2021			December 31, 2020		
	TFI International pension plans	TForce Freight pension plans	Total	TFI International pension plans	TForce Freight pension plans	Total
Defined benefit obligation	27,127	133,653	160,780	35,529	-	35,529
Fair value of plan assets	(13,437)	(80,466)	(93,903)	(21,147)	-	(21,147)
Net defined benefit liability	13,690	53,187	66,877	14,382	-	14,382

Plan assets comprise:

	December 31, 2021	December 31, 2020
<i>TFI International pension plans</i>		
Equity securities	6%	6%
Debt securities	89%	91%
Other	5%	3%
<i>TForce Freight pension plans</i>		
Equity securities	48%	-
Debt securities	52%	-

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, AA or A, 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:

	Note	2021	2020
Defined benefit obligation, beginning of year		35,529	31,449
Increase through business combinations	5	70,261	-
Current service cost		55,437	528
Interest cost		2,289	948
Benefits paid		(5,437)	(1,539)
Remeasurement (gain) loss arising from:			
- Demographic		252	-
- Financial assumptions		5,997	3,563
- Experience		(426)	(343)
Settlement		(3,420)	113
Effect of movements in exchange rates		298	810
Defined benefit obligation, end of year		160,780	35,529

TFI International Inc.

(Tabular amounts in thousands of U.S. dollars, unless otherwise noted.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	Note	2021	2020
Fair value of plan assets, beginning of year		21,147	18,108
Increase through business combinations	5	4,412	-
Interest income		551	544
Employer contributions		76,297	2,519
Benefits paid		(5,437)	(1,539)
Fair value remeasurement		310	1,129
Plan administration expenses		(112)	(124)
Settlement		(3,475)	
<u>Effect of movements in exchange rates</u>		210	510
Fair value of plan assets, end of year		93,903	21,147

Expense recognized in income or loss:

	2021	2020
Current service cost	55,437	528
Net interest cost	1,738	404
Plan administration expenses	112	124
Net settlement	55	113
Pension expense	57,342	1,169
Actual return on plan assets	861	1,673

Actuarial losses recognized in other comprehensive income:

	2021	2020
Amount accumulated in retained earnings, beginning of year	13,304	11,100
Recognized during the year	5,513	2,204
Amount accumulated in retained earnings, end of year	18,817	13,304
Recognized during the year, net of tax	4,128	1,623

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

	December 31, 2021	December 31, 2020
Defined benefit obligation:		
Discount rate at	2.9%	2.4%
Future salary increases	2.0%	1.2%
Employee benefit expense:		
Discount rate at	2.4%	3.3%
Rate of return on plan assets at	2.4%	3.3%
Future salary increases	2.0%	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:

	December 31, 2021	December 31, 2020		
	TFI International pension plans	TForce Freight pension plans	TFI International pension plans	TForce Freight pension plans
Longevity at age 65 for current pensioners				
Males	22.7	20.1	22.1	-
Females	24.9	22.2	24.7	-
Longevity at age 65 for current members aged 45				
Males	23.6	21.7	23.5	-
Females	25.8	23.7	26.1	-

At December 31, 2021 the weighted average duration of the defined benefit obligation was:

TFI International pension plans	13.9
TForce Freight pension plans	22.1

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

	2021	2020	2020	2020
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(27,922)	36,696	(3,022)	3,650
Life expectancy (1-year movement)	4,475	(4,650)	138	(246)

Historical information:

	2021	2020	2019	2018	2017
Defined benefit obligation	160,780	35,529	31,449	27,579	38,811
Fair value of plan assets	(93,903)	(21,147)	(18,108)	(16,581)	(25,366)
Deficit in the plan	66,877	14,382	13,341	10,998	13,445
Experience adjustments arising on plan obligations	5,823	3,220	2,116	(2,427)	2,378
Experience adjustments arising on plan assets	310	1,129	467	(815)	351

The Group expects approximately \$100.7 million in contributions to be paid to its defined benefit plans in 2022.

16. Provisions

		Self insurance	Other	Total
Balance at December 31, 2019		39,188	1,598	40,786
Additions through business combinations	5	-	338	338
Provisions made during the year		48,534	9,685	58,219
Provisions used during the year		(32,439)	(4,060)	(36,499)
Provisions reversed during the year		(8,795)	(1,177)	(9,972)
Unwind of discount on long-term provisions		1,012	-	1,012
Sale of business		(47)	-	(47)
Effect of movements in exchange rates		280	138	418
Balance at December 31, 2020		47,733	6,522	54,255
Additions through business combinations	5	125	50,449	50,574
Provisions made during the year		94,885	4,352	99,237
Provisions used during the year		(62,836)	(7,977)	(70,813)
Provisions reversed during the year		(9,259)	-	(9,259)
Unwind of discount on long-term provisions		(929)	-	(929)
Effect of movements in exchange rates		(252)	(171)	(423)
Balance at December 31, 2021		69,467	53,175	122,642

As at December 31, 2021

Current provisions	26,771	12,241	39,012
Non-current provisions	42,696	40,934	83,630
	69,467	53,175	122,642

As at December 31, 2020

Current provisions	14,040	3,412	17,452
Non-current provisions	33,693	3,110	36,803
	47,733	6,522	54,255

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 1.3% (2020 – 0.7%). Other provisions include mainly litigation provisions of \$35.8 million (2020 - \$3.2 million). Litigation provisions contain various pending claims for which management used judgement and assumptions about future events. The outcomes will depend on future claim developments.

17. Deferred tax assets and liabilities

	December 31, 2021	December 31, 2020*
Property and equipment	(403,181)	(178,087)
Intangible assets	(78,888)	(73,496)
Long-term debt	8,025	4,852
Employee benefits	43,821	10,634
Provisions	42,900	15,151
Tax losses	11,313	94
Other	(2,917)	(108)
Net deferred tax liabilities	(378,927)	(220,960)
Presented as:		
Deferred tax assets	29,695	11,207
Deferred tax liabilities	(408,622)	(232,167)

* Recasted for change in accounting policy (see note 10)

Movement in temporary differences during the year:

	Balance December 31, 2019	Recognized in income or loss	Recognized directly in equity	Acquired in business combinations	Balance December 31, 2020*
Property and equipment	(188,604)	12,981	(1,052)	(1,412)	(178,087)
Intangible assets	(78,801)	11,396	(880)	(5,211)	(73,496)
Long-term debt	5,886	(1,104)	70	-	4,852
Employee benefits	7,449	2,387	798	-	10,634
Provisions	9,874	5,191	86	-	15,151
Tax losses	14,603	(14,396)	(113)	-	94
Other	(1,358)	735	545	(30)	(108)
Net deferred tax liabilities	(230,951)	17,190	(546)	(6,653)	(220,960)

* Recasted for change in accounting policy (see note 10)

	Balance December 31, 2020*	Recognized in income or loss	Recognized directly in equity	Acquired in business combinations	Balance December 31, 2021
Property and equipment	(178,087)	(181)	1,401	(226,314)	(403,181)
Intangible assets	(73,496)	6,443	(790)	(11,045)	(78,888)
Long-term debt	4,852	3,158	15	-	8,025
Employee benefits	10,634	3,124	13,384	16,679	43,821
Provisions	15,151	14,499	13	13,237	42,900
Tax losses	94	(237)	(210)	11,666	11,313
Other	(108)	(893)	(1,916)	0	(2,917)
Net deferred tax liabilities	(220,960)	25,913	11,897	(195,777)	(378,927)

* Recasted for change in accounting policy (see note 10)

18. 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.

During the first quarter of fiscal 2020, the Company completed an initial public offering on the New York Stock Exchange. The Company issued a total of 6,900,000 common shares, that were issued at a price of \$33.35 per share for gross proceeds to the Company of \$230,115,000. The Company incurred share issuance costs of approximately \$13.2 million of which \$12.6 million were recorded to share capital and \$0.6 million were recognized in the consolidated statement of income.

During the third quarter of fiscal 2020, the Company completed a common share offering in the United States and Canada. The Company issued a total of 5,060,000 common shares, that were issued at a price of \$43.25 per share for gross proceeds to the Company of \$218,845,000. The Company incurred share issuance costs of approximately \$11.0 million which were fully recorded to share capital.

The following table summarizes the number of common shares issued:

(in number of shares)	Note	2021	2020
Balance, beginning of year		93,397,985	81,450,326
Repurchase and cancellation of own shares		(2,157,862)	(1,542,155)
Issuance of shares		-	11,960,000
Stock options exercised	20	912,770	1,529,814
Balance, end of year		92,152,893	93,397,985

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

	2021	2020
Balance, beginning of year	1,120,049	678,915
Issuance of shares, net of expenses	-	425,350
Repurchase and cancellation of own shares	(23,449)	(12,025)
Cash consideration of stock options exercised	20,114	21,361
Ascribed value credited to share capital on stock options exercised	6,210	4,554
Issuance of shares on settlement of RSUs	10,257	1,894
Balance, end of year	1,133,181	1,120,049

Pursuant to the normal course issuer bid ("NCIB") which began on November 2, 2021 and ending on November 1, 2022, 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, 2021, and since the inception of this NCIB, the Company has repurchased and cancelled 1,000,000 shares.

During 2021, the Company repurchased 2,157,862 common shares at a weighted average price of \$91.83 per share for a total purchase price of \$198.2 million relating to the NCIB. During 2020, the Company repurchased 1,542,155 common shares at a weighted average price of \$24.64 per share for a total purchase price of \$38.0 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 \$174.7 million (2020 – \$26.0 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 20).

Accumulated other comprehensive income ("AOCI")

At December 31, 2021 and 2020, 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 2021, the Company declared quarterly dividends amounting to a total of \$0.96 per outstanding common share when the dividend was declared (2020 – \$0.80) for a total of \$89.1 million (2020 - \$72.7 million). On March 14 2022, the Board of Directors approved a quarterly dividend of \$0.27 per outstanding common share of the Company's capital, for an expected aggregate payment of \$24.7 million to be paid on April 15, 2022 to shareholders of record at the close of business on March 31, 2022.

19. 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)	2021	2020
Net income attributable to owners of the Company	664,361	275,675
Issued common shares, beginning of year	93,397,985	81,450,326
Effect of stock options exercised	593,740	858,488
Effect of repurchase of own shares	(937,480)	(1,204,210)
Effect of share issuance	-	8,008,750
Weighted average number of common shares	93,054,245	89,113,354
Earnings per share – basic (in dollars)	7.14	3.09

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)	2021	2020
Net income attributable to owners of the Company	664,361	275,675
Weighted average number of common shares	93,054,245	89,113,354
Dilutive effect:		
Stock options and restricted share units	2,281,778	1,821,452
Weighted average number of diluted common shares	95,336,023	90,934,806
Earnings per share - diluted (in dollars)	6.97	3.03

As at December 31, 2021, no stock options were excluded from the calculation of diluted earnings per share (2020 – 99,485) 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.

20. 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:

<i>(in thousands of options and in dollars)</i>	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	2,982	24.65	4,422	21.56
Granted	-	-	99	40.41
Exercised	(913)	22.30	(1,530)	16.73
Forfeited	(8)	23.70	(9)	27.87
Balance, end of year	2,061	25.70	2,982	24.65
Options exercisable, end of year	1,705	24.27	2,111	22.34

The following table summarizes information about stock options outstanding and exercisable at December 31, 2021:

<i>(in thousands of options and in dollars)</i>	Options outstanding		Options exercisable	
	Number of options	Weighted average remaining contractual life (in years)	Number of options	
Exercise prices				
19.12	212	0.6	212	
18.83	444	1.6	444	
26.82	201	2.1	201	
23.70	392	3.1	392	
30.71	717	4.2	427	
40.41	95	5.6	29	
	2,061	2.9	1,705	

Of the options outstanding at December 31, 2021, a total of 1,669,767 (2020 – 2,502,339) are held by key management personnel.

The weighted average share price at the date of exercise for stock options exercised in 2021 was \$87.65 (2020 – \$33.78).

In 2021, the Group recognized a compensation expense of \$1.0 million (2020 - \$1.7 million) with a corresponding increase to contributed surplus.

No stock options were granted during 2021 under the Company's stock option plan.

On July 27, 2020, the Board of Directors approved the grant of 99,485 stock options under the Company's stock option plan of which 99,485 were granted to key management personnel. The options vest in equal installments over three years and have a life of seven years. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	July 27, 2020
Exercise price	40.41
Average expected option life	4.5 years
Risk-free interest rate	0.71%
Expected stock price volatility*	26.29%
Average dividend yield	2.62%
Weighted average fair value per option of options granted	6.73

* Expected stock price volatility is based on the historical volatility of the Group's stock over a period commensurate with the expected term of the award.

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)	2021	2020
Balance, beginning of year	373,926	348,031
Board members compensation	-	29,168
Paid	(71,709)	(11,512)
Dividends paid in units	4,337	8,239
Balance, end of year	306,554	373,926

In 2021, the Group recognized, as a result of DSUs, a compensation expense of nil (2020 - \$1.1 million) with a corresponding increase to trade and other payables. In addition, in personnel expenses, the Group recognized a mark-to-market loss on DSUs of \$22.9 million (2020 - \$6.5 million).

Effective January 1, 2021, a new director compensation program was put in place. Quarterly cash amounts will be paid to the board members on the 2nd Thursday following each quarter. In addition, an equity portion of compensation will be awarded, comprised of restricted share units granted annually effective on the date of each Annual Meeting, with a vesting period of one year. In 2021, the Group recognized, as a result of the director compensation plan, a compensation expense of \$1.1 million.

As at December 31, 2021, the total carrying amount of liabilities for cash-settled arrangements recorded in trade and other payables amounted to \$34.4 million (2020 - \$19.2 million).

Performance contingent restricted share unit and performance share unit plans (equity-settled)

The Company offers an equity incentive plan for the benefit of senior employees of the Group. 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 restricted share units ("RSUs"). The PSUs are 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 absolute earnings before interest and income tax and relative total shareholder return ("TSR"). For purposes of the relative TSR portion, there are two equally weighted comparisons: the first portion is compared against the TSR of a group of transportation industry peers and the second portion is compared against the S&P/TSX60 index.

RSUs awarded under the equity incentive plan prior to 2020 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.

Restricted share units

On February 8, 2021, the Company granted a total of 78,122 RSUs under the Company's equity incentive plan of which 51,328 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 \$70.59 per unit.

On April 27, 2021, the Company granted a total of 12,924 RSUs under the Company's equity incentive plan of which 7,847 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 RSUs vest on April 30, 2022. The fair value of the RSUs granted was \$77.32 per unit.

On December 20, 2021, the Company granted a total of 34,221 RSUs under the Company's equity incentive plan of which 34,221 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 RSUs vest on April 30, 2022. The fair value of the RSUs granted was \$103.66 per unit.

On February 7, 2020, the Company granted a total of 145,218 RSUs under the Company's equity incentive plan of which 95,358 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 \$32.41 per unit.

The table below summarizes changes to the outstanding RSUs:

<i>(in thousands of RSUs and in dollars)</i>	2021		2020	
	Number of RSUs	Weighted average grant date fair value	Number of RSUs	Weighted average grant date fair value
Balance, beginning of year	299	31.54	239	28.08
Granted	125	80.29	145	32.41
Reinvested	4	37.90	8	29.74
Settled	(153)	30.70	(92)	23.75
Forfeited	(3)	53.12	(1)	31.06
Balance, end of year	272	54.27	299	31.54

The following table summarizes information about RSUs outstanding and exercisable as at December 31, 2021:

<i>(in thousands of RSUs and in dollars)</i>	RSUs outstanding	
	Number of RSUs	Remaining contractual life (in years)
Grant date fair value		
77.32	13	0.3
103.66	34	0.3
32.41	147	1.1
70.59	78	2.1
	272	1.2

The weighted average share price at the date of settlement of RSUs vested in 2021 was \$107.76 (2020 – \$53.10). The excess of the purchase price paid over the carrying value of shares repurchased for settlement of the award, in the amount of \$18.9 million (2020 – \$4.5 million), was charged to retained earnings as share repurchase premium.

In 2021, the Group recognized, as a result of RSUs, a compensation expense of \$8.2 million (2020 - \$3.7 million) with a corresponding increase to contributed surplus.

Of the RSUs outstanding at December 31, 2021, a total of 171,222 (2020 – 196,343) are held by key management personnel.

Performance share units

On February 8, 2021, the Company granted a total of 78,122 PSUs under the Company's equity incentive plan of which 51,328 were granted to key management personnel, at that date. The fair value of the PSUs is determined using a Monte Carlo simulation model for the TSR portion and using management's estimates for the absolute earnings before interest and income tax portion. The estimates related to the absolute earnings before interest and income tax portion are revised during the vesting period and the cumulative amount recognized at each reporting date is based on the number of equity instruments for which service and non-market conditions are expected to be satisfied. The share-based compensation expense is recognized, through contributed surplus, over the vesting period. The fair value of the PSUs granted was \$89.64 per unit as at grant date and \$105.53 per unit as at December 31, 2021.

On February 7, 2020, the Company granted a total of 145,218 PSUs under the Company's equity incentive plan of which 95,358 were granted to key management personnel, at that date. The fair value of the PSUs is determined using the share market price at the date of the grant and reflects the impact of satisfying the market conditions for the TSR portion and using management's estimates for the absolute earnings before interest and income tax portion. The estimates related to the absolute earnings before interest and income tax portion are revised during the vesting period and the cumulative amount recognized at each reporting date is based on the number of equity instruments for which service and non-market conditions are expected to be satisfied. The share-based compensation expense is

recognized, through contributed surplus, over the vesting period. The fair value of the PSUs granted was \$32.41 per unit as at grant date and \$50.35 per unit as at December 31, 2021.

The table below summarizes changes to the outstanding PSUs:

(in thousands of PSUs and in dollars)		2021	2020	
	Number of PSUs	Weighted average grant date fair value	Number of PSUs	Weighted average grant date fair value
Balance, beginning of year	147	32.41	-	-
Granted	78	89.64	145	32.41
Reinvested	3	45.64	2	32.41
Forfeited	(2)	41.65	-	-
Balance, end of year	226	52.25	147	32.41

The following table summarizes information about PSUs outstanding and exercisable as at December 31, 2021:

(in thousands of PSUs and in dollars)	PSUs outstanding
	Remaining contractual life (in years)
Grant date fair value	Number of PSUs
32.41	148
89.64	78
	226

In 2021, the Group recognized, as a result of PSUs, a compensation expense of \$6.2 million (2020 - \$1.6 million) with a corresponding increase to contributed surplus.

Of the PSUs outstanding at December 31, 2021, a total of 138,141 (2020 – 96,984) are held by key management personnel.

21. Materials and services expenses

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

	2021	2020
Independent contractors	2,911,393	1,535,394
Vehicle operation expenses	904,060	516,441
	3,815,453	2,051,835

22. Personnel expenses

	Note	2021	2020
Short-term employee benefits		1,863,907	857,217
Contributions to defined contribution plans		9,323	7,925
Current and past service costs related to defined benefit plans	15	55,437	528
Termination benefits		6,053	7,863
Equity-settled share-based payment transactions	20	15,424	7,046
Cash-settled share-based payment transactions	20	23,937	7,606
		1,974,081	888,185

In 2020, the Canada Emergency Wage Subsidy ("CEWS") was established to enable Canadian employers to re-hire workers previously laid off, help prevent further job losses, and to better position themselves to resume normal operations following the COVID-19 pandemic declaration and crisis.

The program has been separated in 4-week claim periods spanning from March 15, 2020 to October 23, 2021. The CEWS for periods prior to July 5, 2020 provided a subsidy of 75% of employee wages to a maximum of CAD \$847 (approximately USD \$631) per employee per week for eligible Canadian employers. The subsidy available for periods after July 5, 2020 is determined on a sliding scale that is capped at specific rates per period.

To be eligible to receive the wage subsidy, a Canadian employer needed to have sustained a 30% decrease in revenues (15% for the first claim period) as compared to the same period in the previous year or to the average monthly sales recognized in January and February 2020 for the periods prior to July 5, 2020. For the following periods, until July 4, 2021, any drop in qualifying revenues makes an employer entitled to the subsidy, in an amount determined on a sliding scale and in proportion to the decrease in the qualifying revenues. For periods after July 4, 2021, a revenue drop of over 10% is required to receive the CEWS.

During 2021, certain legal entities within the Company qualified for the CEWS resulting in a \$12.3 million (2020 - \$52.3 million) subsidy that is recorded and offset against personnel expenses, presented in short-term employee benefits, in the consolidated statement of income.

23. Finance income and finance costs

Recognized in income or loss:

Costs (income)	2021	2020
Interest expense on long-term debt and amortization of deferred financing fees	45,953	34,967
Interest expense on lease liabilities	13,521	12,443
Interest income and accretion on promissory note	(2,187)	(1,051)
Net change in fair value and accretion expense of contingent considerations	1,932	224
Net foreign exchange gain	(1,471)	(1,237)
Net change in fair value of interest rate derivatives	-	(488)
Net impact of early repayment of contingent consideration	(1,469)	-
Other financial expenses	16,739	9,052
Net finance costs	73,018	53,910
Presented as:		
Finance income	(5,127)	(2,776)
Finance costs	78,145	56,686

24. Income tax expense

Income tax recognized in income or loss:

	2021	2020
Current tax expense		
Current year	179,821	103,080
Adjustment for prior years	(2,102)	1,092
	177,719	104,172
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(27,427)	(7,536)
Variation in tax rate	175	70
Adjustment for prior years	1,339	(9,724)
	(25,913)	(17,190)
Income tax expense	151,806	86,982

Income tax recognized in other comprehensive income:

	2021			2020		
	Before tax	Tax (benefit) expense	Net of tax	Before Tax	Tax (benefit) expense	Net of tax
Foreign currency translation differences	12,960	-	12,960	21,182	-	21,182
Defined benefit plan remeasurement gains (losses)	(5,513)	(1,385)	(4,128)	(2,204)	(581)	(1,623)
Employee benefit	124	37	87	(14)	(4)	(10)
Loss on net investment hedge	(17,894)	(2,352)	(15,542)	(2,317)	(307)	(2,010)
Loss on cash flow hedge	-	-	-	(488)	(1)	(487)
Change in fair value of investment in equity securities	27,803	3,656	24,147	-	-	-
	17,480	(44)	17,524	16,159	(893)	17,052

Reconciliation of effective tax rate:

	2021		2020	
Income before income tax		816,167		362,657
Income tax using the Company's statutory tax rate	26.5%	216,284	26.5%	96,104
Increase (decrease) resulting from:				
Rate differential between jurisdictions	-0.2%	(1,250)	-1.2%	(4,452)
Variation in tax rate	0.0%	175	0.0%	70
Non deductible expenses	0.7%	5,662	2.4%	8,704
Tax deductions and tax exempt income ¹	-8.5%	(69,530)	-2.8%	(10,176)
Adjustment for prior years	-0.1%	(763)	-2.4%	(8,632)
Multi-jurisdiction tax	0.2%	1,228	0.3%	913
Treasury Regulations interpretive guidance clarifying the U.S. Tax Reform Bill	0.0%	-	1.2%	4,451
	18.6%	151,806	24.0%	86,982

¹ Tax deductions and tax exempt income for 2021 is mainly due to the tax exempt bargain purchase gain recorded on the acquisition of UPS Freight.

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 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. On April 7, 2020, the U.S. Treasury Department issued Treasury Regulations, interpretive guidance clarifying the U.S. Tax Reform Bill. As anticipated, a tax benefit relating to 2019 and Q1 2020 was disallowed, resulting in a one-time tax expense of \$7.3 million in the second quarter of 2020. On July 23, 2020, the U.S. Treasury Department issued final regulations on changes made to the U.S. Tax Reform Bill. It introduces a High-Tax Exception under the Global Intangible Low-taxed Income (GILTI) provisions. A tax benefit relating to 2018 and 2019 was recorded, resulting in a one-time tax recovery of \$2.0 million in 2020. For the year ended December 31, 2020, the total impact from these new regulations was \$4.5 million following positive adjustments recorded in the fourth quarter of 2020.

25. Financial instruments and financial risk management

As at December 31, 2021 and 2020, there are no derivative financial instruments designated as effective cash flow hedge instruments.

As at December 31, 2021 and 2020, the impact to income or loss and other comprehensive income is as follows:

	Finance loss		Other comprehensive income	
	2021	2020	2021	2020
Derivative financial instruments measured at fair value through other comprehensive income:				
Interest rate derivatives	-	(488)	-	488
	-	(488)	-	488

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.

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 89.7% (2020 – 94.9%) of the Group's trade receivables are not past due or 30 days or less past due;
- Bad debt expense has been less than 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:

	December 31, 2021	December 31, 2020
Trade and other receivables	1,056,023	597,873
	1,056,023	597,873

Impairment losses

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

	Total 2021	Impairment 2021	Total 2020	Impairment 2020
Not past due	772,077	462	447,517	224
Past due 1 – 30 days	178,641	2,732	104,491	1,211
Past due 31 – 60 days	63,634	8,195	26,601	3,439
Past due more than 60 days	68,988	15,928	30,792	6,654
	1,083,340	27,317	609,401	11,528

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

	2021	2020
Balance, beginning of year	11,528	6,692
Business combinations	9,561	4,473
Bad debt expenses	10,854	2,749
Amount written off and recoveries	(4,372)	(2,795)
Effect of movements in exchange rates	(254)	409
Balance, end of year	27,317	11,528

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 \$944.7 million availability as at December 31, 2021 (2020 - \$825.0 million) and an additional \$198.9 million credit available (CAD \$245 million and USD \$5 million). The additional credit is available under certain conditions under the Group's syndicated bank agreement (2020 - \$196.5 million, CAD \$245 million and USD \$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
2021						
Trade and other payables	861,362	861,362	861,362	-	-	-
Long-term debt	1,608,094	1,896,085	404,454	283,736	463,538	744,357
Other financial liability	8,674	8,674	1,561	7,056	57	-
	2,478,130	2,766,121	1,267,377	290,792	463,595	744,357
2020						
Trade and other payables	468,238	468,238	468,238	-	-	-
Long-term debt	872,544	953,425	65,697	539,317	192,087	156,324
Other financial liability	19,793	11,017	4,016	2,395	1,607	2,999
	1,360,575	1,432,680	537,951	541,712	193,694	159,323

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 sell derivatives, periodically, 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 USD cash flow by creating offsetting positions through the use of foreign exchange contracts periodically and USD debt.

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

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

	2021	2020
Trade and other receivables	33,112	36,250
Trade and other payables	(2,401)	(2,162)
Long-term debt	(903,556)	(225,393)
Balance sheet exposure	(872,845)	(191,305)
Long-term debt designated as investment hedge	900,000	225,000
Net balance sheet exposure	27,155	33,695

The Group estimates its annual net USD denominated cash flow from operating activities at approximately \$620 million (2020 - \$280 million). This cash flow is earned evenly throughout the year.

The following exchange rates applied during the year:

	December 31, 2021	December 31, 2020
Average USD for the year ended	1.2535	1.3415
Closing USD as at	1.2637	1.2725

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 2020.

	2021	2020		
	1-cent Increase	1-cent Decrease	1-cent Increase	1-cent Decrease
Balance sheet exposure	(6,907)	6,907	(1,503)	1,503
Long-term debt designated as investment hedge	7,122	(7,122)	1,768	(1,768)
Net balance sheet exposure	215	(215)	265	(265)

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 periodically entering into interest rate swaps.

The Group periodically enters into interest rate swaps designated for cash flow hedges. During 2020, three hedging relationships ended due to the repayment of the hedged items. At December 31, 2021 and 2020, the Group has no interest rate swaps that hedge variable interest debt set using the 30-day Libor rate. A nil loss (2020 – \$0.5 million loss, \$0.5 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, 2020, the derivatives that were designated as cash flow hedges were considered to be fully effective and no ineffectiveness was recognized in net income.

At December 31, 2021 and 2020, the interest rate profile of the Group's carrying amount interest-bearing financial instruments excluding the effects of interest rate derivatives was:

	2021	2020
Fixed rate instruments	1,044,244	419,565
Variable rate instruments	563,850	452,979
	1,608,094	872,544

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 2020.

	2021	2020		
	1% increase	1% decrease	1% increase	1% decrease
Interest on variable rate instrument	(4,156)	4,156	(3,311)	3,311

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:

	2021	2020
Long-term debt	1,608,094	872,544
Shareholders' equity	2,220,311	1,788,612
Debt-to-equity ratio	0.72	0.49
Debt-to-capitalization ratio ¹	0.42	0.33

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 less cash (unrestricted cash for the credit facility and cash up to \$100 million for the unsecured senior notes) 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 leases. 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, 2021 and 2020, 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.

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:

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Assets carried at fair value				
Investment in equity securities	31,391	31,391	9,727	9,727
Assets carried at amortized cost				
Trade and other receivables	1,056,023	1,056,023	597,873	597,873
	1,087,414	1,087,414	607,600	607,600
Financial liabilities				
Liabilities carried at fair value				
Other financial liability	18,599	18,599	26,730	26,730
Liabilities carried at amortized cost				
Trade and other payables	861,362	861,362	468,238	468,238
Long-term debt	1,608,094	1,378,813	872,544	876,829
	2,488,055	2,258,774	1,367,512	1,371,797

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:

	2021	2020
Long-term debt	2.1%	2.5%

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 include Level 1 investments that are marked to market with the publicly traded information as at December 31, 2021. The remaining investment in equity securities is measured using level-3 inputs of the fair value hierarchy and derivative financial instruments are measured using level-2 inputs.

26. Contingencies, letters of credit and other commitments**a) Contingencies**

There are pending operational and personnel related claims against the Group. In the opinion of management, these claims are adequately provided for in long-term provisions on the consolidated statements of financial position 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, 2021, the Group had \$47.4 million of outstanding letters of credit (2020 - \$29.5 million).

c) Other commitments

As at December 31, 2021, the Group had \$75.1 million of purchase commitments (2020 - \$117.1 million) and \$13.2 million of purchase orders for leases that the Group intends to enter into and that are expected to materialize within a year (2020 - \$44.1 million).

27. Related parties***Parent and ultimate controlling party***

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

Transactions with key management personnel

Board members of the Company, executive officers and top managers of major Group's entities are deemed to be key management personnel. 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 and performance share unit plans and board members are entitled to deferred share units, as described in note 20. Costs incurred for key management personnel in relation to these plans are detailed below.

Key management personnel compensation comprised:

	2021	2020
Short-term benefits	14,427	13,906
Post-employment benefits	793	704
Equity-settled share-based payment transactions	11,031	4,627
Cash-settled share-based payment transactions	-	1,086
	26,251	20,323

28. Subsequent events

Between December 31, 2021 and March 14, 2022, the Company repurchased 560,000 common shares at a price ranging from 92.93\$ to 105.89\$ for a total purchase price of \$56.4 million.

CORPORATE INFORMATION

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STOCK EXCHANGE LISTING

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

FINANCIAL INSTITUTIONS

National Bank of Canada
Royal Bank of Canada
Bank of America, N.A.
JPMorgan Chase Bank, N.A.
The Toronto Dominion Bank
PNC Bank
Wells Fargo Bank, N.A.
Bank of Montreal
MUFG Bank Ltd.
U.S. Bank, N.A.
Export Development Canada
Fonds de solidarité FTQ
Prudential Financial, Inc.
Guggenheim Investments
MetLife Investment Management, LLC
Barings, LLC
Voya Investment Management, LLC
New York Life Private Capital, LLC

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ANNUAL MEETING OF SHAREHOLDERS

Thursday, April 28, 2022 at 1:30 p.m.
Details to be confirmed at a later date at :
www.tfiintl.com/en/news/

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