TransForce

# Q3

## THIRD QUARTERLY REPORT

Three-month period ended September 30, 2014

# Our Mission

To establish itself as a leader in the North American transportation and logistics industry through strategic, profitable acquisitions and partnerships. TransForce will create shareholder value by fostering a positive work environment to leverage the skills of its team of dedicated professionals and provide creative solutions tailored to specific customer needs.

# Corporate Profile

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

- Package and Courier;
- Less-Than-Truckload;
- Truckload;
- Waste Management;
- Logistics and Other Services.

TransForce Inc. is publicly traded on the Toronto Stock Exchange (TSX: TFI). For more information, visit www.transforcecompany.com

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the third quarter ended

**September 30, 2014**

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# GENERAL INFORMATION

The following is TransForce Inc.'s management discussion and analysis ("MD&A"). Throughout this MD&A, the terms "Company" and "TransForce" shall mean TransForce Inc., and shall include its independent operating subsidiaries. This MD&A provides a comparison of the Company's performance for its three- and nine-month periods ended September 30, 2014 with the corresponding three- and nine-month periods ended September 30, 2013 and it reviews the Company's financial position as at September 30, 2014. It also includes a discussion of the Company's affairs up to October 30, 2014. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes as at and for the year ended December 31, 2013.

In this document, all financial data are prepared in accordance with the International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars, and the term "dollar", as well as the symbols "$" and "C$", designate Canadian dollars unless otherwise indicated. This MD&A also uses non-IFRS financial measures. Please refer to the section of this report entitled "Reconciliation of non-IFRS financial measures" for a complete description of these measures.

The Company's unaudited condensed consolidated interim financial statements have been approved by its Board of Directors ("Board") upon recommendation of its audit committee on October 30, 2014. 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.transforcecompany.com. The Company's continuous disclosure materials, including its annual and quarterly MD&A, annual and quarterly consolidated financial statements, annual report, annual information form, management proxy circular and the various press releases issued by the Company are also available on its website or directly through the SEDAR system at www.sedar.com.

# FORWARD-LOOKING STATEMENTS

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

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

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

# HIGHLIGHTS AND SELECTED FINANCIAL DATA

## Third quarter

- On July 3, 2014, the Company concluded the acquisition of Transport America, Inc. for US$310 million, with trailing twelve months revenue and EBITDA of US$350 million and US$54 million, respectively.
- On July 24, 2014, the Company entered into an agreement to acquire Contrans Group Inc. for $14.60 in cash per share or approximately $495 million. The offer has been extended to October 31, 2014 to finalize approval under the Competition Act. Mainly a specialized TL company, Contrans had trailing twelve months revenue and EBITDA of $580 million and $80 million, respectively.
- In Q3, the Company incurred $4.7 million of transaction costs related to the Transport America acquisition and the Contrans shares offer, and also incurred $1.8 million of employee termination expenses (YTD $4.2 million).
- On September 9, 2014, the Company announced the redemption of its 5.65% convertible debentures, which was completed on October 9, 2014. The outstanding convertible debentures were mainly converted into shares.
- Announcement of normal course issuer bid ("NCIB") program from September 19, 2014 to September 18, 2015.
- Total revenue was $981.1 million, up 27% and EBITDA up 29% to $116.5 million from $90.2 million in Q3 2013, both essentially from acquisitions.
- EBIT up 40% to $82.8 million due to acquisitions, gain on sale of property and equipment and operating improvements. EBIT margin improved to 8.4%.
- Diluted earnings per share ("EPS") down to $0.41 from $0.45 in Q3 2013.
- Adjusted EPS, fully diluted, up 43% to $0.53 from $0.37 in Q3 2013.
- Free cash flow ("FCF") up to $104.6 million from $53.0 million in Q3 2013.

## Nine-month period

- Total revenue up 14% to $2.64 billion.
- EBIT before impairment up 18%, to $195.5 million. Strong Q2 and Q3 margins contributed to average YTD EBIT margin of 7.4% from the 4.3% margin of Q1.
- Adjusted net income increased 29% to $129.2 million.
- Adjusted EPS, fully diluted, up 24% to $1.29.
- Diluted EPS before impairment up to $1.10 from $0.94 in 2013.
- Free cash flow ("FCF") increased to $237.1 million compared to $164.7 million in 2013.
- Proceeds of $34.7 million from disposal of excess rig moving equipment and assets held for sale.

## During the first six months

- On January 1, 2014, conclusion of the acquisition of Clarke Transport Inc. and Clarke Road Transport Inc.
- On February 3, 2014, completion of the 6% convertible debentures redemption into shares.
- On March 26, 2014, all shares of Vitran not already owned were purchased at a price per share of US$6.50.
- On April 1, 2014, modifications to the composition of reportable segments resulting in the presentation of the Waste Management segmented information and a pre-tax $27.8 million goodwill impairment in the rig moving services.
- On June 18, 2014, the Company signed an amendment to its credit facility to increase it by $245 million to $1,045 million and to extend the term to August 2017.

| *(unaudited)*<br>*(in thousands of dollars, except per share data)* | | Third quarters ended September 30 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | Variance | **2014** | 2013 | Variance |
| Revenue | **856,757** | 694,414 | 23% | **2,315,654** | 2,075,358 | 12% |
| Fuel surcharge | **124,355** | 80,701 | 54% | **325,013** | 241,733 | 34% |
| Total revenue | **981,112** | 775,115 | 27% | **2,640,667** | 2,317,091 | 14% |
| EBITDA(1) | **116,504** | 90,239 | 29% | **280,550** | 252,718 | 11% |
| Income from operating activities ("EBIT")(1) (2) | **82,838** | 59,009 | 40% | **195,544** | 165,844 | 18% |
| Adjusted net income(1) | **53,654** | 35,535 | 51% | **129,204** | 100,295 | 29% |
| Net income(2) | **41,548** | 43,960 | -5% | **110,250** | 89,379 | 23% |
| Net cash from operating activities before net change in working capital | **88,191** | 65,570 | 34% | **201,775** | 149,028 | 35% |
| Net cash from operating activities | **106,058** | 69,650 | 52% | **185,132** | 164,874 | 12% |
| Free cash flow(1) | **104,558** | 53,032 | 97% | **237,060** | 164,689 | 44% |
| Per share data | | | | | | |
| Free cash flow(1) | **1.06** | 0.58 | 83% | **2.41** | 1.78 | 35% |
| Adjusted EPS – diluted(1) | **0.53** | 0.37 | 43% | **1.29** | 1.04 | 24% |
| EPS – diluted(2) | **0.41** | 0.45 | -9% | **1.10** | 0.94 | 17% |
| Dividends | **0.145** | 0.130 | 12% | **0.435** | 0.390 | 12% |
| As a percentage of total revenue | | | | | | |
| EBITDA margin | **11.9%** | 11.6% | | **10.6%** | 10.9% | |
| Depreciation of property and equipment | **3.2%** | 3.1% | | **2.9%** | 3.2% | |
| Amortization of intangible assets | **1.2%** | 1.2% | | **1.1%** | 1.2% | |
| EBIT margin(2) | **8.4%** | 7.6% | | **7.4%** | 7.2% | |
| Operating ratio(1) | **91.6%** | 92.4% | | **92.6%** | 92.8% | |

*(1) Please refer to the section "Reconciliation of non-IFRS financial measures". (2) Before $27.8 million goodwill impairment (after tax $25.5 million) in Q2 2014.*

# ABOUT TRANSFORCE

### Services

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

- Package and Courier;
- Less-Than-Truckload;
- Truckload;
- Waste Management;
- Logistics and Other Services.

### Seasonality of operations

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

### Human resources

The Company's workforce totals 23,140. This comprises 15,090 employees and 8,050 independent contractors who work in TransForce's different business segments across North America. The Company also uses numerous third party agents to render its services. This compares to 14,530 employees and 7,950 independent contractors as at September 30, 2013. The number of employees increased year-over-year by 560. Acquisitions added 3,080 employees, mainly from Clarke, Vitran and Transport America. This increase was offset by rationalizations affecting 1,570 employees mainly in the Package and Courier and Less-Than-Truckload ("LTL") segments, as well as a reduction of 950 positions consequent to the sale of the personnel agency in January 2014. The Company considers that it has a relatively low turnover rate among its employees and that employee relations are very good.

### Equipment

The Company has the largest trucking fleet in Canada and a presence in the U.S. market. As at September 30, 2014, the Company had 13,560 power units (including 8,050 independent contractors) and 15,880 trailers. This compares to 12,280 power units (including 7,950 independent contractors) and 11,450 trailers as at September 30, 2013.

### Service centers

TransForce's head office is in Montréal, Québec and its executive office is located in Etobicoke, Ontario. As at September 30, 2014, the Company had 404 service centers. Of these, 292 are located in Canada, 163 and 129 respectively in Eastern and Western Canada. The Company also had 112 terminals in the United States. This compares to 442 terminals as at September 30, 2013. Acquisitions brought 45 new terminals, mainly from Clarke, Vitran and Transport America. The terminal consolidation achieved in the last twelve months decreased the total number of service centers by 83, mainly in Package and Courier, LTL and rig moving services segments. In Q3 2014, the Company added 15 sites as a result of the Transport America acquisition and closed 20 sites, of which 18 were in the Package and Courier segment.

### Customers

The Company has a diverse customer base operating across a broad cross-section of industries with no single client accounting for more than 10% of consolidated revenue. Because of its customer diversity, as well as the wide geographic scope of the Company's service offering and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry is not expected to have a material adverse impact on the operations of the Company. The Company concluded strategic partnerships with other transport companies in order to extend its service offering to customers across North America.

| Revenue by Top Customers' Industry (56% of total revenue) | |
|---|---|
| Retail | 26% |
| Energy | 15% |
| Manufactured Goods | 10% |
| Services | 8% |
| Waste Management | 7% |
| Automotive | 7% |
| Forest Products | 6% |
| Food & Beverage | 5% |
| Metals & Mining | 4% |
| Building Materials | 3% |
| Chemicals & Explosives | 2% |
| Maritime Containers | 2% |
| Others | 5% |

*(As of June 30, 2014)*

# CONSOLIDATED RESULTS

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

### 2014 significant business acquisitions

In line with the Company's growth strategy, on January 1, 2014, the Company acquired all of the shares of Clarke Transport Inc. and of Clarke Road Transport Inc., two subsidiaries of Clarke Inc. Clarke Transport Inc., a fully integrated provider of LTL intermodal transportation services, operates a network of 15 terminals across Canada. Clarke Road Transport Inc. offers regular and specialized truckload ("TL") transportation services. The acquisition is expected to generate annual revenues of approximately $190 million.

On March 26, 2014, TransForce completed the acquisition of Vitran Corporation Inc. ("Vitran") pursuant to which it has acquired all of the issued and outstanding shares of Vitran not already owned by TransForce at a price of US$6.50 per share in cash. Vitran, a fully integrated provider of LTL intermodal transportation services, is expected to add $200 million in revenue.

On July 3, 2014, the Company completed the acquisition of Transport America Inc. ("Transport America"), an important provider of TL carriage and logistics services. Founded in 1984 and headquartered in Eagan, Minnesota, Transport America provides an integrated offering of dry-van TL transportation services across the United States. It offers a wide array of short and long haul freight carriage, expedited and dedicated shipping services, as well as international and intermodal services through various partners. Transport America's last twelve months revenue was approximately US$350 million as of June 30, 2014.

### Business disposition in the logistics services

At the beginning of the year, the Company disposed of its personnel agency, Unique Personnel Services, included in its logistics services resulting in a pre-tax gain of $1.1 million. 2013 total revenue from that operation was $45.5 million and the margins were positive but limited.

The impacts of these acquisitions and the disposition on the Company's financial position and financial performance are disclosed in the relevant sections of this MD&A.

### Q3 Overview

TransForce delivered strong third quarter results. Total revenue increased by $206 million mainly due to acquisitions.

EBIT significantly increased on the back of positive contributions from Clarke, Vitran and Transport America operating divisions and operating improvements from existing operations. Real estate disposals also contributed to the EBIT improvement through gains on sale of properties.

EBIT margin improved from 7.6% in last year's Q3 to 8.4% in the current Q3. Acquisitions generated $13.1 million of additional EBIT to the group but reduced the 9.2% EBIT margin that would have been recorded before acquisitions. We believe over time and with synergies, the EBIT margins from acquired companies will improve.

The Company also benefited from the U.S. dollar appreciation. The average exchange rate used to convert Transforce's business done in U.S. dollars was 5% higher this quarter than it was for the same quarter last year. The estimated revenues earned by Transforce in US$ in the quarter were $280 million of which approximately $50 million came from businesses operated in Canada.

As of July 3, 2014, following the major investment in the U.S., the Company hedged for accounting purposes a portion of its long term debt denominated in U.S. dollars against its net investments in the United States. As a result, an after tax loss on foreign exchange of $19.8 million has been recorded in other comprehensive income.

### Revenue

For the third quarter ended September 30, 2014, total revenue increased $206 million, or 27%, to $981 million from $775 million in Q3 2013. The increase is mainly due to the contribution of the business acquisitions offset by decreases in revenue from the rig moving business and the sale of a business unit.

For the nine-month period ended September 30, 2014, total revenue increased $324 million, or 14%, to $2.64 billion. The increase is mainly due to the contribution from the business acquisitions, which was offset by the revenue declines from the sale of a business unit and the lower revenue from the rig moving services.

### Operating expenses

*The Company's 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, insurance, permits and operating supplies; b) personnel expenses; c) other operating expenses, which are primarily composed of costs related to the rental of offices and terminals, taxes, heating, telecommunications, maintenance, security and other general expenses; and d) depreciation and amortization and gain or loss on disposition of property and equipment.*

For the third quarter, the Company's total operating expenses increased $182.2 million from $716.1 million in 2013 to $898.3 million in 2014. Excluding acquisitions and the business disposition, total operating expenses decreased $25.9 million, or 4% mainly attributable to rationalization and terminal optimization. This particularly resulted in salary savings of $13.8 million, while subcontractors' charges, included in the materials and services expenses, increased $4.6 million on higher usage of independent contractors and third party agents. This continuing transition to subcontracting reduces the need for capital. It also contributed to a decrease in expenses related to the rental of offices and terminals, included in other operating expenses.

During this quarter, the Company recorded, in other operating expenses of its corporate segment, $3.2 million of transaction costs related to the Transport America acquisition and the Contrans shares purchase offer. This explains the $2.7 million year-over-year increase in this category before acquisitions. In addition, the Company recorded a charge of $1.5 million in finance costs to secure financing for the Contrans transaction. The Company believes these expenses of $4.7 million are of a non-recurring nature and have therefore adjusted net income accordingly. TransForce also incurred $1.8 million of employee termination expenses, up $0.8 million from last year's same quarter.

On a consolidated level, the operating ratio improved to 91.6% in this quarter, compared to 92.4% for Q3 2013 as a result of higher operating margins from the Package and Courier segment and $8.5 million in gains on disposition of two properties and one land parcel in the LTL segment.

For the nine-month period ended September 30, 2014, excluding the impairment of intangible assets and the gain on sale of business, the Company's total operating expenses increased $295.0 million to $2.45 billion in 2014. This 14% increase is mainly due to the acquisitions, offset by the business disposition and the rationalization and terminal optimization. The improved operational efficiency generated in Q2 and Q3 erased the poor Q1 results, which were affected by the bad weather, improving the operating ratio to 92.6% versus 92.8% in last year's comparative period.

**Depreciation and amortization**

For the three-month period ended September 30, 2014, depreciation of property and equipment increased by $7.3 million, as a result of acquisitions for $10.8 million, including $8.6 million for Transport America. For the nine-month period ended September 30, 2014, depreciation of property and equipment increased by $3.2 million.

Excluding acquisitions, for the three- and nine-month periods ended September 30, 2014, depreciation of property and equipment decreased by $3.5 million and $10.5 million, respectively, mainly due to a lower rig moving asset base.

For the three-month period ended September 30, 2014, intangible asset amortization increased by $2.8 million and was stable for the nine-month period. Increases due to acquisitions were offset by the reduction attributable to the intangible asset impairment recorded in Q4 2013 in the rig moving services.

**Impairment of intangible assets**

In the second quarter of 2014, a pre-tax asset impairment charge of $27.8 million was accounted for in the consolidated statement of comprehensive income. This non-cash impairment charge is associated to the rig moving services operating segment.

As a result of modifications to the composition of its operating segments on April 1, 2014, the Company's goodwill allocated to its operating segments, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, had to be reallocated based on the relative values of the cash-generating units affected by the modifications.

Following the reallocation of its goodwill, the Company performed a goodwill impairment test on the rig moving services operating segment and the results determined that the carrying value of the Company's rig moving services operating segment exceeded its recoverable amount, requiring the complete depreciation of this segment's goodwill in the amount of $27.8 million.

## Income from operating activities (EBIT)

**Third quarter**

TransForce's income from operating activities ("EBIT") increased $23.8 million to $82.8 million in Q3 2014 compared to $59.0 million for Q3 2013. The improvement is attributable to positive contributions of $13.1 million from acquisitions, additional gains of $6.0 million on sale of property and equipment from existing operations and $7.9 million improvements in the Company's operating divisions partially offset by $3.2 million of acquisition related transaction costs. With the exception of the LTL segment, where EBIT decreased by $2.4 million on lower volume, all other segments recorded operating improvements from existing operations amounting to $10.3 million.

As a percentage of revenue, EBIT margin increased to 8.4%, up 80 basis points on a year-over-year basis.

**Nine-month period**

TransForce's EBIT, before impairment, increased $29.7 million to $195.5 million for the nine-month period ended September 30, 2014. This increase is attributable to a positive contribution from acquisitions, which generated $26.5 million in the first nine months of 2014.

The last two quarters showed positive results, which offset the disappointing Q1 results that were negatively impacted by the bad weather. This rapid and steady return to more acceptable performance is the result of the Company's continuous focus on cost control and its past actions to optimize its existing and newly acquired businesses within its network.

As a percentage of revenue, year-over-year EBIT margin increased 20 basis points to 7.4%.

## Finance income and costs

| *(unaudited)*<br>*(in thousands of dollars)* | | Third quarters ended September 30 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|---|
| Finance costs (income) | **2014** | 2013 | Variance | **2014** | 2013 | Variance |
| Interest expense on long-term debt | **11,482** | 10,548 | 934 | **29,543** | 31,270 | (1,727) |
| Accelerated accretion expense on conversion of debentures | **3,984** | - | 3,984 | **9,541** | - | 9,541 |
| Reclassification to income of accumulated unrealized gain on investment in equity securities of Vitran Corporation Inc. | **-** | - | - | **(6,245)** | - | (6,245) |
| Net foreign exchange (gain) loss | **7,439** | (9,199) | 16,638 | **6,765** | 12,726 | (5,961) |
| Change in fair value of foreign exchange derivatives | **(442)** | (1,943) | 1,501 | **(121)** | (995) | 874 |
| Change in fair value of interest rate derivatives | **(1,729)** | 1,354 | (3,083) | **1,528** | 672 | 856 |
| Other financial expenses | **3,878** | 2,324 | 1,554 | **6,953** | 4,625 | 2,328 |
| **Net finance (income) costs** | **24,612** | 3,084 | 21,528 | **47,964** | 48,298 | (334) |

**Interest expense on long-term debt**

For the three-month period ended September 30, 2014, interest expense on long-term debt increased $0.9 million as a result of the increase in long term debt coming from the Transport America acquisition at the beginning of this quarter. However, in Q1 2014, the company converted into shares $118.2 million of its 6% convertible debentures, providing interest savings of approximately $1.8 million.

For the nine-month period ended September 30, 2014, interest expense on long-term debt decreased $1.7 million attributable to savings from the conversion of the debentures as explained in the previous paragraph, which were offset by an higher debt level compared to last year's same period attributable to 2014 business acquisitions.

**Accelerated accretion**

The announcement, on January 3, 2014, of the Company's intention to redeem its 6% convertible debentures and, on September 9, 2014, to redeem its 5.65% convertible debentures resulted in the revaluation of these debentures at fair value. This resulted in accelerated accretion expenses of $5.6 million during the first quarter and of $4.0 million during this quarter representing the total unamortized financing fees of each of the redeemed convertible debentures as at their respective date of announcement.

**Reclassification to income of accumulated unrealized gain on investment in equity securities of Vitran**

As a result of the acquisition of control of Vitran in Q1 2014, the cumulative $6.2 million fair value pre-tax gain recorded to other comprehensive income related to the Vitran shares previously held, has been reclassified to profit or loss in Q1 2014.

**Net foreign exchange gain or loss and hedge accounting**

The Company's net foreign exchange gain or loss for 2014 and 2013 is mainly attributable to the portion of the revolving facility denominated in U.S. dollars (US$672.4 million at September 30, 2014, US$364.0 million at December 31, 2013).

However, following the closure of the Transport America transaction on July 3, 2014, the Company's net investment in the U.S. increased significantly. As permitted under the hedge accounting rules, management has decided to designate from that date a portion of the Company's U.S. dollar denominated debt held against its net investments in U.S. operations. This accounting treatment will permit 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. This change will provide a more meaningful and economical representation of net earnings and EPS figure for TransForce and reduce earnings volatility resulting from fluctuations in exchange rates. For reference purposes, since July 3, 2014, the foreign exchange gain recorded in translating the Company's net investment in foreign operations was $23.1 million and has been recorded in the accumulated foreign currency translation differences account in equity. Because of the hedge accounting designation, $22.8 million ($19.8 million after tax) of foreign exchange loss on the U.S. dollar denominated debt was also recorded in the accumulated foreign currency translation differences account in equity.

Consequently, since July 3, 2014, the net foreign exchange loss of $7.4 million recorded to finance income and costs is related to the excess of the U.S. dollar denominated net liabilities in the Company's Canadian operations over its net investments in foreign operations.

**Other financial expenses**

The other financial expenses mainly comprise bank charges and the increases from last year's same periods is mainly due to the $1.5 million finance costs recorded in Q3 2014 to secure financing for the Contrans transaction.

### Income tax expense

For the quarter ended September 30, 2014, the effective tax rate was 28.7%. The income tax expense of $16.7 million reflected a $1.0 million unfavourable variance versus an anticipated income tax expense of $15.7 million based on the Company's statutory tax rate of 26.9%. The unfavourable variance is mainly due to a $2.1 million impact from non-deductible expenses.

For the nine-month period ended September 30, 2014, the effective tax rate was 29.2%. The income tax expense of $35.0 million reflected a $2.8 million unfavourable variance versus an anticipated income tax expense of $32.2 million based on the Company's statutory tax rate of 26.9%. The unfavourable variance is mainly due to negative prior-year adjustments of $1.8 million and to an $11.7 million impact from non-deductible expenses. Non-deductible expenses are mainly composed of the non-deductible goodwill impairment. These variances were offset by positive differences between the statutory rate and the effective rates in other jurisdictions of $6.2 million and tax exempt income, mainly capital gains, for $4.5 million.

### Net income

For the three-month period ended September 30, 2014, TransForce's net income amounted to $41.5 million compared to $44.0 million in Q3 2013, a decrease of $2.5 million or 5% over last year's same quarter. Although the Company's operating results are stronger than last year's same quarter, the decrease in net income was mainly attributable to specific items as evidenced by the year-over-year variance in the Company's adjusted net income. It excludes the after tax impact of the foreign exchange gain or loss, the change in fair value of derivatives, the accelerated accretion expense on conversion of debentures and the transaction costs on business combinations. Thus, the Company's adjusted net income was $53.7 million for the three-month period ended September 30, 2014 compared to $35.5 million in Q3 2013, up 51% or $18.2 million on superior income from operating activities. The adjusted earnings per share, fully diluted, increased 43% to $0.53.

For the nine-month period ended September 30, 2014, TransForce's net income amounted to $84.8 million compared to $89.4 million in 2013. The Company's adjusted net income was $129.2 million for the nine-month period ended September 30, 2014 compared to $100.3 million in 2013, an increase of $28.9 million, or 29%, year-over-year. The adjusted earnings per share, fully diluted, increased 24% to $1.29.

# SEGMENTED RESULTS

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

## Selected segmented financial information(1)

| *(unaudited)* *(in thousands of dollars)* | Package and Courier | Less-Than-Truckload | Truckload | Waste Management | Logistics and Other Services | Corporate | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **Q3 2014** | | | | | | | | |
| **Total revenue** | **331,967** | **239,810** | **291,716** | **56,105** | **76,882** | **-** | **(15,368)** | **981,112** |
| **EBITDA** | **33,586** | **22,482** | **39,929** | **18,078** | **9,221** | **(6,792)** | **-** | **116,504** |
| **EBIT** | **24,397** | **21,840** | **25,384** | **12,104** | **6,298** | **(7,185)** | **-** | **82,838** |
| **% of total revenue(2)** | **33%** | **24%** | **29%** | **6%** | **8%** | | | **100%** |
| **EBIT margin** | **7.3%** | **9.1%** | **8.7%** | **21.6%** | **8.2%** | | | **8.4%** |
| **Net capital expenditures(3)** | **2,616** | **(6,357)** | **3,805** | **3,200** | **(1,418)** | **47** | | **1,893** |
| Q3 2013 (restated) | | | | | | | | |
| Total revenue | 315,831 | 165,020 | 167,257 | 43,096 | 101,906 | - | (17,995) | 775,115 |
| EBITDA | 29,561 | 18,540 | 21,150 | 16,647 | 8,500 | (4,159) | - | 90,239 |
| EBIT | 20,666 | 13,702 | 15,024 | 12,032 | 1,988 | (4,403) | - | 59,009 |
| % of total revenue(2) | 40% | 21% | 21% | 5% | 13% | | | 100% |
| EBIT margin | 6.5% | 8.3% | 9.0% | 27.9% | 2.0% | | | 7.6% |
| Net capital expenditures(4) | 3,384 | 2,125 | (39) | 15,360 | (4,222) | 10 | | 16,618 |
| **YTD 2014** | | | | | | | | |
| **Total revenue** | **962,013** | **669,985** | **689,482** | **139,834** | **226,884** | **-** | **(47,531)** | **2,640,667** |
| **EBITDA** | **91,427** | **56,777** | **81,465** | **46,022** | **23,052** | **(18,193)** | **-** | **280,550** |
| **EBIT** | **64,656** | **46,330** | **56,034** | **31,072** | **16,686** | **(19,234)** | **-** | **195,544** |
| **% of total revenue(2)** | **36%** | **25%** | **26%** | **5%** | **8%** | | | **100%** |
| **EBIT margin** | **6.7%** | **6.9%** | **8.1%** | **22.2%** | **7.4%** | | | **7.4%** |
| **Total assets** | **657,752** | **728,856** | **909,253** | **318,698** | **192,856** | **(13,186)** | | **2,794,229** |
| **Net capital expenditures(3)** | **11,328** | **(50,692)** | **6,490** | **24,034** | **(34,983)** | **630** | | **(43,193)** |
| YTD 2013 (restated) | | | | | | | | |
| Total revenue | 948,187 | 485,918 | 502,527 | 115,281 | 312,087 | - | (46,909) | 2,317,091 |
| EBITDA | 87,925 | 46,716 | 58,938 | 42,243 | 26,816 | (9,920) | - | 252,718 |
| EBIT | 61,424 | 38,660 | 40,972 | 28,262 | 7,104 | (10,578) | - | 165,844 |
| % of total revenue(2) | 40% | 21% | 21% | 5% | 13% | | | 100% |
| EBIT margin | 6.5% | 8.0% | 8.2% | 24.5% | 2.3% | | | 7.2% |
| Total assets | 634,033 | 495,914 | 405,636 | 267,536 | 325,894 | 18,951 | | 2,147,964 |
| Net capital expenditures(4) | 8,181 | (20,650) | 3,082 | 19,912 | (11,216) | 876 | | 185 |

*(1) Before impairment of assets in Logistics and Other Services – rig moving services. (2) Before eliminations. (3) 2014 LTL negative net capital expenditures are due to the sale of a rental property in Calgary for a consideration of $12.2 million in Q1 2014, to the sale and leaseback of a terminal located in Concord, Ontario, for $32.0 million in Q2 2014, and to the sales of two properties and one parcel of land for a total consideration of $9.7 million in Q3 2014. In Logistics and Other Services – rig moving services, equipment and assets held for sale have been sold for an aggregate consideration of $1.3 million and $34.7 million in Q3 and YTD Q3 2014, respectively. (4) 2013 LTL negative net capital expenditures are due to the sale and leaseback of a terminal located in Dorval, Québec, for $18.4 million in Q1 2013 and the disposition of three properties in 2013 for $19.0 million. In Logistics and Other Services – rig moving services, excess equipment has been sold for an aggregate consideration of $4.7 million and $11.7 million in Q3 and YTD Q3 2014, respectively.*

## 2013 restated segmented financial information

The Company operates within the transportation and logistics industry in Canada and the United States in different reportable segments. Effective April 1, 2014, the composition of reportable segments has been modified to reflect changes in the structure of the Company's internal organization. The newly adopted presentation continues to show separately the operating segments that are managed independently as they require different technology and capital resources. In addition, the current presentation reflects the nature of services for all of the operating segments whereas prior presentation for the Specialized Services – services to the energy sector operating segment was mainly based on the type of customer. The Company's management believes that the newly adopted presentation better enables users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Consequently, the most significant modifications are the distinct disclosure of the Waste Management segment, previously included in Specialized Services – other services, and the transfer of trucking operating divisions from Specialized Services – services to the energy sector, mostly to TL. Logistics and Other Services now include logistics services and rig moving services, which is only composed of the U.S. rig moving operation, TForce Energy Services.

| ***(unaudited)*** ***(in thousands of dollars)*** | **Package and Courier** | **Less-Than-Truckload** | **Truckload** | **Waste Management** | **Logistics and Other Services** | **Corporate** | **Eliminations** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Q1 2013 | | | | | | | | |
| Total revenue | 304,585 | 152,144 | 164,259 | 32,210 | 109,821 | - | (13,296) | 749,723 |
| EBITDA | 25,849 | 10,794 | 16,533 | 11,052 | 9,905 | (4,803) | - | 69,330 |
| EBIT | 17,357 | 12,654 | 10,571 | 6,522 | 2,432 | (4,971) | - | 44,565 |
| % of total revenue(1) | 40% | 20% | 22% | 4% | 14% | | | 100% |
| EBIT margin | 5.7% | 8.3% | 6.4% | 20.2% | 2.2% | | | 5.9% |
| Total assets | 643,464 | 516,052 | 382,794 | 245,177 | 362,940 | 15,887 | | 2,166,314 |
| Net capital expenditures(2) | 1,871 | (12,472) | 1,130 | 2,461 | 379 | 681 | | (5,950) |
| Q2 2013 | | | | | | | | |
| Total revenue | 327,771 | 168,754 | 171,011 | 39,975 | 100,360 | - | (15,618) | 792,253 |
| EBITDA | 32,515 | 17,382 | 21,255 | 14,544 | 8,411 | (958) | - | 93,149 |
| EBIT | 23,401 | 12,304 | 15,377 | 9,708 | 2,684 | (1,204) | - | 62,270 |
| % of total revenue(1) | 41% | 21% | 21% | 5% | 12% | | | 100% |
| EBIT margin | 7.1% | 7.3% | 9.0% | 24.3% | 2.7% | | | 7.9% |
| Total assets | 633,694 | 498,091 | 375,488 | 246,794 | 339,910 | 23,869 | | 2,117,846 |
| Net capital expenditures(3) | 2,926 | (10,303) | 1,991 | 2,091 | (7,373) | 185 | | (10,483) |
| Q3 2013 | | | | | | | | |
| Total revenue | 315,831 | 165,020 | 167,257 | 43,096 | 101,906 | - | (17,995) | 775,115 |
| EBITDA | 29,561 | 18,540 | 21,150 | 16,647 | 8,500 | (4,159) | - | 90,239 |
| EBIT | 20,666 | 13,702 | 15,024 | 12,032 | 1,988 | (4,403) | - | 59,009 |
| % of total revenue(1) | 40% | 21% | 21% | 5% | 13% | | | 100% |
| EBIT margin | 6.5% | 8.3% | 9.0% | 27.9% | 2.0% | | | 7.6% |
| Total assets | 634,033 | 495,914 | 405,636 | 267,536 | 325,894 | 18,951 | | 2,147,964 |
| Net capital expenditures(4) | 3,385 | 2,125 | (39) | 15,359 | (4,222) | 10 | | 16,618 |
| Q4 2013 | | | | | | | | |
| Total revenue | 329,276 | 163,744 | 182,034 | 41,497 | 91,657 | - | (15,653) | 792,555 |
| EBITDA | 28,283 | 8,855 | 19,008 | 16,650 | 6,039 | (2,519) | - | 76,316 |
| EBIT(5) | 18,878 | 2,189 | 13,433 | 12,165 | (395) | (2,761) | - | 43,509 |
| % of total revenue(1) | 41% | 20% | 23% | 5% | 11% | | | 100% |
| EBIT margin(5) | 5.7% | 1.3% | 7.4% | 29.3% | -0.4% | | | 5.5% |
| Total assets | 632,322 | 478,381 | 400,399 | 259,645 | 254,573 | 39,282 | | 2,064,602 |
| Net capital expenditures | 5,753 | 1,566 | 1,680 | 5,515 | (2,070) | 15 | | 12,459 |
| **Total 2013** | | | | | | | | |
| **Total revenue** | **1,277,463** | **649,662** | **684,561** | **156,778** | **403,744** | **-** | **(62,562)** | **3,109,646** |
| **EBITDA** | **116,208** | **55,571** | **77,946** | **58,893** | **32,855** | **(12,439)** | **-** | **329,034** |
| **EBIT(5)** | **80,302** | **40,849** | **54,405** | **40,427** | **6,709** | **(13,339)** | **-** | **209,353** |
| **% of total revenue(1)** | **40%** | **20%** | **22%** | **5%** | **13%** | | | **100%** |
| **EBIT margin(5)** | **6.3%** | **6.3%** | **7.9%** | **25.8%** | **1.7%** | | | **6.7%** |
| **Total assets** | **632,322** | **478,381** | **400,399** | **259,645** | **254,573** | **39,282** | | **2,064,602** |
| **Net capital expenditures** | **13,935** | **(19,084)** | **4,762** | **25,426** | **(13,286)** | **891** | | **12,644** |

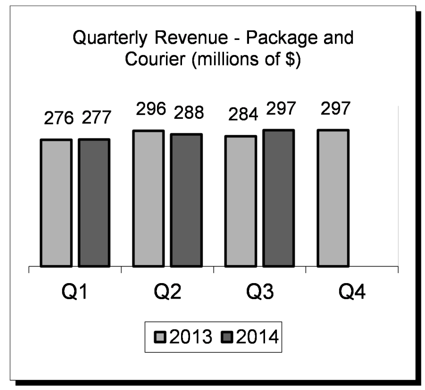
*(1) Before eliminations. (2) LTL negative net capital expenditures are due to the sale and leaseback of a terminal located in Dorval, Québec, for $18.4 million in Q1 2013. (3) LTL negative net capital expenditures are due to the disposition of two properties in Q2 2013 for $11.9 million. In the rig moving services, excess equipment has been sold for an aggregate consideration of $7.0 million in Q2 2013. (4) In the rig moving services, excess equipment has been sold for an aggregate consideration of $4.7 million in Q3 2013. (5) Before Q4 2013 impairment of intangible assets in Logistics and Other Services – rig moving services.*

## Package and Courier

| *(unaudited)* *(in thousands of dollars)* | Third quarters ended September 30 | | | Nine months ended September 30 | | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | Variance | **2014** | 2013 | Variance |
| Total revenue | **331,967** | 315,831 | 5% | **962,013** | 948,187 | 1% |
| Fuel surcharge | **(35,097)** | (31,942) | 10% | **(100,030)** | (93,152) | 7% |
| **Revenue** | **296,870** | 283,889 | 5% | **861,983** | 855,035 | 1% |
| Materials and services expenses (net of fuel surcharge) | **167,930** | 154,877 | 8% | **481,129** | 468,793 | 3% |
| Personnel expenses | **68,802** | 73,396 | (6%) | **210,210** | 219,755 | (4%) |
| Other operating expenses | **26,552** | 26,055 | 2% | **79,217** | 78,562 | 1% |
| **EBITDA** | **33,586** | 29,561 | 14% | **91,427** | 87,925 | 4% |
| Depreciation of property and equipment | **4,357** | 4,397 | (1%) | **13,520** | 13,262 | 2% |
| Amortization of intangible assets | **4,579** | 4,303 | 6% | **13,404** | 13,030 | 3% |
| (Gain) Loss on sale of property and equipment | **253** | 195 | | **(153)** | 209 | |
| **EBIT** | **24,397** | 20,666 | 18% | **64,656** | 61,424 | 5% |
| EBIT margin (% of total revenue) | **7.3%** | 6.5% | | **6.7%** | 6.5% | |

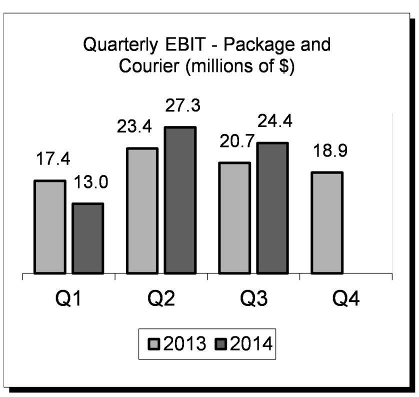
### Revenue

During the three- and nine-month periods ended September 30, 2014, revenues increased 5% and 1%, respectively, compared to the same periods in the prior year mainly due to the acquisition of Ensenda in May 2014. Based in California, U.S., Ensenda is a specialist of same-day and last-mile delivery and is expected to generate annual total revenue of approximately US$47 million. Excluding the acquisition, revenue for the three- and nine-month periods were down $3.6 million, or 1%, and $14.6 million, or 2%, respectively, compared to the prior year comparable periods. The non-renewal of unprofitable business from Velocity's customers in U.S. same-day services offset by a favorable foreign exchange impact on the conversion of revenue of the segment's U.S. operating divisions was the main driver for the variances. The segment's operating divisions continue to focus on a strategy of sourcing and servicing customers in new markets, in particular E-Commerce, to mitigate the decline. For the Company's Canadian next-day operations, this translated into higher revenue of $4.9 million, or 3% for the three-month period ended September 30, 2014.




### Operating expenses

During the three- and nine-month periods ended September 30, 2014, the increase in operating expenses from Package and Courier activities are mainly attributable to the acquisition. Excluding the acquisition, total operating expenses were down $7.4 million or 3% for the three-month period, and down $17.6 million or 2% for the nine-month period compared to the prior year. Personnel expenses were down $5.2 million or 7% and $10.4 million or 5% year-over-year for the three- and nine- month periods, respectively. Significant savings were achieved through synergies that were obtained by combining or eliminating operations and corporate overhead at several large operating divisions. Included in the net reduction of personnel expenses are $1.5 million and $2.9 million of employee termination expenses, respectively, for the quarter and the nine months ended September 30, 2014. Materials and services expense were down $2.4 million, or 2%, and $7.2 million, or 2%, year-over-year for the three- and nine-month periods, respectively, largely as a function of lower revenues. These variances were offset by an unfavorable foreign exchange impact on the conversion of expenses of the segment's U.S. operating divisions. Excluding the acquisition, other operating expenses were stable for both reported periods, but the Company expects to generate $3.0 million of additional annual savings when leases relating to excess facility space expire, mostly by the end of 2014.



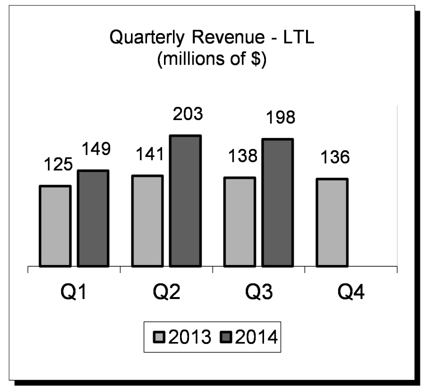

### EBIT

EBIT for the three-month period ended September 30, 2014, for the Package and Courier segment increased 18% to $24.4 million and the EBIT margin increased to 7.3%, up 80 basis points from last year's comparable period results and slightly increased year-over-year at 6.7% for the nine-month period ended September 30, 2014. These increases are mainly attributable to margin improvements in the existing operations. The operating results in the third quarter of 2014 show further improvement as strategic plans continue to be executed in the Company's same-day services operations in the U.S. and sustained efforts in productivity improvements and cost controls continue across all operating divisions.

## Less-Than-Truckload

| *(unaudited)* *(in thousands of dollars)* | Third quarters ended September 30 | | | Nine months ended September 30 | | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | Variance | **2014** | 2013 | Variance |
| Total revenue | **239,810** | 165,020 | 45% | **669,985** | 485,918 | 38% |
| Fuel surcharge | **(42,034)** | (27,442) | 53% | **(119,486)** | (82,194) | 45% |
| **Revenue** | **197,776** | 137,578 | 44% | **550,499** | 403,724 | 36% |
| Materials and services expenses (net of fuel surcharge) | **100,068** | 57,145 | 75% | **273,571** | 165,320 | 65% |
| Personnel expenses | **60,367** | 52,860 | 14% | **178,604** | 161,892 | 10% |
| Other operating expenses | **14,859** | 9,033 | 64% | **41,547** | 29,796 | 39% |
| **EBITDA** | **22,482** | 18,540 | 21% | **56,777** | 46,716 | 22% |
| Depreciation of property and equipment | **6,236** | 5,810 | 7% | **18,867** | 17,857 | 6% |
| Amortization of intangible assets | **2,836** | 965 | 194% | **5,927** | 2,977 | 99% |
| Gain on sale of property and equipment | **(8,430)** | (1,937) | | **(14,347)** | (12,778) | |
| **EBIT** | **21,840** | 13,702 | 59% | **46,330** | 38,660 | 20% |
| EBIT margin (% of total revenue) | **9.1%** | 8.3% | | **6.9%** | 8.0% | |

During the first quarter of 2014, TransForce acquired two new asset light businesses in the LTL segment as their depreciation of property and equipment as a percentage of revenue is approximately 1%. On January 1, 2014, part of the Clarke acquisition, Clarke Transport Inc. was added to this segment's results. Also, on March 26, 2014, the Company completed the acquisition of Vitran. These two operations are expected to generate $115 million and $200 million, respectively, in annual revenue.




### Revenue

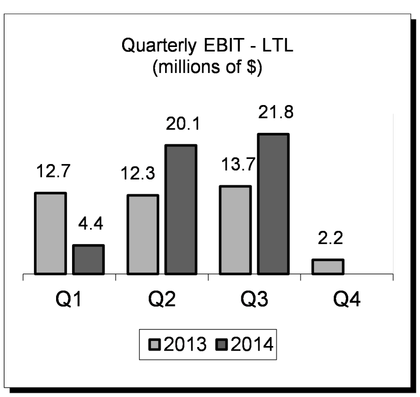
For the three-month period ended September 30, 2014, revenue from the LTL segment increased 44% to $197.8 million. The $60.2 million increase is attributable to the acquisitions. Before acquisitions, revenue was down $6.3 million, or 5%, attributable to the decline in transported tonnage year-over-year. For the three-month period, the yield ($ per tonne) was stable year-over-year. Given the U.S. dollar appreciation, which positively impacted revenue by approximately $1.3 million, the mix of delivered goods generated a lower yield, before the U.S. exchange rate difference. For the nine-month period ended September 30, 2014, revenue increased 36% to $550.5 million, mainly from acquisitions. Before acquisitions, revenue declined 3% mainly on volume.

### Operating expenses

For the three- and nine month period ended September 30, 2014, total operating expenses increased by $52.1 million, or 42%, and $139.1 million, or 38%, respectively, mainly attributable to acquisitions. Excluding acquisitions, total operating expenses before gain on sale of property and equipment decreased by $3.9 million, or 3%, and $6.6 million, or 2%, respectively, for the three- and nine-month periods compared to last year's comparable periods. For this quarter, terminal consolidation and closures achieved in the last twelve months generated significant savings in personnel expenses ($3.8 million or 7%). Also before acquisitions, depreciation of property and equipment decreased $0.6 million or 10% from Q3 2013. Accident and claim costs continued to decrease, $0.2 million in this quarter. However, other operating expenses increased $1.3 million, before acquisitions, in part due to higher maintenance cost for the terminals. Given the volume decline, the Company limited the margin deterioration by reducing variable and fixed costs; consolidation reduced the number of equipment, terminals and administrative employees, thus providing a more efficient cost structure going forward.

For the three- and nine-month periods ended September 30, 2014, depreciation of property and equipment and amortization of intangible assets increased due to the acquisitions.

The Company sold a rental property in Calgary for a consideration of $12.2 million in Q1 2014, which generated a $3.8 million gain, and completed a sale and leaseback of a terminal located in Concord, Ontario, for $32.0 million in Q2 2014, which did not generate any gain as this asset was part of the Vitran acquisition. Three properties were disposed of in Q3 2014 for a total consideration of $9.7 million, of which two were in British Columbia for a net gain of $8.1 million, and a parcel of land in Chicoutimi, Quebec for a net gain of $0.4 million. Last year, disposal of properties generated gains of $1.8 million and $13.0 million, respectively, in the three- and nine-month periods ended September 30, 2013.




### EBIT

For the three-month period ended September 30, 2014, EBIT increased $8.1 million to $21.8 million from $13.7 million in Q3 2013. The recent acquisitions contributed $4.0 million to this quarter's EBIT, the additional gain on sale of property and equipment added $6.5 million, and the existing LTL operations have seen their EBIT before gain on dispositions contract by $2.4 million. EBIT margins, before gain on dispositions, for the three-month period ended September 2014, were 5.9% and 5.0%, respectively, for the existing operations and the recent acquisitions.

For the nine-month period ended September 30, 2014, EBIT increased $7.6 million to $46.3 million from $38.7 million in Q3 2013. The recent acquisitions contributed $10.3 million to EBIT, the additional gain on sale of property and equipment also added $1.3 million and the existing LTL operations have seen their EBIT contracted by $4.0 million. EBIT margin, before gain on dispositions, for the nine-month period ended September 30, 2014, were 4.6% and 5.3%, respectively, for existing operations and recent acquisitions.

## Truckload

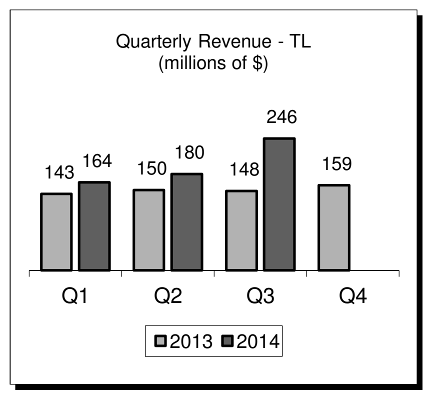
| *(unaudited)* *(in thousands of dollars)* | **Third quarters ended September 30** | | | **Nine months ended September 30** | | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | Variance | **2014** | 2013 | Variance |
| Total revenue | **291,716** | 167,257 | 74% | **689,482** | 502,527 | 37% |
| Fuel surcharge | **(45,471)** | (19,670) | 131% | **(99,762)** | (61,547) | 62% |
| **Revenue** | **246,245** | 147,587 | 67% | **589,720** | 440,980 | 34% |
| Materials and services expenses (net of fuel surcharge) | **129,684** | 91,968 | 41% | **349,026** | 277,207 | 26% |
| Personnel expenses | **66,660** | 29,402 | 127% | **137,757** | 90,404 | 52% |
| Other operating expenses | **9,972** | 5,067 | 97% | **21,472** | 14,431 | 49% |
| **EBITDA** | **39,929** | 21,150 | 89% | **81,465** | 58,938 | 38% |
| Depreciation of property and equipment | **13,415** | 5,379 | 149% | **23,389** | 16,004 | 46% |
| Amortization of intangible assets | **3,138** | 798 | 293% | **4,892** | 2,405 | 103% |
| Gain on sale of property and equipment | **(2,008)** | (51) | | **(2,850)** | (443) | |
| **EBIT** | **25,384** | 15,024 | 69% | **56,034** | 40,972 | 37% |
| EBIT margin (% of total revenue) | **8.7%** | 9.0% | | **8.1%** | 8.2% | |

On August 21, 2013, the Company completed the acquisition of E.L. Farmer, an asset-light dedicated provider of pipe storage and hauling services for the oilfield industry. On January 1, 2014, as part of the Clarke acquisition, Clarke Road Transport Inc. was added to this segment's results. This division is expected to generate $65 million in annual revenue.

On July 3, 2014, TransForce completed the acquisition of Transport America through the signature of the Purchase and Sale Agreement ("PSA"). The purchase price was US$310 million minus all external debts and some adjustments. During the quarter, the Company completed the audit for the adjustment related to the closing working capital accounts under the purchase price adjustment clause of the PSA. TransForce has done its initial purchase price allocation over the identifiable net assets acquired and goodwill under the IFRS rules. To date, goodwill of $130.2 million was recorded representing the excess of the purchase price over the sum of the net asset fair value. Considering the stability of their customer base, an intangible asset of $71.8 million has been recorded for their customer relationships. Other intangible assets for $10.5 million have also been recorded. The annual depreciation on these assets is impacting the consolidated operating margin of the TL segment. Transport America is expected to generate annual revenues of approximately US$350 million.

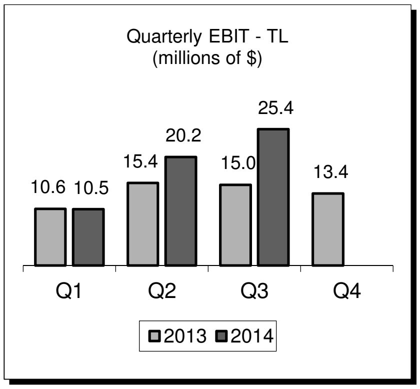
### Revenue

For the three-month period ended September 30, 2014, TL revenue increased 67% to $246.2 million from $147.6 million in Q3 2013. The $98.6 million increase is attributable to the 2014 acquisitions and the marginal contribution of E.L. Farmer for a total of $96.0 million. Excluding acquisitions, revenue increased to $150.2 million, up 2% year-over-year. Volume was stable and yield was up on higher efficiencies compared to last year. For the nine-month period ended September 30, 2014, TL revenue increased 34% to $589.7 million. The $148.7 million increase is mainly attributable to acquisitions. Excluding acquisitions, revenue was down 2% or $7.1 million, mostly reflecting bad weather in Q1.




### Operating expenses

Mainly due to acquisitions, operating expenses from TL activities for Q3 2014 were up $88.3 million or 67%, to $220.9 million, from Q3 2013. Excluding acquisitions, operating expenses slightly increased $0.7 million, year-over-year. For the three-month period ended September 30, 2014, materials and services expenses increased $2.4 million while personnel expenses remained stable and depreciation of property and equipment decreased 15% or $0.8 million. Given that TL revenue before acquisitions increased 2%, these expense variations provided evidence of the Company's commitment to reduce its capital expenditures and to favor the use of independent contractors and leased equipment to service its clientele. Thus, total operating expenses for existing operations decreased one percent over revenue. Continuous cost-reduction efforts and asset rationalization mitigated the weak economic fundamentals faced in the last two years in the traditional trucking market. The Company is not looking to add more capacity to serve its current clientele as the priority is to improve the efficiency and profitability of its existing fleet and network of independent contractors. For the nine-month period ended September 30, 2014, operating expenses were up $133.7 million or 33%, to $533.7 million mainly due to acquisitions. Before acquisitions, operating expenses were down 2% compared to 2013 (as the




revenue declined); slightly improving the EBIT margin by 20 basis points for the first nine months of 2014 compared to 2013.

### EBIT

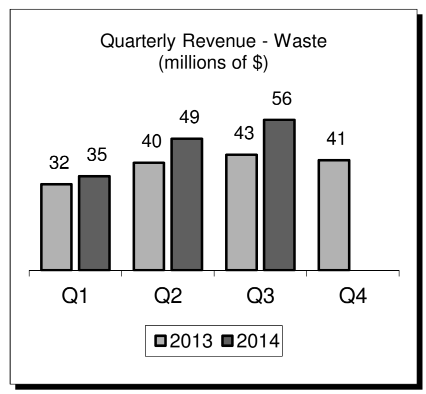
The Company's EBIT in the TL segment for the three-month period ended September 30, 2014 increased $10.4 million, to $25.4 million compared to $15.0 million in Q3 2013. Acquisitions contributed $8.4 million to the EBIT increase. The EBIT margin was 8.7%, down 30 basis points from Q3 2013. As a percentage of revenue, the acquisitions, mainly Transport America with 6.8% EBIT margin, reduced the consolidated TL's EBIT margin. Excluding acquisition, the existing TL businesses improved their EBIT margin from 9.0% in Q3 2013 to 10.0% in this quarter. Newly acquired businesses have a higher charge for intangible amortization impacting their operating margins. As the synergies and the integration plan are realized, management is confident that operating margins will improve.

For the nine-month period ended September 30, 2014, EBIT increased 37% to $56.0 million and the EBIT margin was slightly down at 8.1%. The Company is confident that rigorous management will protect the TL segment's margins and improve its profitability.

## Waste Management

| *(unaudited)* *(in thousands of dollars)* | | **Third quarters ended September 30** | | | **Nine months ended September 30** | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | Variance | **2014** | 2013 | Variance |
| **Total Revenue** | **56,105** | 43,096 | 30% | **139,834** | 115,281 | 21% |
| Materials and services expenses | **25,937** | 17,819 | 46% | **62,122** | 46,915 | 32% |
| Personnel expenses | **10,271** | 7,215 | 42% | **26,467** | 21,642 | 22% |
| Other operating expenses | **1,819** | 1,415 | 29% | **5,223** | 4,481 | 17% |
| **EBITDA** | **18,078** | 16,647 | 9% | **46,022** | 42,243 | 9% |
| Depreciation of property and equipment | **4,837** | 3,468 | 39% | **11,715** | 10,202 | 15% |
| Amortization of intangible assets | **1,135** | 1,158 | (2%) | **3,259** | 3,801 | (14%) |
| (Gain) loss on sale of property and equipment | **2** | (11) | | **(24)** | (22) | |
| **EBIT** | **12,104** | 12,032 | 1% | **31,072** | 28,262 | 10% |
| EBIT margin (% of total revenue) | **21.6%** | 27.9% | | **22.2%** | 24.5% | |

Effective June 1, 2014, assets of Veolia Solid Waste Canada were added to this segment's results. At this date, this division had trailing twelve months revenue and EBITDA of $30.0 million and more than $5.0 million, respectively.




### Total revenue

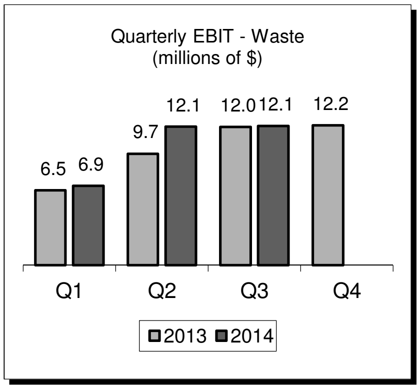
For the three-month period ended September 30, 2014, total revenue from the Waste Management segment increased by 30% or $13.0 million compared to the third quarter of 2013. For the nine-month period ended September 30, 2014, total revenue increased by 21% or $24.6 million compared to the prior year period. The increases of $8.9 million and $12.5 million, respectively, in the third quarter of 2014 and in the nine-month period ended September 30, 2014 are attributable to the acquisition. The remaining portion of the revenue growth for both reported periods is attributable to the Company's Lafleche environmental complex in Ontario with higher revenue from the landfill operation and the composting facility, as well as from the organic growth of the customer base mostly in collection and disposal operations in Quebec.

### Operating expenses

For the three-month period ended September 30, 2014, total operating expenses increased 42% or $12.9 million compared to the third quarter of 2013 due to the acquisition and increased activity level. Before the acquisition, operating expenses increased $4.6 million or 15% mainly in materials and services due to higher disposal expenses and transportation costs.

For the nine-month period ended September 30, 2014, total operating expenses increased 25% or $21.7 million compared to the prior year period due to the acquisition and increased activity level. Before the acquisition, operating expenses increased $10.0 million or 11% mainly in materials and services also due to higher disposal expenses and transportation costs.

For the three- and nine-month periods ended September 30, 2014, the increase of depreciation of property and equipment is mostly attributable to the acquisition. Excluding the acquisition, depreciation increased 11% and 2%, respectively, for the three- and nine-month periods as additional services were executed mainly with existing equipment and infrastructure.




### EBIT

The Company's EBIT in the Waste management segment for the three-month period ended September 30, 2014 was virtually unchanged at $12.1 million, compared to $12.0 million in the third quarter of 2013. The EBIT margin was 21.6%, down 6.3 percentage points from the third quarter of 2013. The EBIT margin deterioration is attributable to the acquisition, for which the margin stood at 5.9% and from a lower margin from waste collection operations for this quarter.

For the nine-month period ended September 30, 2014, EBIT was $31.1 million, compared to $28.3 million in 2013, an increase of $2.8 million or 10% and is attributable to existing operations, which contributed $2.0 million to the increase, and to the acquisition with a cumulative contribution of 0.8 million. The EBIT margin was 22.2%; down 2.3 percentage points compared to 2013 mainly attributable to the acquisition and offset by higher operating results from existing divisions. These positive operating results were partially offset by the absorption of the business acquired from Veolia. A strategic plan to optimize this operation is being implemented to generate synergies and improve Veolia's profitability.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and uses of cash

| *(unaudited)* *(in thousands of dollars)* | **Third quarters ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Sources of cash: | | | | |
| Net cash from operating activities before net change in non-cash operating working capital | **88,191** | 65,570 | **201,775** | 149,028 |
| Net change in non-cash operating working capital | **17,867** | 4,080 | **-** | 15,846 |
| Proceeds from sale of property and equipment | **19,255** | 14,116 | **78,914** | 58,237 |
| Proceeds from sale of assets held for sale | **1,274** | - | **31,745** | - |
| Increase in bank indebtedness | **-** | - | **4,897** | - |
| Proceeds from long-term debt | **264,628** | 13,359 | **442,232** | 21,521 |
| Proceeds from exercise of stock options and warrants | **20,084** | 1,545 | **22,633** | 2,726 |
| Others | **-** | 116 | **1,595** | - |
| Total sources | **411,299** | 98,786 | **783,791** | 247,358 |
| Uses of cash: | | | | |
| Net change in non-cash operating working capital | **-** | - | **16,643** | - |
| Additions to property and equipment | **22,029** | 30,734 | **58,731** | 58,422 |
| Business combinations, net of cash acquired | **166,369** | 35,801 | **357,929** | 59,401 |
| Decrease in bank indebtedness | **7,028** | 8,715 | **-** | 20,362 |
| Repayment of long-term debt | **195,884** | 7,035 | **273,802** | 49,084 |
| Dividends paid | **14,288** | 11,987 | **42,135** | 36,126 |
| Repurchase of own shares | **4,686** | 4,514 | **34,551** | 19,238 |
| Others | **1,015** | - | **-** | 4,725 |
| Total usage | **411,299** | 98,786 | **783,791** | 247,358 |

### Cash flow from operating activities

For the nine-month period ended September 30, 2014, net cash from operating activities before net change in non-cash operating working capital increased 35% to $201.8 million from $149.0 million in 2013. The $52.7 million increase is attributable to a decrease of $31.3 million in income tax paid over last year and the higher contribution from operations in 2014 compared to 2013.

For the nine-month period ended September 30, 2014, the Company's negative cash flow from its working capital amounting to $16.6 million is attributable to the higher working capital, before acquisitions, due to the increase of activities from its operations compared to December 2013. The Company's DSO (day sales outstanding) has been rather stable since December 2013.

## Cash flow used in investing activities

**Property and equipment**

The following table presents the Company's additions to its property and equipment by category for the three- and nine-month periods ended September 30, 2014 and 2013.

| *(unaudited)* *(in thousands of dollars)* | Third quarters ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Additions to property and equipment: | | | | |
| Additions as stated on cash flows statements | **22,029** | 30,734 | **58,731** | 58,422 |
| Additions that did not affect cash | **393** | - | **8,735** | - |
| | **22,422** | 30,734 | **67,466** | 58,422 |
| Additions by category: | | | | |
| Land and buildings | **3,156** | 11,143 | **8,435** | 15,137 |
| Rolling stock | **16,614** | 14,073 | **35,333** | 32,285 |
| Furniture and equipment | **2,652** | 5,518 | **23,698** | 11,000 |
| | **22,422** | 30,734 | **67,466** | 58,422 |

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

In 2014, higher investments in furniture and equipment included two major items. A new landfill capacity obtained following a management agreement with the Régie de la Gestion des Matières Résiduelles de la Mauricie, in Quebec. The Company recorded this landfill capacity as a capital lease for $8.3 million. This addition did not have any impact on cash flow and an equivalent long term liability was recorded. The second major addition was a $5.0 million investment project in a new conveyor system in the Burnaby terminal for Loomis Express, for which $4.0 million was capitalized in Q1 2014.

The following table indicates the Company's proceeds from its sale of property and equipment by category for the three- and nine-month periods ended September 30, 2014 and 2013.

| *(unaudited)* *(in thousands of dollars)* | Third quarters ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Dispositions by category: | | | | |
| Land and buildings | **9,652** | 7,104 | **58,013** | 37,429 |
| Rolling stock | **9,542** | 6,985 | **20,436** | 20,781 |
| Furniture and equipment | **61** | 27 | **465** | 27 |
| | **19,255** | 14,116 | **78,914** | 58,237 |

In 2014, the Company sold a rental property in Calgary for a consideration of $12.2 million in Q1 2014, which generated a $3.8 million gain. The sale and leaseback of a terminal located in Concord, Ontario, for $32.0 million in Q2 2014, did not generate any gain as this asset was part of the Vitran acquisition. Three properties were disposed of in Q3 2014 for a total consideration of $9.7 million, of which two were in British Columbia for a net gain of $8.1 million, and a parcel of land in Chicoutimi, Quebec for a net gain of $0.4 million. Last year, the Company completed a sale and leaseback transaction, in Q1 2013, of a terminal located in Dorval, Québec for a consideration of $18.4 million, and disposed of three properties, in 2013, for $19.0 million. These four transactions generated a $13.0 million gain. The Company believes that it can generate in excess of $100 million in proceeds from the sale of properties that it may choose to dispose of in the future. The aggregate carrying value of these properties is significantly lower than the expected sale proceeds.

For the nine-month period ended September 30, 2014, the Company sold assets held for sale for an aggregate proceed of $31.7 million, which generated a $1.9 million gain. These assets were previously used in the rig moving services.

**Business acquisitions**

For the nine-month period ended September 30, 2014, cash used in business acquisitions totalled $357.9 million (2013 – $59.4 million). In line with the Company's growth strategy and as mentioned in the "2014 significant business acquisitions" section above, TransForce concluded the acquisition of Clarke Transport Inc. and of Clarke Road Transport Inc. on January 1, 2014. Clarke Transport Inc. is a fully integrated provider of LTL intermodal transportation services. Clarke Road Transport Inc. offers regular and specialized TL transportation services. Also, on March 26, 2014, TransForce completed the acquisition of Vitran, a fully integrated provider of LTL intermodal transportation services. In Q2 2014, the Company acquired the assets of Veolia Solid Waste Canada in the Waste Management services segment and Ensenda, a last mile provider of same-day services business based in California, U.S., in the Package and Courier segment. On July 3, 2014, the Company completed the acquisition of Transport America Inc. ("Transport

America"), an important provider of TL carriage and logistics services.

### Free cash flow

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

TransForce generated a free cash flow(1) of $237.1 million in 2014 compared to $164.7 million in 2013, which represented an increase of $72.4 million from last year. This increase is mainly attributable to higher dispositions of property and equipment and assets held for sale for an amount of $52.4 million compared to 2013. On a per share basis, the free cash flow for the nine-month period totalled $2.41, versus $1.78 in 2013.

*(1) Please refer to the section "Reconciliation of non-IFRS financial measures".*

### Free cash flow yield

Based on the September 30, 2014 closing share price of $27.03, the free cash flow generated by the Company in the last twelve months represented a free cash flow yield of 11.3% (9.6% for the year 2013).

### Financial position

| *(unaudited)* *(in thousands of dollars)* | **As at September 30, 2014** | As at Dec. 31, 2013 | As at Dec. 31, 2012 |
|---|---|---|---|
| Total assets | **2,794,229** | 2,064,602 | 2,114,123 |
| Long-term debt | **1,142,087** | 773,556 | 808,135 |
| Shareholders' equity | **944,328** | 790,817 | 727,365 |
| Debt-to-equity ratio(1) | **1.21** | 0.98 | 1.11 |
| Debt-to-capital ratio(2) | **0.55** | 0.49 | 0.53 |
| Debt-to-EBITDA ratio(3) | **3.20** | 2.00 | 2.09 |
| Debt-to-FCF ratio(4) | **3.84** | 3.02 | 3.16 |

*(1) Long-term debt divided by shareholders' equity. (2) Long-term debt divided by the sum of shareholders' equity and long-term debt. (3) Long-term debt divided by trailing twelve months EBITDA. (4) Long-term debt divided by trailing twelve months free cash flow.*

Compared to December 31, 2013, the Company's total assets and long-term debt increased by 35% and 48%, respectively, due to the acquisitions. The 2014 acquisitions added $822.9 million of assets, including goodwill, which are detailed in note 5 of the condensed consolidated interim financial statements. Following these acquisitions and particularly that of Transport America, the debt-to-equity ratio and the debt-to-capital ratio weakened but still reflect appropriate debt level so that there are no financial constraints on the use of capital. Strict cash flow management and strong cash flow generated from operations allowed the Company to pursue debt reduction when the situation dictated.

### Contractual obligations

The following table indicates the Company's contractual obligations with their respective maturity dates at September 30, 2014, excluding future interest payments.

| *(unaudited)* *(in thousands of dollars)* | **Total** | **Less Than 1 year** | **1 to 3 years** | **3 to 5 years** | **After 5 years** |
|---|---|---|---|---|---|
| Unsecured revolving facility – *August 2017* | **835,071** | - | 835,071 | - | - |
| 5.65% Convertible debentures(1) – *September 2018* | **82,667** | 82,667 | - | - | - |
| Unsecured debentures – *November 2017* | **125,000** | - | - | 125,000 | - |
| Finance lease obligations | **10,548** | 3,254 | 3,379 | 1,049 | 2,866 |
| Other long-term debt | **92,087** | 22,269 | 28,326 | 37,392 | 4,100 |
| Operating leases (see commitments) | **463,226** | 99,037 | 134,974 | 74,882 | 154,333 |
| Other commitments (see commitments) | **74,437** | 4,096 | 9,390 | 9,390 | 51,561 |
| **Total contractual obligations** | **1,683,036** | **211,323** | **1,011,140** | **247,713** | **212,860** |

*(1) The above table assumes no conversion of the 5.65% convertible debentures to maturity. These convertible debentures have been converted or redeemed as of October 9, 2014 (see below).*

As at September 30, 2014, the Company had $35.3 million (December 31, 2013 - $24.5 million) of outstanding letters of guarantee.

**Credit facility**

On June 18, 2014, the Company signed an amendment to its credit facility to increase it by $245 million to $1,045 million and to extend the term to August 2017. The applicable interest rate and covenants remain unchanged. TransForce's credit facility is unsecured and can be extended annually. The credit facility is provided by a bank syndicate led by National Bank Financial, RBC Capital Markets and Bank of America Merrill Lynch in their capacity as co-lead arrangers.

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

| *Covenants* | *Requirements* | *As at September 30, 2014* |
|---|---|---|
| **Funded debt-to-EBITDA ratio** [ratio of total debt plus letters of credit and some other long-term liabilities to earnings before interest, income taxes, depreciation and amortization ("EBITDA"), including last twelve months adjusted EBITDA from acquisitions] | < 3.50 | 2.79 |
| **EBITDAR-to-interest and rent ratio** [ratio of EBITDAR (EBITDA before rent and including last twelve months adjusted EBITDAR from acquisitions) to interest and net rent expenses] | > 1.75 | 2.98 |

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

**6% convertible debentures – November 2015**

On January 3, 2014, the Company announced that it will redeem, as of February 3, 2014, all of the aggregated principal amount of $122.1 million of its outstanding 6% convertible debentures. Pursuant to the conversion option available to debenture holders, the Company received conversion requests for a principal amount of $118.2 million resulting in the issuance of 6,202,974 new common shares. The Company redeemed an unconverted principal amount of $3.9 million as at February 3, 2014. As a result, the Company will reduce its interest expense by $7.3 million in 2014.

**5.65% convertible debentures – September 2018**

On September 9, 2014, the Company announced that it will redeem, as of October 9, 2014, all of the aggregated principal amount of $84.4 million of its outstanding 5.65% convertible debentures. As of September 30, 2014, pursuant to the conversion option available to debenture holders, the Company received conversion requests for a principal amount of $1.7 million resulting in the issuance of 76,193 new common shares. The equity portion of the converted debentures was reclassified to share capital. As of September 30, 2014, there was $82.7 million principal amount of 5.65% convertible debentures issued and outstanding.

As of October 9, 2014, the Company received conversion requests for a principal amount of $81.6 million (including $1.7 million before the end of the nine-month period ended September 30, 2014) resulting in the issuance of 3,692,572 new common shares of TransForce (including 76,193 common shares issued before the end of the nine-month period ended September 30, 2014). The Company redeemed an unconverted principal amount of $2.7 million as at October 9, 2014. This conversion will result in a reduction of the financing fees of approximately $4.6 million on an annual basis.

On December 27, 2013, the Company announced normal course issuer bid ("NCIB") to repurchase its 5.65% convertible debentures. The Company is authorized to repurchase for cancellation a maximum of 10% of the public float under certain conditions. This NCIB is in place for a period of twelve months starting December 31, 2013 and ending on December 30, 2014. This NCIB ceased on October 9, 2014 as a result of the above.

## Commitments, contingencies and off-balance sheet arrangements

The following table indicates the Company's commitments with their respective terms at September 30, 2014.

| *(unaudited)* *(in thousands of dollars)* | **Total** | **Less Than 1 year** | **1 to 3 years** | **3 to 5 Years** | **After 5 years** |
|---|---|---|---|---|---|
| Operating leases – rolling stock | **66,026** | 25,832 | 31,583 | 8,611 | 0 |
| Operating leases – real estate & others | **397,200** | 73,205 | 103,391 | 66,271 | 154,333 |
| Total operating leases | **463,226** | **99,037** | **134,974** | **74,882** | **154,333** |
| Other commitments | **74,437** | 4,096 | 9,390 | 9,390 | 51,561 |
| Total off-balance sheet obligations | **537,663** | **103,133** | **144,364** | **84,272** | **205,894** |

Long-term real estate leases totalling $397.2 million included five significant real estate commitments for an aggregate value of $162.9 million, which expire between 2024 and 2035. A total of 339 properties constituted the remaining real estate operating leases.

Other commitments are the Company's obligation to dispose of a minimum number of tons at third-party disposal facilities. Under these put-or-pay agreements, there is a requirement to pay a certain amount for the agreed upon minimum volumes regardless of the actual number of tons placed at the facilities. The Company generally fulfills minimum contractual obligations by disposing of volumes collected in the ordinary course of business at these disposal facilities. In the waste management industry, it's a common practice to exchange volume to benefit from the proximity of third party landfill capacity. As a result, TransForce has commitment from third parties to deliver tonnage to its landfills for approximately $122 million over the same period.

## Derivative financial instruments

The Company has entered into foreign exchange contracts and currency option instruments for the sale of U.S. dollars in exchange for Canadian dollars that expire at various dates through January 2016. As at September 30, 2014, these contracts' notional amount totalled US$34.3 million (December 2013 - US$94.2 million). As at September 30, 2014, the foreign exchange contract fair value was negative $0.6 million (December 2013 – negative $0.8 million).

The Company has also entered into interest rate swap contracts in order to mitigate the interest rate risk on a portion of its variable rate debt. As at September 30, 2014, the Company had interest rate swap contracts on the notional amount of $300.0 million of debt (December 2013 - $232.5 million), at an average rate of 1.37% (December 2013 – 1.54%), that expire at various dates through June 2020. This represents 36% of the Company's total variable rate long-term debt. As a result, the effective interest rate on the interest swap contracts is 3.52% at September 30, 2014 (December 2013– 3.24%). As at that date, the fair value of the interest rate swap contracts was negative $1.9 million (December 2013 - negative $0.3 million).

## Dividends and outstanding share data

### Dividends

The Company declared $14.4 million in dividends, or $0.145 per outstanding common share, in the third quarter of 2014. For the nine-month period ended September 30, 2014, dividends declared were $43.0 million.

On April 24, 2014, TransForce adopted a Dividend Policy (the "Policy") whereby approximately 20-25% of TransForce's annualized free cash flow available would be distributed every year as dividends to shareholders on a quarterly basis. The Board has determined that this level of distribution would allow TransForce to maintain sufficient financial resources and flexibility to execute its operating and disciplined acquisition strategies, while providing an adequate return on shareholders' capital. The Board may also, at its discretion and at any time, change the amount of dividends distributed and/or elect not to distribute a dividend, whether as a result of a one-time decision or a change in the Policy.

### NCIB on common shares

The Company renewed its Normal Course Issuer Bid ("NCIB") that allows it to repurchase for cancellation up to a maximum of 6,000,000 of its common shares. This NCIB expires on September 18, 2015. Repurchases under this NCIB are made in accordance with the requirements of the TSX at market prices through the facilities of the TSX. Accordingly, TransForce has the right to repurchase during any one trading day a maximum of 59,173 common shares. In addition, TransForce may make, once per calendar week, a block purchase of its common shares not directly or indirectly owned by insiders of TransForce.

The Board of TransForce believes that, at appropriate times, repurchasing its shares through the NCIB represents a good use of TransForce's financial resources, as such action can protect and enhance shareholder value when opportunities or volatility arise.

For the nine-month period ended September 30, 2014, the Company repurchased 1,479,000 common shares (2013 – 965,200) at a price ranging from $22.46 to $26.58 (2013 – from $19.71 to $20.00) for a total purchase price of $34.6 million (2013 - $19.2 million).

### Outstanding shares and stock options

A total of 99,489,588 common shares were outstanding as at September 30, 2014 (December 2013 – 93,405,264). There was no significant change in the Company's outstanding share capital between September 30, 2014 and October 30, 2014, other than the above mentioned issuance of shares following the conversion of the 5.65% convertible debentures and the repurchase of 319,400 common shares at a price ranging from $25.75 to $26.49 for a total purchase price of $8.4 million under the NCIB program.

As at September 30, 2014, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 4,243,714 (December 2013 – 4,229,252) of which 2,887,654 were exercisable (December 2013 – 2,376,216). Each stock option entitles the holder to purchase one common share of the Company at an exercise price based on the closing price of the volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the effective date of the grant.

Effective July 1, 2014, the Board approved an equity incentive plan to the benefit of senior employees of the Group. The plan provides for the issuance of restricted share units (''RSUs'') under conditions to be determined by the Board. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares. On July 24, 2014, the Corporation granted a total of 82,278 RSUs under the Corporation equity incentive plan. The RSUs will vest after 3 consecutive years of service from the grant date.

In addition, on February 1, 2013, the Company issued 1,000,000 warrants having an exercise price of $20.17 per share and a two-year life for a portion of the consideration transferred in relation to the Velocity acquisition. During 2014, 935,000 of these warrants were exercised (2013 – 25,000). As of September 30, 2014, there were 40,000 warrants outstanding.

## Legal proceedings

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

## Subsequent event

On September 9, 2014, the Company announced that it will redeem, as of October 9, 2014, all of the aggregate principal amount of $84.4 million of its outstanding 5.65% convertible debentures. Pursuant to the conversion option available to debenture holders, the Company received conversion requests for a principal amount of $81.6 million (including $1.7 million before the end of the nine-month period ended September 30, 2014) resulting in the issuance of 3,692,572 new common shares of TransForce (including 76,193 common shares issued before the end of the nine-month period ended September 30, 2014). The Company redeemed an unconverted principal amount of $2.7 million as at October 9, 2014.

On July 24, 2014, the Company entered into a Support Agreement with Contrans Group Inc. ("Contrans") to acquire all of the Class A Subordinate Voting Shares and Class B Voting Shares of Contrans by way of a friendly, Board-approved take-over bid. On October 6, 2014, the Company has extended the expiry date of its all-cash offer to October 31, 2014. The expiry date was extended in order to finalize approval under the Competition Act.

## OUTLOOK

Looking ahead, as the Canadian economy continues to modestly improve and as the Canadian dollar has weakened, conditions are expected to progress accordingly in TransForce's main operating markets through 2015 and early 2016. In the U.S., greater consumer confidence and robust increases in business investments are generating more activity for TransForce. As the relatively challenging environment in Canada, our major market, limits organic growth, key drivers for revenue and EBIT growth remain further efficiency improvement, asset rationalization, tight cost controls, as well as the execution of a disciplined acquisition strategy in the fragmented North American transportation market.

In the Package and Courier and LTL segments, TransForce's priorities are the consolidation of its operations, administration and IT platforms. Initial benefits are being achieved, but more significant savings are still expected going forward. As the Company believes that general conditions will remain relatively challenging as long as the capacity issues continue to affect the industry, TransForce will remain proactive in implementing measures to further optimize asset utilization. This includes completing the integration and optimization of businesses in U.S. same-day operations, replacing non-contributing customers by more profitable ones, and capturing an increasing share of the e-commerce delivery business. Implemented by new management in certain major divisions, the Company is confident that these initiatives will generate profitable growth going forward. Some major competitors announced price adjustments in order to better recover their operating costs. Moreover, the acquisitions of Clarke Transport and Vitran will create a solid contribution to operating results in 2014 as TransForce seeks to leverage its enhanced density and capabilities. To this end, the Company also will continue to focus on major cities and exit low density regions to enhance value.

In the TL market, the Canadian units performed relatively well and are expected to keep their momentum, while the U.S. divisions are expected to grow and will have to improve their return on capital employed. TransForce will focus on capturing all strategic benefits related to its recent acquisition of Transport America, while remaining disciplined by carefully managing supply and optimizing the utilization of existing assets in order to maximize returns. Success will also stem from continuous efforts to deploy leading-edge analytical tools across the Company's network that will allow its people to make appropriate business decisions. As the TL market is fragmented, TransForce aims to gain further size and density across North America by pursuing its selective acquisition strategy.

Finally, in the Waste Management sector, the Company will benefit from the acquisition of Veolia Solid Waste Canada, from investments made to expand the composting facility at the Lafleche environmental complex, and investments in Ontario's transfer stations, while the long term agreement to obtain landfill airspace from Waste Management in Lachute, Québec is providing opportunities to grow its customer base and density.

As the Company's intent is to continue to move into an asset-light business model, capital will be increasingly deployed in initiatives that provide better return on capital employed and a solid cash flow. In so doing, TransForce aims to increasingly distinguish itself by providing innovative, value-added solutions to its growing North American customer base. TransForce, in the short term, will also use its cash flow to reimburse debt.

The appreciation in the value of the U.S. dollar versus the Canadian currency over the last quarter will have a beneficial impact on operating income due to the Company's net annual U.S. dollar cash flow of approximately $190 million. A weaker Canadian dollar is also beneficial for the Company's export-oriented customers.

TransForce is well positioned to benefit significantly when the economy recovers more vigorously, and management is confident that the steps it has taken and has planned will continue to grow shareholder value. The Company aims to deliver on this commitment by adhering to its operating principles and by executing its strategy with the same discipline and rigour that have made TransForce a North American leader in the transportation and logistics industry.

## SUMMARY OF EIGHT MOST RECENT QUARTERLY RESULTS

| *(unaudited) - (in millions of dollars, except per share data)* | Q3 14 | Q2 14 | Q1 14 | Q4 13 | Q3 13 | Q2 13 | Q1 13 | Q4 12 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 981.1 | 889.1 | 770.5 | 792.6 | 775.1 | 792.3 | 749.7 | 778.4 |
| EBITDA(1) | 116.5 | 107.3 | 56.8 | 76.3 | 90.2 | 93.1 | 69.3 | 98.2 |
| Adjusted net income(1) | 53.7 | 49.1 | 26.5 | 23.3 | 35.5 | 39.2 | 25.5 | 38.2 |
| Net income | 41.5 | 37.3 | 5.9 | -27.0 | 44.0 | 26.6 | 18.9 | 36.1 |
| Earnings per share | | | | | | | | |
| Basic | 0.42 | 0.38 | 0.06 | -0.29 | 0.48 | 0.29 | 0.20 | 0.39 |
| Diluted | 0.41 | 0.37 | 0.06 | -0.29 | 0.45 | 0.28 | 0.20 | 0.37 |

*(1) Please refer to the section "Reconciliation of non-IFRS financial measures".*

## RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

Financial data have been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis do not have any standardized meaning under IFRS and could be calculated differently by other companies. The Company believes that certain non-IFRS financial measures, when presented in conjunction with comparable IFRS financial measures, are useful to investors and other readers because that information is an appropriate measure for evaluating the Company's operating performance. Internally, the Company uses this non-IFRS financial information as an indicator of business performance. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS.

### Non-IFRS financial measures

| | |
|---|---|
| EBIT | Net income before finance income and costs and income tax expense. |
| EBITDA | Net income before finance income and costs, income tax expense, depreciation, amortization, asset impairments, gain or loss on sale of property and equipment, assets held for sales and of business. |
| EBIT margin and EBITDA margin | EBIT / EBITDA as a percentage of total revenue. |
| Operating ratio | Operating expenses divided by total revenue. Operating expenses comprise: materials and services expenses, personnel expenses, other operating expenses, depreciation and amortization, gain or loss on sale of property and equipment and assets held for sale. |
| Adjusted net income and adjusted earnings per share | Net income and earnings per share excluding the after-tax effect of changes in the fair value of derivatives, net foreign exchange gain or loss, and of items that are not in the Company's normal business. |
| 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. |
| Free cash flow per share | Free cash flow divided by the weighted average number of common shares outstanding. |

### EBIT & EBITDA

*EBIT refers to "income from operating activities" in the condensed consolidated interim financial statements and management believes EBITDA to be a useful supplemental measure. EBITDA is provided to assist in determining the ability of the Company to generate cash from its operations.*

| *(unaudited)* *(in thousands of dollars)* | Third quarters ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **Net income** | **41,548** | 43,960 | **84,751** | 89,379 |
| Net finance costs | **24,612** | 3,084 | **47,964** | 48,298 |
| Income tax expense | **16,678** | 11,965 | **34,990** | 28,167 |
| **EBIT (Income from operating activities)** | **82,838** | 59,009 | **167,705** | 165,844 |
| Impairment of intangible assets | **-** | - | **27,839** | - |
| **EBIT before impairment charge** | **82,838** | 59,009 | **195,544** | 165,844 |
| Depreciation and amortization | **43,737** | 33,651 | **105,442** | 102,232 |
| Gain on sale of property and equipment | **(10,191)** | (2,421) | **(17,411)** | (15,358) |
| Gain on sale of assets held for sale | **120** | - | **(1,899)** | - |
| Gain on sale of business | **-** | - | **(1,126)** | - |
| **EBITDA** | **116,504** | 90,239 | **280,550** | 252,718 |

### Operating ratio

*Although the operating ratio is not a recognized financial measure defined by IFRS, it is a widely recognized measure in the transportation industry, which we believe provides a comparable benchmark for evaluating the Company's performance.*

| *(unaudited)* *(in thousands of dollars)* | **Third quarters ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Materials and services expenses | **574,294** | 435,262 | **1,568,967** | 1,304,405 |
| Personnel expenses | **228,981** | 201,487 | **626,062** | 614,012 |
| Other operating expenses | **61,333** | 48,127 | **165,088** | 145,956 |
| Depreciation and amortization | **43,737** | 33,651 | **105,442** | 102,232 |
| Gain on sale of property and equipment and assets held for sale | **(10,071)** | (2,421) | **(19,310)** | (15,358) |
| Total operating expenses | **898,274** | 716,106 | **2,446,249** | 2,151,247 |
| Total revenue | **981,112** | 775,115 | **2,640,667** | 2,317,091 |
| Operating ratio | **91.6%** | 92.4% | **92.6%** | 92.8% |

### Adjusted net income and adjusted earnings per share

*In presenting an adjusted net income and adjusted earnings per share the Company's intent is to help provide an understanding of what would have been the net income and earnings per share excluding specific impacts and to reflect earnings from a strictly operating perspective.*

| *(unaudited)* *(in thousands of dollars, except per share data)* | **Third quarters ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **Net income** | **41,548** | 43,960 | **84,751** | 89,379 |
| Change in fair value of derivatives (after tax) | **(1,597)** | (434) | **1,035** | (238) |
| Net foreign exchange (gain) loss (after tax) | **6,456** | (7,991) | **5,871** | 11,054 |
| Accelerated accretion expense on conversion of debentures (after tax) | **2,931** | - | **7,018** | - |
| Transaction costs on business combinations (net of tax) | **4,316** | - | **5,030** | 100 |
| Impairment of intangible assets (after tax) | **-** | - | **25,499** | - |
| **Adjusted net income** | **53,654** | 35,535 | **129,204** | 100,295 |
| **Adjusted earnings per share – basic** | **0.54** | 0.39 | **1.31** | 1.08 |
| **Adjusted earnings per share – diluted** | **0.53** | 0.37 | **1.29** | 1.04 |

### Free cash flow and free cash flow per share

*Management believes that this measure provides a benchmark to evaluate the performance of the Company in regard to its ability to meet capital requirements.*

| *(unaudited)* *(in thousands of dollars)* | **Third quarters ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Net cash from operating activities before net change in non-cash operating working capital | **88,191** | 65,570 | **201,775** | 149,028 |
| Net change in non-cash operating working capital | **17,867** | 4,080 | **(16,643)** | 15,846 |
| Additions to property and equipment | **(22,029)** | (30,734) | **(58,731)** | (58,422) |
| Proceeds from sale of property and equipment | **19,255** | 14,116 | **78,914** | 58,237 |
| Proceeds from sale of assets held for sale | **1,274** | - | **31,745** | - |
| **Free cash flow** | **104,558** | 53,032 | **237,060** | 164,689 |
| **Free cash flow per share**(1) | **1.06** | 0.58 | **2.41** | 1.78 |

*(1) Based on weighted average number of shares outstanding during the periods.*

## RISKS AND UNCERTAINTIES

### Economic conditions

Demand for freight transport is closely linked to the state of the overall economy. Consequently, a change in general economic growth could affect the Company's performance. However, the Company serves an extensive customer base, covers a broad geographic area, and operates in four distinct transport sectors. These factors may mitigate the effects of an economic downturn.

### Competition

Deregulation in the transport industry has increased the number of competitors, as well as competition with respect to pricing. Competition is strong within the Canadian market. In addition, the Company faces competition from other transporters in the United States.

### Regulation

Notwithstanding that the transportation industry is largely deregulated, carriers must obtain licenses issued by provincial transport boards in order to carry goods inter-provincially or to transport goods within any province. Licensing from United States regulatory authorities is also required for the transportation of goods between Canada and the United States. Any change in these regulations could have an adverse impact on the scope of the Company's activities.

### General operating environment

The Company is subject to changes in its general operating environment. The elements affecting its environment are the cost of liability insurance, the market for used equipment, adverse weather conditions and accidents.

### Fuel prices

The Company is exposed to variations in the price of fuel. The Company is generally able to recover the majority of additional fuel costs through surcharges to its customers. It also strives to ensure that the fuel consumption of its fleet is as efficient as possible.

### Currency fluctuations

The Company's financial results are reported in Canadian dollars and a portion of its revenue and operating costs are realized in currencies other than Canadian dollars, primarily U.S. dollars. The results of operations are therefore affected by movements of this currency against the Canadian dollar. Significant fluctuations in relative currency values against the Canadian dollar could therefore have a significant impact on the Company's future profitability.

### Interest rate fluctuations

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

### Credit

The Company provides services to clients primarily in Canada and the United States. 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 10% of total accounts receivable.

### Loan default

The Company's current credit facilities and financing agreements impose certain covenant requirements. There is a risk that such loans may go into default if there is a breach in complying with such covenants and obligations which could result in the Company being unable to pay dividends to shareholders, and result in lenders realizing on their security and causing the Company to lose some or all of its investment. As at September 30, 2014, the Company is in compliance with all of its debt covenants and obligations.

### Key personnel

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, identified assets and liabilities acquired in business combinations, other long-lived assets, income taxes, site restoration obligations and pension obligations. 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 are recognized in the period in which the estimates are revised.

## 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, 2014 and have been applied in preparing the condensed consolidated interim financial statements:

- Amendments to IAS 32, *Offsetting Financial Assets and Liabilities*
- IFRIC 21, *Levies*

These new standards did not have a significant impact on the Group's condensed consolidated interim financial statements.

### To be adopted in future periods

The following new standards and amendments to standard are not yet effective for the year ended December 31, 2014, and have not been applied in preparing the condensed consolidated interim financial statements:

- IFRS 9, *Financial Instruments*
- IFRS 15, *Revenue from Contracts with Customers*
- Amendments to IAS 19, *Employee Benefits*

Further information can be found in note 3 of the September 30, 2014 condensed consolidated interim financial statements.

## CONTROLS AND PROCEDURES

### Disclosure controls and procedures ("DC&P")

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

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

### Internal controls over financial reporting ("ICFR")

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

The control framework used to design the Company's ICFR is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (1992 framework).

### Limitation on scope of design

The Company has limited the scope of its DC&P and ICFR to exclude controls, policies and procedures of businesses acquired not more than 365 days before the last day of the period covered by the interim filing.

### Changes in internal controls over financial reporting

No changes were made to the Company's ICFR during the nine-month period ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

TransForce

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**For the third quarter ended**
**September 30, 2014**

## CONTENTS

| (in thousands of Canadian dollars) | Note | **As at September 30, 2014** | As at December 31, 2013 |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables | | **557,362** | 414,985 |
| Inventoried supplies | | **8,080** | 6,424 |
| Current tax receivable | | **1,145** | 7,511 |
| Prepaid expenses | | **27,420** | 14,082 |
| Derivative financial instruments | | **846** | 274 |
| Assets held for sale | | **-** | 29,043 |
| **Current assets** | | **594,853** | 472,319 |
| Property and equipment | 6 | **957,312** | 702,420 |
| Intangible assets | 7 | **1,222,409** | 850,711 |
| Other assets | | **15,254** | 36,255 |
| Deferred tax assets | | **4,239** | 2,591 |
| Derivative financial instruments | | **162** | 306 |
| **Non-current assets** | | **2,199,376** | 1,592,283 |
| **Total assets** | | **2,794,229** | 2,064,602 |
| **Liabilities** | | | |
| Bank indebtedness | | **15,671** | 9,437 |
| Trade and other payables | | **417,991** | 308,578 |
| Derivative financial instruments | | **1,539** | 822 |
| Long-term debt | 8 | **108,190** | 20,849 |
| **Current liabilities** | | **543,391** | 339,686 |
| Long-term debt | 8 | **1,033,897** | 752,707 |
| Employee benefits | | **12,230** | 12,553 |
| Provisions | | **31,722** | 29,940 |
| Derivative financial instruments | | **1,920** | 857 |
| Deferred tax liabilities | | **226,741** | 138,042 |
| **Non-current liabilities** | | **1,306,510** | 934,099 |
| **Total liabilities** | | **1,849,901** | 1,273,785 |
| **Equity** | | | |
| Share capital | 9 | **722,670** | 577,993 |
| Contributed surplus | | **13,550** | 17,233 |
| Equity component of convertible debentures | | **2,155** | 7,767 |
| Accumulated other comprehensive income (loss) | | **25,903** | 25,526 |
| Retained earnings | | **180,050** | 162,298 |
| **Equity attributable to owners of the Company** | | **944,328** | 790,817 |
| Operating leases, contingencies and guarantees | 15 | | |
| **Total liabilities and equity** | | **2,794,229** | 2,064,602 |

The notes on pages 6 to 21 are an integral part of these condensed consolidated interim financial statements.

| (In thousands of Canadian dollars, except per share amounts) | Note | **Three months ended Sept. 30, 2014** | Three months ended Sept. 30, 2013 | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|---|---|
| Revenue | | **856,757** | 694,414 | **2,315,654** | 2,075,358 |
| Fuel surcharge | | **124,355** | 80,701 | **325,013** | 241,733 |
| | | **981,112** | 775,115 | **2,640,667** | 2,317,091 |
| Materials and services expenses | 12 | **574,294** | 435,262 | **1,568,967** | 1,304,405 |
| Personnel expenses | 12 | **228,981** | 201,487 | **626,062** | 614,012 |
| Other operating expenses | 12 | **61,333** | 48,127 | **165,088** | 145,956 |
| | | **864,608** | 684,876 | **2,360,117** | 2,064,373 |
| **Income before the following:** | | **116,504** | 90,239 | **280,550** | 252,718 |
| Depreciation of property and equipment | 12 | **31,695** | 24,370 | **77,039** | 73,819 |
| Amortization of intangible assets | 12 | **12,042** | 9,281 | **28,403** | 28,413 |
| Impairment of intangible assets | 4, 12 | **-** | - | **27,839** | - |
| Gain on sale of property and equipment | 12 | **(10,191)** | (2,421) | **(17,411)** | (15,358) |
| Impairment (gain) on sale of assets held for sale | 12 | **120** | - | **(1,899)** | - |
| Gain on sale of business | 12 | **-** | - | **(1,126)** | - |
| **Income from operating activities** | | **82,838** | 59,009 | **167,705** | 165,844 |
| Finance income | 13 | **(2,171)** | (11,154) | **(6,882)** | (1,663) |
| Finance costs | 13 | **26,783** | 14,238 | **54,846** | 49,961 |
| Net finance costs | | **24,612** | 3,084 | **47,964** | 48,298 |
| Income before income taxes | | **58,226** | 55,925 | **119,741** | 117,546 |
| Income tax expense | 14 | **16,678** | 11,965 | **34,990** | 28,167 |
| **Net income for the period attributable to owners of the Company** | | **41,548** | 43,960 | **84,751** | 89,379 |
| Other comprehensive income | | | | | |
| Items that may be reclassified to income or loss in future period | | | | | |
| Foreign currency translation differences | | **21,926** | (8,101) | **25,588** | 13,151 |
| Net investment hedge, net of tax | 8 | **(19,791)** | - | **(19,791)** | - |
| Reclassification to income of accumulated unrealized gain on investment in equity securities of Vitran Corporation Inc., net of tax | | **-** | - | **(5,420)** | - |
| Unrealized gain on investment in equity securities net of tax | | **-** | (2,273) | **-** | (101) |
| **Other comprehensive income (loss) for the period** | | **2,135** | (10,374) | **377** | 13,050 |
| **Total comprehensive income for the period attributable to owners of the Company** | | **43,683** | 33,586 | **85,128** | 102,429 |
| Earnings per share | | | | | |
| Basic earnings per share | 10 | **0.42** | 0.48 | **0.86** | 0.97 |
| Diluted earnings per share | 10 | **0.41** | 0.45 | **0.84** | 0.94 |

The notes on pages 6 to 21 are an integral part of these condensed consolidated interim financial statements.

| (In thousands of Canadian dollars) | Note | Share capital | Contributed surplus | Equity component of convertible debentures | Accumulated foreign currency translation differences | Accumulated unrealized gain on investment in equity securities | Retained earnings | Total equity attributable to owners of the Company |
|---|---|---|---|---|---|---|---|---|
| **Balance as at December 31, 2013** | | **577,993** | **17,233** | **7,767** | **20,106** | **5,420** | **162,298** | **790,817** |
| Net income for the period | | **-** | **-** | **-** | - | **-** | **84,751** | **84,751** |
| Other comprehensive income (loss) for the period | | **-** | **-** | **-** | **5,797** | **(5,420)** | **-** | **377** |
| Total comprehensive income (loss) for the period | | **-** | **-** | **-** | **5,797** | **(5,420)** | **84,751** | **85,128** |
| Share-based payment transactions | 11 | **-** | **3,061** | **-** | **-** | **-** | **-** | **3,061** |
| Stock options and warrants exercised | 9, 11 | **29,377** | **(6,744)** | **-** | **-** | **-** | **-** | **22,633** |
| Conversion of convertible debentures | 8, 9 | **125,690** | **-** | **(5,433)** | **-** | **-** | **-** | **120,257** |
| Dividends to owners of the Company | | **-** | **-** | **-** | **-** | **-** | **(43,017)** | **(43,017)** |
| Repurchase of own shares | 9 | **(10,390)** | **-** | **-** | **-** | **-** | **(24,161)** | **(34,551)** |
| Transactions with owners, recorded directly in equity | | **144,677** | **(3,683)** | **(5,433)** | **-** | **-** | **(67,178)** | **68,383** |
| Repurchase of convertible debentures | 8, 9 | **-** | **-** | **(179)** | **-** | **-** | **179** | **-** |
| **Balance as at September 30, 2014** | | **722,670** | **13,550** | **2,155** | **25,903** | **-** | **180,050** | **944,328** |
| **Balance as at December 31, 2012** | | 556,099 | 8,528 | 8,733 | (6,105) | - | 160,110 | 727,365 |
| Net income for the period | | - | - | - | - | - | 89,379 | 89,379 |
| Other comprehensive income (loss) for the period | | - | - | - | 13,151 | (101) | - | 13,050 |
| Total comprehensive income (loss) for the period | | - | - | - | 13,151 | (101) | 89,379 | 102,429 |
| Share-based payment transactions | 11 | - | 2,984 | - | - | - | - | 2,984 |
| Stock options exercised | 9, 11 | 3,544 | (818) | - | - | - | - | 2,726 |
| Dividends to owners of the Company | | - | - | - | - | - | (36,045) | (36,045) |
| Repurchase of own shares | | (5,791) | - | - | - | - | (13,447) | (19,238) |
| Transactions with owners, recorded directly in equity | | (2,247) | 2,166 | - | - | - | (49,492) | (49,573) |
| Issuance of warrants | | - | 6,000 | - | - | - | - | 6,000 |
| **Balance as at September 30, 2013** | | 553,852 | 16,694 | 8,733 | 7,046 | (101) | 199,997 | 786,221 |

The notes on pages 6 to 21 are an integral part of these condensed consolidated interim financial statements.

| (In thousands of Canadian dollars) | Note | Three months ended Sept. 30, 2014 | Three months ended Sept. 30, 2013 | Nine months ended Sept. 30, 2014 | Nine months ended Sept. 30, 2013 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Net income for the period | | **41,548** | 43,960 | **84,751** | 89,379 |
| Adjustments for: | | | | | |
| Depreciation of property and equipment | | **31,695** | 24,370 | **77,039** | 73,819 |
| Amortization of intangible assets | | **12,042** | 9,281 | **28,403** | 28,413 |
| Impairment of intangible assets | | **-** | - | **27,839** | - |
| Share-based payment transactions | | **906** | 998 | **3,061** | 2,984 |
| Net finance (income) costs | | **24,612** | 3,084 | **47,964** | 48,298 |
| Income tax expense | | **16,678** | 11,965 | **34,990** | 28,167 |
| Gain on sale of property and equipment | | **(10,191)** | (2,421) | **(17,411)** | (15,358) |
| Loss (gain) on sale of assets held for sale | | **120** | - | **(1,899)** | - |
| Gain on sale of business | | **-** | - | **(1,126)** | - |
| Others | | **(1,624)** | (768) | **(1,519)** | (1,658) |
| | | **115,786** | 90,469 | **282,092** | 254,044 |
| Net change in non-cash operating working capital | | **17,867** | 4,080 | **(16,643)** | 15,846 |
| Cash generated from operating activities | | **133,653** | 94,549 | **265,449** | 269,890 |
| Interest paid | | **(15,274)** | (9,894) | **(35,839)** | (30,390) |
| Income tax paid | | **(12,127)** | (15,213) | **(44,423)** | (75,751) |
| Net realized (loss) gain on derivatives | | **(194)** | 208 | **(55)** | 1,125 |
| **Net cash from operating activities** | | **106,058** | 69,650 | **185,132** | 164,874 |
| **Cash flows used in investing activities** | | | | | |
| Additions to property and equipment | | **(22,029)** | (30,734) | **(58,731)** | (58,422) |
| Proceeds from sale of property and equipment | | **19,255** | 14,116 | **78,914** | 58,237 |
| Proceeds from sale of assets held for sale | | **1,274** | - | **31,745** | - |
| Additions to intangible assets | | **(248)** | (568) | **(1,296)** | (2,268) |
| Business combinations, net of cash acquired | | **(166,369)** | (35,801) | **(357,929)** | (59,401) |
| Proceeds from sale of business | | **-** | - | **3,869** | - |
| Others | | **(767)** | 684 | **(978)** | (2,457) |
| **Net cash used in investing activities** | | **(168,884)** | (52,303) | **(304,406)** | (64,311) |
| **Cash flows from financing activities** | | | | | |
| (Decrease) increase in bank indebtedness | | **(7,028)** | (8,715) | **4,897** | (20,362) |
| Proceeds from long-term debt | | **264,628** | 13,359 | **442,232** | 21,521 |
| Repayment of long-term debt | | **(195,884)** | (7,035) | **(273,802)** | (49,084) |
| Dividends paid | | **(14,288)** | (11,987) | **(42,135)** | (36,126) |
| Repurchase of own shares | | **(4,686)** | (4,514) | **(34,551)** | (19,238) |
| Proceeds from exercise of stock options | | **1,729** | 1,545 | **3,774** | 2,726 |
| Proceeds from exercise of warrants | 9 | **18,355** | - | **18,859** | - |
| **Net cash from (used in) financing activities** | | **62,826** | (17,347) | **119,274** | (100,563) |
| **Net change in cash and cash equivalents** | | **-** | - | **-** | - |
| Cash and cash equivalents, beginning of period | | **-** | - | **-** | - |
| **Cash and cash equivalents, end of period** | | **-** | - | **-** | - |

The notes on pages 6 to 21 are an integral part of these condensed consolidated interim financial statements.

## 1. Reporting entity

TransForce 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 condensed consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2014 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 Canada and the United States.

## 2. Basis of preparation

### a) Statements of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Group.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 30, 2014.

### b) Basis of measurement

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

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

### c) Seasonality of interim operations

The activities conducted by the Group are subject to general demand for freight transportation. Historically, demand has been relatively stable with the first quarter being generally the weakest in terms of demand, both the second and third quarters being stronger, and the fourth quarter being the strongest. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise. Consequently, the results of operations for the interim period are not necessarily indicative of the results of operations for the full year.

### d) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Group's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

### e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, identified assets and liabilities acquired in business combinations, other long-lived assets, income taxes, site restoration obligations and pension obligations. These estimates and assumptions are based on management's best estimates and judgments.

**2. Basis of preparation (continued)**

**e) Use of estimates and judgments (continued)**

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 are recognized in the period in which the estimates are revised.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied and described in the Group's 2013 annual consolidated financial statements.

**3. Significant accounting policies**

The accounting policies described in the Group's 2013 annual consolidated financial statements have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

***New standards and interpretations 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, 2014 and have been applied in preparing these condensed consolidated interim financial statements:

Amendments to IAS 32*, Offsetting Financial Assets and Liabilities*, clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. Adoption of amendments to IAS 32 did not have a material impact on the Group's condensed consolidated interim financial statements.

IFRIC *Interpretation 21 - Levies* ("IFRIC 21") provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, Income Taxes and fines or other penalties imposed for breaches of the legislation. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. IFRIC 21 adoption did not have a material impact on the Group's condensed consolidated interim financial statements.

***New standards and interpretations not yet adopted***

The following new standards are not yet effective for the year ending December 31, 2014, and have not been applied in preparing these condensed consolidated interim financial statements:

IFRS 9, *Financial Instruments*, which will replace IAS 39, *Financial Instruments*: *Recognition and Measurement*, will become mandatorily effective for annual periods beginning on or after January 1, 2018. The complete standard was issued in July 2014, and the Group does not intend to early adopt the standard in its consolidated financial statements. IFRS 9 provides revised guidance on the classification and measurement of financial assets and introduces a new expected credit loss model for calculating impairment. IFRS 9 (2014) also incorporates the final general hedge accounting requirements originally published in IFRS 9 (2013).

IFRS 15, *Revenue from Contracts with Customers*, which will replace IAS 18, *Revenue*, and will become effective for the Group's 2017 consolidated financial statements. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The extent of the impact of adoption of the standard has not yet been determined.

**3. Significant accounting policies (continued)**

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

Amendments to IAS 19, *Employee Benefits*, introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When employee contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. For companies that cannot (or decide not to) apply the practical expedient, the amendments clarify how service-linked contributions from employees or third parties should be included in determining net current service cost and the defined benefit obligation. The Group intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. 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 Canada and the United States in different reportable segments, as described below. Effective April 1, 2014, the composition of reportable segments has been modified to reflect the changes in the structure of the Group's internal organisation. The newly adopted presentation continues to show separately the operating segments that are managed independently as they require different technology and capital resources. In addition, current presentation reflects the nature of services for all of the operating segments whereas prior presentation for the Specialized Services – services to the energy sector operating segment was mainly based on the type of customer. Group's management believes that newly adopted presentation better enables users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

As a result of modifications to the composition of its operating segments on April 1st, 2014, the Group's goodwill allocated to its operating segments, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, had to be reallocated based on the relative values of the cash-generating units affected by the modifications.

Following the reallocation of its goodwill, the Group performed a goodwill impairment test on the rig moving services operating segment and the results determined that the carrying value of the Group's rig moving services operating segment exceeded its recoverable amount, requiring the complete depreciation of this segment's goodwill in the amount of $27.8 million.

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

For each of the operating segments, the Group's CEO reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

| | |
|---|---|
| Package and Courier: | Pickup, transport and delivery of items across North America. |
| Less-Than-Truckload: | Pickup, consolidation, transport and delivery of smaller loads. |
| Truckload: | Full loads carried directly from the customer to the destination using a closed van or specialized equipment to meet customer's specific needs. Includes expedited transportation, flatbed, container and dedicated services. |
| Waste Management: | Services for integrated residual materials management, ranging from collection to disposal, through conversion and recycling, to meet specific needs of its clients in municipal, industrial, commercial and institutional sectors. |
| Logistics and Other Services: | Logistics services and rig moving services. |

Information regarding the results of each reportable segment is included below. Performance is measured based on segment income before interest and income tax ("EBIT"), as finance income or costs and income tax are not allocated to reportable segments. This measure is included in the internal management reports that are reviewed by the Group's CEO and refers to "Income from operating activities" in the consolidated statements of comprehensive income. Segment's EBIT 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.

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.) PERIODS ENDED SEPTEMBER 30, 2014 AND 2013 – UNAUDITED

**4. Segment reporting (continued)**

| | Package and Courier | Less-Than-Truckload | Truckload | Waste Management | Logistics and Other Services | Corporate | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **Three months ended September 30, 2014** | | | | | | | | |
| External revenue | **330,438** | **237,752** | **282,197** | **56,105** | **74,620** | **-** | **-** | **981,112** |
| Inter-segment revenue | **1,529** | **2,058** | **9,519** | **-** | **2,262** | **-** | **(15,368)** | **-** |
| Total revenue | **331,967** | **239,810** | **291,716** | **56,105** | **76,882** | **-** | **(15,368)** | **981,112** |
| Depreciation and amortization | **8,936** | **9,072** | **16,553** | **5,972** | **2,811** | **393** | **-** | **43,737** |
| Income (loss) from operating activities | **24,397** | **21,840** | **25,384** | **12,104** | **6,298** | **(7,185)** | **-** | **82,838** |
| Intangible assets | **410,686** | **225,478** | **419,788** | **120,351** | **43,532** | **2,574** | **-** | **1,222,409** |
| Total assets | **657,752** | **728,856** | **909,253** | **318,698** | **192,856** | **(13,186)** | **-** | **2,794,229** |
| Total liabilities | **145,000** | **229,311** | **411,004** | **67,983** | **(5,707)** | **1,002,310** | **-** | **1,849,901** |
| Capital expenditures | **2,779** | **4,095** | **12,288** | **3,212** | **1** | **47** | **-** | **22,422** |
| Three months ended September 30, 2013 | | | | | | | | |
| External revenue | 314,349 | 162,751 | 157,684 | 43,096 | 97,235 | - | - | 775,115 |
| Inter-segment revenue | 1,482 | 2,269 | 9,573 | - | 4,671 | - | (17,995) | - |
| Total revenue | 315,831 | 165,020 | 167,257 | 43,096 | 101,906 | - | (17,995) | 775,115 |
| Depreciation and amortization | 8,700 | 6,775 | 6,177 | 4,626 | 7,129 | 244 | - | 33,651 |
| Income (loss) from operating activities | 20,666 | 13,702 | 15,024 | 12,032 | 1,988 | (4,403) | - | 59,009 |
| Intangible assets | 397,040 | 93,729 | 166,416 | 123,499 | 129,559 | 2,023 | - | 912,266 |
| Total assets | 634,033 | 495,914 | 405,636 | 267,536 | 325,894 | 18,951 | - | 2,147,964 |
| Total liabilities | 142,968 | 145,397 | 53,391 | 53,519 | 71,784 | 894,683 | - | 1,361,742 |
| Capital expenditures | 3,529 | 10,026 | 1,179 | 15,409 | 581 | 10 | - | 30,734 |
| **Nine months ended September 30, 2014** | | | | | | | | |
| External revenue | **956,818** | **663,751** | **659,866** | **139,834** | **220,398** | **-** | **-** | **2,640,667** |
| Inter-segment revenue | **5,195** | **6,234** | **29,616** | **-** | **6,486** | **-** | **(47,531)** | **-** |
| Total revenue | **962,013** | **669,985** | **689,482** | **139,834** | **226,884** | **-** | **(47,531)** | **2,640,667** |
| Depreciation and amortization | **26,924** | **24,794** | **28,281** | **14,974** | **9,428** | **1,041** | **-** | **105,442** |
| Impairment | **-** | **-** | **-** | **-** | **27,839** | **-** | **-** | **27,839** |
| Income (loss) from operating activities | **64,656** | **46,330** | **56,034** | **31,072** | **(11,153)** | **(19,234)** | **-** | **167,705** |
| Intangible assets | **410,686** | **225,478** | **419,788** | **120,351** | **43,532** | **2,574** | **-** | **1,222,409** |
| Total assets | **657,752** | **728,856** | **909,253** | **318,698** | **192,856** | **(13,186)** | **-** | **2,794,229** |
| Total liabilities | **145,000** | **229,311** | **411,004** | **67,983** | **(5,707)** | **1,002,310** | **-** | **1,849,901** |
| Capital expenditures | **13,562** | **8,921** | **20,095** | **24,201** | **57** | **630** | **-** | **67,466** |
| Nine months ended September 30, 2013 | | | | | | | | |
| External revenue | 943,864 | 479,238 | 476,422 | 115,281 | 302,286 | - | - | 2,317,091 |
| Inter-segment revenue | 4,323 | 6,680 | 26,105 | - | 9,801 | - | (46,909) | - |
| Total revenue | 948,187 | 485,918 | 502,527 | 115,281 | 312,087 | - | (46,909) | 2,317,091 |
| Depreciation and amortization | 26,292 | 20,834 | 18,409 | 14,003 | 22,036 | 658 | - | 102,232 |
| Income (loss) from operating activities | 61,424 | 38,660 | 40,972 | 28,262 | 7,104 | (10,578) | - | 165,844 |
| Intangible assets | 397,040 | 93,729 | 166,416 | 123,499 | 129,559 | 2,023 | - | 912,266 |
| Total assets | 634,033 | 495,914 | 405,636 | 267,536 | 325,894 | 18,951 | - | 2,147,964 |
| Total liabilities | 142,968 | 145,397 | 53,391 | 53,519 | 71,784 | 894,683 | - | 1,361,742 |
| Capital expenditures | 8,466 | 19,018 | 8,233 | 20,052 | 1,777 | 876 | - | 58,422 |

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.) **PERIODS ENDED SEPTEMBER 30, 2014 AND 2013 – UNAUDITED**

**4. Segment reporting (continued)**

***Geographical information***

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

| | **Three months ended Sept. 30, 2014** | Three months ended Sept. 30, 2013 | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|---|
| Revenues | | | | |
| Canada | **638,493** | 543,215 | **1,825,284** | 1,615,668 |
| United States | **342,619** | 231,900 | **815,383** | 701,423 |
| | **981,112** | 775,115 | **2,640,667** | 2,317,091 |

| | **As at September 30, 2014** | As at December 31, 2013 |
|---|---|---|
| Property and equipment and intangible assets | | |
| Canada | **1,477,683** | 1,243,286 |
| United States | **702,038** | 309,845 |
| | **2,179,721** | 1,553,131 |

**5. Business combinations**

**a) Business combinations**

The Group acquired five businesses during 2014, of which three are considered significant.

On January 1, 2014, the Group acquired all of the issued and outstanding shares of Clarke Transport Inc. and of Clarke Road Transport Inc. (together referred to as ''Clarke''), two subsidiaries of Clarke Inc., for an aggregate consideration of $57.6 million which was paid in cash. Clarke Transport Inc., a fully integrated provider of LTL intermodal transportation services, operates a network of 15 terminals across Canada. Clarke Road Inc. offers regular and specialized TL transportation services.

On March 26, 2014, the Group completed the acquisition of 100% of Vitran Corporation Inc. (''Vitran''), a fully integrated provider of LTL intermodal transportation services, by acquiring the remaining 81% of Vitran previously not owned by the Group for consideration of US $6.50 in cash per share. The unrealized gain on previously owned shares of Vitran totalling $6.2 million was reclassified from other comprehensive income and is presented in finance costs in the condensed consolidated statements of comprehensive income.

On July 3, 2014 the Group completed the acquisition of the entire share capital of Transport Corporation of America Inc. (''Transport America'') for an aggregate consideration of $164.6 million which was paid in cash. Transport America provides an integrated offering of dry-van TL transportation services across the United States. It offers a wide array of short and long haul freight carriage, expedited and dedicated shipping services, as well as international and intermodal services through various partners.

During 2014, transaction costs of $3.0 million have been expensed in relation to the above mentioned business acquisitions. This amount excludes $2.3 million related to the offer for Contrans Group Inc. shares (see Note 16).

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.) **PERIODS ENDED SEPTEMBER 30, 2014 AND 2013 – UNAUDITED**

## 5. Business combinations (continued)

### a) Business combinations (continued)

The following table provides the revenue and profit contributions of the above 2014 significant business combinations from their respective date of acquisition and as if these acquisitions had occurred on January 1, 2014, per management's best estimates. In determining these estimated amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2014.

| *Significant 2014 business combination contributions* | From acquisition date | | Estimated - if acquired on January 1, 2014 | |
|---|---|---|---|---|
| Business (acquisition date) | Revenue | Profit (loss) | Revenue | Profit (loss) |
| Clarke (January 1) | 145,367 | 4,833 | 145,367 | 4,833 |
| Vitran (March 26) | 105,995 | 1,653 | 153,400 | 2,400 |
| Transport America (July 3) | 95,659 | 2,599 | 292,400 | 7,900 |

As of the reporting date, the Group has not completed the purchase price allocation over the identifiable net assets and goodwill of the businesses acquired in 2014. 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 available information to the Group to date.

| *Identifiable assets acquired and liabilities assumed* | Note | Clarke | Vitran | Transport America | Other | **As at September 30, 2014** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | | 96 | 6,109 | (1,645) | - | **4,560** |
| Trade and other receivables | | 25,115 | 22,394 | 46,778 | 3,029 | **97,316** |
| Inventoried supplies and prepaid expenses | | 945 | 1,150 | 4,120 | - | **6,215** |
| Income tax receivable (payable) | | 99 | 3,015 | (363) | - | **2,751** |
| Property and equipment | 6 | 12,749 | 96,086 | 178,370 | 24,612 | **311,817** |
| Intangible assets | 7 | 40,747 | 51,136 | 82,273 | 5,786 | **179,942** |
| Trade and other payables | | (14,615) | (26,715) | (36,749) | - | **(78,079)** |
| Long-term debt | | (41,274) | (54,921) | (164,189) | - | **(260,384)** |
| Deferred tax liabilities | | (10,844) | (17,597) | (74,210) | (1,168) | **(103,819)** |
| Total identifiable net assets | | 13,018 | 80,657 | 34,385 | 32,259 | **160,319** |
| Total consideration | | 57,624 | 117,894 | 164,596 | 45,039 | **385,153** |
| Goodwill | 7 | 44,606 | 37,237 | 130,211 | 12,780 | **224,834** |
| Cash | | 57,624 | 95,230 | 164,596 | 45,039 | **362,489** |
| Investment in equity securities of Vitran already owned | | - | 22,664 | - | - | **22,664** |
| Total consideration | | 57,624 | 117,894 | 164,596 | 45,039 | **385,153** |

The trade receivables comprise gross contractual amounts due of $89.7 million, of which $3.3 million was expected to be uncollectible at the acquisition date.

Of the goodwill and intangible assets acquired through business combinations in 2014, $26.5 million is deductible for tax purposes.

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.) PERIODS ENDED SEPTEMBER 30, 2014 AND 2013 – UNAUDITED

**5. Business combinations (continued)**

**b) Goodwill**

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

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

| Operating segment | Reportable segment | **Nine months ended Sept. 30, 2014** |
|---|---|---|
| Package and courier | Package and courier | **12,782** |
| Less-Than-Truckload | Less-Than-Truckload | **64,115** |
| Truckload | Truckload | **145,564** |
| Logistics services | Logistics and Other services | **2,373** |
| | | **224,834** |

**6. Property and equipment**

| | Land and buildings | Rolling stock | Furniture and equipment | **Total** |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at December 31, 2013 | 376,362 | 661,563 | 187,056 | **1,224,981** |
| Additions through business combinations | 107,436 | 199,821 | 4,560 | **311,817** |
| Other additions | 8,435 | 35,333 | 23,698 | **67,466** |
| Disposals | (46,038) | (57,246) | (5,429) | **(108,713)** |
| Reclassification to assets held for sale | - | (9,962) | - | **(9,962)** |
| Effect of movements in exchange rates | 1,268 | 15,861 | 833 | **17,962** |
| Balance at September 30, 2014 | 447,463 | 845,370 | 210,718 | **1,503,551** |
| | | | | |
| **Depreciation** | | | | |
| Balance at December 31, 2013 | 65,974 | 357,654 | 98,933 | **522,561** |
| Depreciation | 7,956 | 53,139 | 15,944 | **77,039** |
| Disposals | (2,730) | (39,738) | (4,742) | **(47,210)** |
| Reclassification to assets held for sale | - | (9,783) | | **(9,783)** |
| Effect of movements in exchange rates | 280 | 2,951 | 401 | **3,632** |
| Balance at September 30, 2014 | 71,480 | 364,223 | 110,536 | **546,239** |
| | | | | |
| **Net carrying amounts at September 30, 2014** | **375,983** | **481,147** | **100,182** | **957,312** |
| | | | | |
| Net carrying amounts at December 31, 2013 | 310,388 | 303,909 | 88,124 | 702,420 |

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.) PERIODS ENDED SEPTEMBER 30, 2014 AND 2013 – UNAUDITED

## 7. Intangible assets

| | | | Other intangible assets | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Goodwill | Customer relationships | Trademarks | Non-compete agreements and permits | Information technology | **Total** |
| **Net carrying amounts** | | | | | | | |
| Balance at December 31, 2013 | | 613,077 | 99,058 | 25,606 | 99,062 | 13,908 | **850,711** |
| Additions through business combinations | | 224,834 | 157,219 | 22,099 | - | 624 | **404,776** |
| Other additions | | - | - | - | - | 1,296 | **1,296** |
| Disposition on sale of business | | (934) | - | - | - | (39) | **(973)** |
| Amortization | | - | (19,215) | (2,781) | (3,171) | (3,236) | **(28,403)** |
| Impairment | 4 | (27,839) | - | - | - | - | **(27,839)** |
| Effect of movements in exchange rates | | 15,419 | 5,389 | 1,786 | 13 | 234 | **22,841** |
| **Balance at September 30, 2014** | | **824,557** | **242,451** | **46,710** | **95,904** | **12,787** | **1,222,409** |

## 8. Long-term debt

| | **As at September 30, 2014** | As at December 31, 2013 |
|---|---|---|
| Non-current liabilities | | |
| Convertible debentures (a) | **-** | 196,749 |
| Revolving facility (b) | **832,181** | 388,370 |
| Unsecured debenture | **124,603** | 124,504 |
| Conditional sales contracts | **29,588** | 32,406 |
| Finance lease liabilities | **7,293** | 4,379 |
| Notes payable | **40,232** | 6,299 |
| | **1,033,897** | 752,707 |
| Current liabilities | | |
| Convertible debentures (a) | **82,667** | - |
| Current portion of conditional sales contracts | **19,358** | 16,924 |
| Current portion of finance lease liabilities | **3,254** | 2,113 |
| Current portion of notes payable | **2,911** | 1,812 |
| | **108,190** | 20,849 |

a) On January 3, 2014, the Company announced that it will redeem, as of February 3, 2014, all of the aggregate principal amount of $122.1 million of its outstanding 6% convertible debentures. Following the announcement, the Company revalued these debentures at fair value. This resulted in accelerated accretion expense totalling $5.6 million which is presented in finance costs in the condensed consolidated statements of comprehensive income. Pursuant to the conversion option available to debenture holders, the Company received conversion requests for a principal amount of $118.2 million resulting in the issuance of 6,202,974 new common shares. The equity portion of the converted debentures amounting to $5.4 million was reclassified to share capital. The Company redeemed an unconverted principal amount of $3.9 million as at February 3, 2014, repayment of which is presented in repayment of long-term debt in the condensed consolidated statements of cash flows. The equity component of the repurchased debentures amounting to $0.2 million was reclassified to retained earnings.

During 2014, a principal amount of $0.4 million (2013 – nil) of the outstanding 5.65% convertible debentures had been converted into 19,092 common shares. The equity portion of the converted debentures was reclassified to share capital.

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.) **PERIODS ENDED SEPTEMBER 30, 2014 AND 2013 – UNAUDITED**

**8. Long-term debt (continued)**

On September 9, 2014, the Company announced that it will redeem, as of October 9, 2014, all of the aggregated principal amount of $84.4 million of its outstanding 5.65% convertible debentures. Following the announcement, the Company revalued these debentures at fair value. This resulted in accelerated accretion expense totalling $4.1 million which is presented in finance costs in the condensed consolidated statements of comprehensive income. Pursuant to the conversion option available to debenture holders, the Company received conversion requests for a principal amount of $1.7 million resulting in the issuance of 76,193 new common shares. The equity portion of the converted debentures was reclassified to share capital.

b) On June 18, 2014, the Group amended and extended its existing revolving facility to August 2017. The facility is unsecured and can be extended annually. The total available amount under the revolving facility was increased by $245 million to $1,045 million. The agreement still provides, under certain conditions, additional $245 million of credit availability.

Effective July 3, 2014, the Company designated a portion of its U.S. denominated debt as hedging item in a net investment hedge. The Company applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency (CDN), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation 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 profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

**9. Share capital**

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 following table summarizes the number of common shares issued. There were no preferred shares issued and outstanding.

| *(in number of shares)* | Note | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|
| Balance, beginning of period | | **93,405,264** | 92,767,278 |
| Conversion of convertible debentures | 8 | **6,298,259** | - |
| Repurchase of own shares | | **(1,479,000)** | (965,200) |
| Stock options exercised | 11 | **330,065** | 346,977 |
| Warrants exercised | | **935,000** | - |
| Balance, end of period | | **99,489,588** | 92,149,055 |

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

| | Note | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|
| Balance, beginning of period | | **577,993** | 556,099 |
| Conversion of convertible debentures | 8 | **120,257** | - |
| Equity component of convertible debentures credited to share capital on conversion of debentures | 8 | **5,433** | - |
| Repurchase of own shares | | **(10,390)** | (5,791) |
| Cash consideration of stock options and warrants exercised | | **22,633** | 2,726 |
| Ascribed value credited to share capital on stock options and warrants exercised | | **6,744** | 818 |
| Balance, end of period | | **722,670** | 553,852 |

## 9. Share capital (continued)

Pursuant to the renewal of the normal course issuer bid (``NCIB``) which began on September 19, 2014 and expiring on September 18, 2015, the Company is authorized to repurchase for cancellation up to a maximum of 6,000,000 of its common shares under certain conditions.

During the nine months ended September 30, 2014, the Company repurchased 1,479,000 common shares (2013 – 965,200) at a price ranging from $22.46 to $26.58 per share (2013 – from $19.71 to $20.00) for a total purchase price of $34.6 million (2013 - $19.2 million) relating to the NCIB, which began on August 2, 2013, expired on August 1, 2014 and was renewed on September 19, 2014. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of $24.2 million for the nine months ended September 30, 2014 (2013 - $13.4 million) was charged to retained earnings as share repurchase premium.

On February 1, 2013, the Company issued 1,000,000 warrants having an exercise price of $20.17 per share and a two-year life for a portion of the consideration transferred in relation to one of the business combinations. During the nine months ended September 30, 2014, 935,000 warrants were exercised (2013 – nil).

## 10. 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)* | **Three months ended Sept. 30, 2014** | Three months ended Sept. 30, 2013 | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|---|
| Net income attributable to owners of the Company | **41,548** | 43,960 | **84,751** | 89,379 |
| Issued common shares, beginning of period | **98,535,100** | 92,204,257 | **93,405,264** | 92,767,278 |
| Effect of converted debentures | **41,444** | - | **5,882,399** | - |
| Effect of stock options and warrants exercised | **139,550** | 85,549 | **205,854** | 166,561 |
| Effect of repurchase of own shares | **(88,750)** | (113,150) | **(1,055,933)** | (407,167) |
| Weighted average number of common shares | **98,627,344** | 92,176,656 | **98,437,584** | 92,526,672 |
| Earnings per share – basic | **0.42** | 0.48 | **0.86** | 0.97 |

***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)* | **Three months ended Sept. 30, 2014** | Three months ended Sept. 30, 2013 | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|---|
| Net income attributable to owners of the Company | **41,548** | 43,960 | **84,751** | 89,379 |
| Dilutive effect: | | | | |
| Convertible debentures | **-** | 3,145 | **-** | 9,391 |
| Net income attributable to owners of the Company, adjusted for dilution effect | **41,548** | 47,105 | **84,751** | 98,770 |
| Weighted average number of common shares | **98,627,344** | 92,176,656 | **98,437,584** | 92,526,672 |
| Dilutive effect: | | | | |
| Stock options and warrants | **1,965,374** | 1,485,791 | **1,876,744** | 1,537,594 |
| Convertible debentures | **-** | 11,360,659 | **-** | 11,360,659 |
| Weighted average number of diluted common shares | **100,592,718** | 105,023,106 | **100,314,328** | 105,424,925 |
| Earnings per share – diluted | **0.41** | 0.45 | **0.84** | 0.94 |

## 10. Earnings per share (continued)

***Diluted earnings per share (continued)***

For the three and nine months ended September 30, 2014 and for the nine months ended September 30, 2013, the convertible debentures were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

For the nine months ended September 30, 2014, 479,062 stock options were excluded from the calculation of diluted earnings per share, as these options were deemed to be anti-dilutive. For the three and nine months ended September 30, 2013, 922,300 such options were excluded.

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.

## 11. Share-based payment arrangements

***Stock option plan***

The Company offers a stock option plan for the benefit of certain of its employees. The maximum number of shares which may be issued under this plan may not exceed ten percent (10%) of the number of issued and outstanding shares of the Company from time to time. Each stock option entitles its holder to receive one common share upon exercise. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing price of volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the grant date. The options vest in equal instalments over three years and the expense is recognized following the accelerated method as each instalment is fair valued separately. The table below summarizes the changes in the outstanding stock options:

| *(in thousands of options and in dollars)* | **Three months ended Sept. 30, 2014** | | Three months ended Sept. 30, 2013 | | **Nine months ended Sept. 30, 2014** | | Nine months ended Sept. 30, 2013 | |
|---|---|---|---|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Balance, beginning of period | **3,937** | **13.60** | 3,617 | 11.65 | **4,229** | **13.57** | 3,803 | 11.44 |
| Granted | **479** | **25.14** | 922 | 20.18 | **479** | **25.14** | 922 | 20.18 |
| Exercised | **(139)** | **12.43** | (170) | 9.10 | **(330)** | **11.43** | (347) | 7.92 |
| Forfeited | **(34)** | **18.52** | (17) | 14.93 | **(135)** | **18.10** | (26) | 15.18 |
| **Balance, end of period** | **4,243** | **14.90** | 4,352 | 13.55 | **4,243** | **14.90** | 4,352 | 13.55 |
| **Options exercisable, end of period** | | | | | **2,888** | **10.17** | 2,495 | 10.23 |

**11. Share-based payment arrangements (continued)**

The following table summarizes information about stock options outstanding and exercisable at September 30, 2014:

| *(in thousands of options and in dollars)* | Options outstanding | | Options exercisable |
|---|---|---|---|
| Exercise prices | Number of options | Weighted average remaining contractual life (in years) | Number of options |
| 6.32 | 750 | 4.8 | 750 |
| 9.46 | 696 | 5.8 | 696 |
| 14.28 | 641 | 3.8 | 641 |
| 16.46 | 846 | 4.8 | 540 |
| 20.18 | 831 | 5.8 | 261 |
| 25.14 | 479 | 6.8 | - |
| | 4,243 | 5.3 | 2,888 |

Of the options outstanding at September 30, 2014, a total of 3,389,123 (December 31, 2013 – 3,392,503) is held by key management personnel.

The weighted average share price at the date of exercise for stock options exercised in the nine months ended September 30, 2014 was $25.37 (September 30, 2013 – $22.01).

For the three and nine months ended September 30, 2014, the Group recognized a compensation expense of $0.8 million and $2.9 million respectively (2013 – $1.0 million and $3.0 million) with a corresponding increase to contributed surplus.

On July 24, 2014, the Board of Directors approved the grant of 479,062 stock options under the Company's stock option plan of which 290,188 were granted to key management personnel. The options vest in equal instalments 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 24, 2014 |
|---|---|
| Average expected option life | 4.5 years |
| Risk-free interest rate | 1.69% |
| Expected stock price volatility | 26.88% |
| Average dividend yield | 2.36% |
| Weighted average fair value of options granted | $4.78 |

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.) **PERIODS ENDED SEPTEMBER 30, 2014 AND 2013 – UNAUDITED**

**11. Share-based payment arrangements (continued)**

***Deferred share unit plan for board members***

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

| *(in units)* | **Three months ended Sept. 30, 2014** | Three months ended Sept. 30, 2013 | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|---|
| Balance, beginning of period | **203,380** | 174,736 | **188,690** | 182,242 |
| Board members compensation | **5,953** | 6,031 | **18,336** | 17,948 |
| Deferred share units redeemed | **-** | - | **-** | (21,721) |
| Dividends paid in units | **1,207** | 1,069 | **3,514** | 3,367 |
| Balance, end of period | **210,540** | 181,836 | **210,540** | 181,836 |

For the three and nine months ended September 30, 2014, as a result of deferred share units the Group recognized a compensation expense of $0.2 million and $0.5 million respectively (2013 - $0.1 million and $0.4 million) with a corresponding increase to trade and other payables.

As at September 30, 2014, the total carrying amount of liabilities for cash-settled arrangements amounted to $5.7 million (December 31, 2013 - $4.8 million).

***Performance contingent restricted share unit plan***

Effective July 1, 2014, the Board of Directors approved an equity incentive plan to the benefits of senior employees of the Group. The plan provides for the issuance of restricted share units (''RSUs'') under condition to be determined by the Board of Directors. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

On July 24, 2014, the Corporation granted a total of 82,278 RSUs under the Corporation equity incentive plan. The RSUs will vest after 3 consecutive years of service from the grant date. The fair value of the RSUs is determined to be the share price fair value at date of grant and is recognized as share-based compensation expense, through contributed surplus, over the vesting period. The fair value of the RSUs granted during the period was $25.14 per unit and the expense amounts to $0.1 million.

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.) PERIODS ENDED SEPTEMBER 30, 2014 AND 2013 – UNAUDITED

## 12. Operating expenses

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

| | **Three months ended Sept. 30, 2014** | Three months ended Sept. 30, 2013 | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|---|
| Materials and services expenses | | | | |
| Independent contractors | **430,818** | 331,369 | **1,192,581** | 988,158 |
| Vehicle operation expenses | **143,476** | 103,893 | **376,386** | 316,247 |
| | **574,294** | 435,262 | **1,568,967** | 1,304,405 |
| Personnel expenses | **228,981** | 201,487 | **626,062** | 614,012 |
| Other operating expenses | **61,333** | 48,127 | **165,088** | 145,956 |
| Depreciation of property and equipment | **31,695** | 24,370 | **77,039** | 73,819 |
| Amortization of intangible assets | **12,042** | 9,281 | **28,403** | 28,413 |
| Impairment of intangible assets | **-** | - | **27,839** | - |
| Gain on sale of property and equipment | **(10,191)** | (2,421) | **(17,411)** | (15,358) |
| Impairment (gain) on sale of assets held for sale | **120** | - | **(1,899)** | - |
| Gain on sale of business | **-** | - | **(1,126)** | - |
| | **898,274** | 716,106 | **2,472,962** | 2,151,247 |

Operating expenses increases are mainly attributable to business combinations. In 2014 and 2013, acquired businesses were mostly asset light and therefore, the independent contractors expense is predominant.

## 13. Finance income and finance costs

***Recognized in income:***

| *(Income) costs* | Note | **Three months ended Sept. 30, 2014** | Three months ended Sept. 30, 2013 | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|---|---|
| Interest expense on long-term debt | | **11,482** | 10,548 | **29,543** | 31,270 |
| Accelerated accretion expense on conversion of debentures | 8 | **3,984** | - | **9,541** | - |
| Unwinding of discount provisions | | **289** | 223 | **851** | 669 |
| Change in fair value of contingent considerations | | **-** | 123 | **-** | (181) |
| Reclassification to income of accumulated unrealized gain on investment in equity securities of Vitran Corporation Inc. | 5 a) | **-** | - | **(6,245)** | - |
| Gain on sale of investment in equity securities | | **-** | (12) | **(516)** | (487) |
| Net foreign exchange loss (gain) | | **7,439** | (9,199) | **6,765** | 12,726 |
| Net change in fair value of foreign exchange derivatives | | **(442)** | (1,943) | **(121)** | (995) |
| Net change in fair value of interest rate derivatives | | **(1,729)** | 1,354 | **1,528** | 672 |
| Other financial expenses | | **3,589** | 1,990 | **6,618** | 4,624 |
| Net finance costs | | **24,612** | 3,084 | **47,964** | 48,298 |
| | | | | | |
| Presented as: | | | | | |
| Finance income | | **(2,171)** | (11,154) | **(6,882)** | (1,663) |
| Finance costs | | **26,783** | 14,238 | **54,846** | 49,961 |

(Tabular amounts in thousands of Canadian dollars, unless otherwise noted.) PERIODS ENDED SEPTEMBER 30, 2014 AND 2013 – UNAUDITED

## 14. Income tax expense

***Income tax recognized in net income:***

| | **Three months ended Sept. 30, 2014** | Three months ended Sept. 30, 2013 | **Nine months ended Sept. 30, 2014** | Nine months ended Sept. 30, 2013 |
|---|---|---|---|---|
| Current tax expense | | | | |
| Current period | **24,601** | 19,245 | **55,904** | 53,251 |
| Adjustment for prior periods | **42** | 2,031 | **1,047** | 2,031 |
| | **24,643** | 21,276 | **56,951** | 55,282 |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | **(6,995)** | (7,811) | **(22,654)** | (25,766) |
| Variation in tax rate | **(31)** | - | **(31)** | 151 |
| Adjustment for prior periods | **(939)** | (1,500) | **724** | (1,500) |
| | **(7,965)** | (9,311) | **(21,961)** | (27,115) |
| Income tax expense | **16,678** | 11,965 | **34,990** | 28,167 |

***Reconciliation of effective tax rate:***

| | **Three months ended Sept. 30, 2014** | | Three months ended Sept. 30, 2013 | | **Nine months ended Sept. 30, 2014** | | Nine months ended Sept. 30, 2013 | |
|---|---|---|---|---|---|---|---|---|
| Income before income taxes | | **58,226** | | 55,925 | | **119,741** | | 117,546 |
| Income tax using the Company's statutory tax rate | **26.9%** | **15,662** | 26.9% | 15,044 | **26.9%** | **32,210** | 26.9% | 31,620 |
| Increase (decrease) resulting from: | | | | | | | | |
| Rate differential between jurisdictions | **0.8%** | **437** | -3.8% | (2,151) | **-5.2%** | **(6,167)** | -4.2% | (4,971) |
| Variation in tax rate | **-0.1%** | **(31)** | - | - | **0.0%** | **(31)** | 0.1% | 151 |
| Non-deductible expenses | **3.5%** | **2,050** | 0.9% | 509 | **9.8%** | **11,712** | 2.8% | 3,273 |
| Tax exempt income | **-0.9%** | **(543)** | -3.5% | (1,968) | **-3.8%** | **(4,505)** | -2.1% | (2,437) |
| Adjustment for prior periods | **-1.5%** | **(897)** | 0.9% | 531 | **1.5%** | **1,771** | 0.5% | 531 |
| | **28.7%** | **16,678** | 21.4% | 11,965 | **29.2%** | **34, 990** | 24.0% | 28,167 |

## 15. Operating leases, commitments, contingencies and guarantees

### a) Operating leases

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

| | **As at September 30, 2014** | As at December 31, 2013 |
|---|---|---|
| Less than 1 year | **99,037** | 80,621 |
| Between 1 and 5 years | **209,856** | 164,042 |
| More than 5 years | **154,333** | 134,432 |
| | **463,226** | 379,095 |

During the three and nine months ended September 30, 2014, amounts of $25.9 million and $73.7 million respectively were recognized as expenses in income or loss in respect of operating leases (2013 – $22.0 million and $67.1 million).

## 15. Operating leases, commitments, contingencies and guarantees (continued)

### b) Commitments

According to agreements expiring at various dates through 2044, the Group has to dispose of a minimum number of tons at third-party disposal facilities. Under these put-or-pay agreements, there is a requirement to pay a certain amount for the agreed upon minimum volumes regardless of the actual number of tons placed at the facilities. The Group generally fulfills minimum contractual obligations by disposing of volumes collected in the ordinary course of business at these disposal facilities. As at September 30, 2014, the estimated minimum obligations for the above-described purchase commitments, which are not recognized in the condensed consolidated statements of financial position, were $4.1 million due in less than a year, $18.8 million between one and five years and $51.6 million thereafter.

### c) Contingencies

There are pending claims against the Group and, in the opinion of management, these claims are adequately provided for and settlement should not have a significant impact on the Group's financial position or financial performance.

### d) Guarantees

As at September 30, 2014, the Group had $35.3 million of outstanding letters of guarantee (December 31, 2013 - $24.5 million).

## 16. Subsequent events

On September 9, 2014, the Company announced that it will redeem, as of October 9, 2014, all of the aggregate principal amount of $84.4 million of its outstanding 5.65% convertible debentures. Pursuant to the conversion option available to debenture holders, the Company received conversion requests for a principal amount of $81.6 million (that includes $1.7 million before the end of the nine-month period ended September 30, 2014) resulting in the issuance of 3,692,572 new common shares of TransForce (that number includes 76,193 common shares issued before the end of the nine-month period ended September 30, 2014). The Company redeemed an unconverted principal amount of $2.7 million as at October 9, 2014.

On July 24, 2014, the Company entered into a Support Agreement with Contrans Group Inc. ("Contrans") to acquire all of the Class A Subordinate Voting Shares and Class B Voting Shares of Contrans for $14.60 in cash per share totalling approximately $495 million by way of a friendly, Board-approved take-over bid. On October 6, 2014, the Company has extended the expiry date of its all-cash offer to October 31, 2014 in order to finalize approval under the Competition Act. The Company has signed a committed financing agreement with banking syndicate in order to fund this acquisition.

# Corporate Information

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AUDITORS

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STOCK EXCHANGE LISTING

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

FINANCIAL INSTITUTIONS

National Bank of Canada
Royal Bank of Canada
Bank of America Merrill Lynch
The Bank of Nova Scotia
Bank of Montreal
Caisse Centrale Desjardins
Investissement Québec
Business Development Bank of Canada (BDC)
Canadian Imperial Bank of Commerce
Toronto Dominion Bank
Bank Of Tokyo-Mitsubishi UFJ (Canada)
HSBC Bank Canada
Alberta Treasury Branch
Canadian Western Bank

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

- PACKAGE AND COURIER
- LESS-THAN-TRUCKLOAD
- TRUCKLOAD
- WASTE MANAGEMENT
- LOGISTICS AND OTHER SERVICES

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