



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the first quarter ended  
**March 31, 2016**

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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-month period ended March 31, 2016 with the corresponding three-month period ended March 31, 2015 and it reviews the Company's financial position as at March 31, 2016. It also includes a discussion of the Company's affairs up to April 20, 2016. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes as at and for the year ended December 31, 2015.

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. Variances may exist as numbers have been rounded. This MD&A also uses non-IFRS financial measures. Please refer to the section of this report entitled "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 April 20, 2016. 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](http://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](http://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.

## SELECTED FINANCIAL DATA AND HIGHLIGHTS

(unaudited) (in thousands of dollars, except per share data)	First quarters ended March 31		
	2016	2015	Variance
Revenue before fuel surcharge	866,728	858,031	1%
Fuel surcharge	67,471	105,545	-36%
Total revenue	934,199	963,576	-3%
EBITDA <sup>1</sup>	85,885	87,010	-1%
Operating income	40,284	43,958	-8%
Net income	503,631	14,045	
Net income from continuing operations	15,322	12,990	18%
Adjusted net income from continuing operations <sup>1</sup>	31,452	27,495	14%
Net cash flow from continuing operations	40,244	47,426	-15%
Free cash flow from continuing operations <sup>1</sup>	24,666	18,710	32%
Per share data			
EPS – diluted	5.09	0.13	
EPS from continuing operations – diluted	0.15	0.12	25%
Adjusted EPS from continuing operations – diluted <sup>1</sup>	0.32	0.26	23%
Free cash flow from continuing operations <sup>1</sup>	0.25	0.18	39%
Dividends	0.170	0.170	0%
As a percentage of revenue before fuel surcharge			
EBITDA margin <sup>1</sup>	9.9%	10.1%	
Depreciation of property and equipment	3.7%	3.7%	
Amortization of intangible assets	1.5%	1.3%	
Operating margin <sup>1</sup>	4.6%	5.1%	
Operating ratio <sup>1</sup>	95.4%	94.9%	

## Q1 Highlights

- TransForce delivered its first quarterly results after the sale of its Waste Management segment. Total revenue from continuing operations decreased 3%, mainly on fuel surcharge decreases, while net income from continuing operations is up 18% from last year's same quarter.
- On February 1, 2016, TransForce completed the previously-announced sale of its Waste Management segment to GFL Environmental Inc. ("GFL") for \$800 million. GFL paid \$758.9 million to TransForce, after customary closing adjustments, and issued a promissory note to TransForce in an amount of \$25 million, payable in four years and bearing interest at an annual rate of 3%. The transaction generated a pre-tax gain of \$559.2 million or \$490.8 million net of tax, which has been included in the discontinued operations' first quarter results. TransForce had made its first investments in this segment in 2005, which it turned into a significant gain after improving the operating results and adding to its initial investment during the last 10 years.
- On February 11, 2016, the Company announced a substantial issuer bid ("SIB") to purchase for cancellation up to \$220 million of shares at a price ranging from \$19.00 to \$22.00 (the "Offer"). At the expiration date of the Offer, on March 28, 2016, TransForce's shareholders had deposited 2,699,924 common shares, which the Company repurchased and cancelled for a price of \$22.00 per share. The aggregate cost was \$59.4 million.
- At the conclusion of the substantial issuer bid, TransForce resumed its Normal Course Issuer Bid, under which it repurchased 188,400 common shares for a total of \$4.2 million during the quarter.
- In Q1, the Company's long-term debt decreased by \$732.5 million to \$882.6 million mainly due to the proceeds from the sale of the Waste group.
- Total revenue decreased by \$29.4 million, to \$934.2 million, largely the result of decreases in fuel surcharge and volumes offset by business acquisitions and positive foreign currency exchange movements.
- The operating income from continuing operations decreased by \$3.7 million mainly as a result of lower volumes in existing operations. Consolidated operating margin<sup>1</sup> decreased from 5.1% in last year's Q1 to 4.6%.
- Net income reached \$503.6 million, significantly higher than last year as a result of the after-tax gain on sale of the Waste Management segment. Last year's net income was \$14.0 million. The diluted earnings per share (diluted "EPS") were \$5.09, significantly up from 13 cents last year.
- Adjusted diluted EPS from continuing operations<sup>1</sup>, a non-IFRS measure, was up 23% to 32 cents from 26 cents in Q1 2015.
- Free cash flow ("FCF") from continuing operations<sup>1</sup>, a non-IFRS measure, was \$24.7 million; higher than the \$18.7 million generated in Q1 2015 due to lower net capital expenditures from continuing operations.

<sup>1</sup> Please refer to the section "Non-IFRS financial measures".

## 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;
- Logistics.

### Seasonality of operations

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

### Human resources

The Company has 14,577 employees who work in TransForce's different business segments across North America. This compares to 16,030 employees as at March 31, 2015. The year-over-year decrease of 1,453 is attributable to the sale of the Waste group (-707 employees), to the closure of the rig moving services (-267 employees) and to rationalizations affecting 650 employees mainly in the Package and Courier and Less-Than-Truckload ("LTL") segments. Business acquisitions added 171 new employees in the last twelve months. 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 March 31, 2016, the Company had 5,544 power units and 17,782 trailers. This compares to 6,230 power units and 18,480 trailers as at March 31, 2015.

### Terminals

TransForce's head office is in Montréal, Québec and its executive office is located in Etobicoke, Ontario. As at March 31, 2016, the Company had 378 terminals. Of these, 283 are located in Canada, 166 and 117 respectively in Eastern and Western Canada. The Company also had 95 terminals in the United States. This compares to 423 terminals as at March 31, 2015. Business acquisitions brought 24 new terminals and 20 were disposed of as part of the sale of the Waste group. The terminal consolidation achieved in the last twelve months decreased the total number of terminals by 49, mainly in Package and Courier and LTL segments, and in the rig moving services. In Q1 2016, the Company closed 8 sites.

### Customers

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

Revenue by Top Customers' Industry (50% of total revenue)	
Retail	30%
Manufactured Goods	11%
Energy	9%
Services	9%
Automotive	8%
Waste Management	7%
Food & Beverage	6%
Forest Products	5%
Metals & Mining	4%
Building Materials	3%
Chemicals & Explosives	3%
Maritime Containers	2%
Others	3%

(As of December 31, 2015)

## CONSOLIDATED RESULTS

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

### 2016 significant business acquisitions

During this quarter, the Company acquired 3 businesses in the specialized Truckload operating segment which are not considered significant. Based on historical information, annual revenue from these operations is expected to be \$17.0 million.

### Revenue from continuing operations

TransForce reported a revenue decrease mainly as a result of fuel surcharge. For the first quarter ended March 31, 2016, total revenue decreased by \$29.4 million, or 3%, to \$934.2 million from \$963.6 million in Q1 2015 mainly due to lower fuel surcharge revenue and volumes, offset by the contribution of business acquisitions and the positive impact from foreign currency exchange movements. Excluding business acquisitions and the fuel surcharge variation, revenue decreased by \$18.3 million or 2%. This decrease is the result of decreases in revenue from existing operations partially offset by a 3% increase from positive impact of foreign currency exchange movements. The average exchange rate used to convert TransForce's revenue generated in U.S. dollars was 11% higher this quarter (C\$1.3724) than it was for the same quarter last year (C\$1.2412). With respect to volume, the LTL, the

specialized TL and Logistics operating segments experienced the biggest decreases.

### Operating expenses from continuing operations

For the first quarter, the Company's operating expenses decreased by \$25.7 million from \$919.6 million in 2015 to \$893.9 million in 2016. The decrease is mainly attributable to decreases in the existing operations' operating expenses, for \$52.9 million offset by increases from business acquisitions for \$27.2 million. Excluding acquisitions, the decrease is attributable to fuel price decrease, demand contraction, rationalization and terminal optimization, resulting in decreases mainly in materials and services expenses for \$52.4 million. The net reduction in personnel expense for \$1.4 million is the result of this improvement process and was offset by the currency impact on driver compensation of the U.S. TL division of the Company.

The operating ratio<sup>1</sup>, a non-IFRS measure, increased to 95.4% in this quarter, compared to 94.9% for Q1 2015 as a result of slight margin decreases, mainly from the Truckload ("TL") and Logistics segments.

### Depreciation and amortization

For the three-month period ended March 31, 2016, depreciation of property and equipment increased by \$0.8 million mainly due to business acquisitions and the currency impact on depreciation of the U.S. TL division of the Company.

For the three-month period ended March 31, 2016, intangible asset amortization increased by \$1.8 million mainly due to business acquisitions and the currency impact on amortization of the U.S. divisions of the Company.

### Operating income from continuing operations

For the first quarter, TransForce's operating income from continuing operations decreased by \$3.7 million to \$40.3 million compared to last year's same quarter as a result of declines in revenue and margins attributable to weaker economic fundamentals affecting both the TL and Logistics operating divisions. These were offset by operating income and margin improvements in both the Package and Courier and the LTL segments. As a percentage of revenue before fuel surcharge, the operating margin decreased by 50 basis points from 5.1% in last year's Q1 to 4.6%.

### Finance income and costs

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	First quarters ended March 31	
Finance costs (income)	2016	2015
Interest expense on long-term debt	12,695	15,014
Interest income	(207)	-
Accretion	(263)	-
Net foreign exchange loss	2,202	515
Net change in fair value of foreign exchange derivatives	(791)	5,869
Net change in fair value of interest rate derivatives	9,275	3,555
Other financial expenses	1,204	1,563
<b>Net finance costs</b>	<b>24,115</b>	<b>26,516</b>

### Interest expense on long-term debt

Interest expense on long-term debt for the three-month period ended March 31, 2016, decreased by \$2.3 million mainly due to lower borrowings as a result of the proceeds received from the sale of the Waste group.

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

The Company designates as a hedge a portion of its U.S. dollar denominated debt held against its net investments in U.S. operations. This accounting treatment allows the Company to offset the designated portion of foreign exchange gain (or loss) of its debt against the foreign exchange loss (or gain) of its net investments in U.S. operations and present them in other comprehensive income. For the three-month period ended March 31, 2016, \$38.8 million of foreign exchange gain (\$32.9 million net of tax) was therefore reclassified to other comprehensive income.

### Net change in fair value of derivatives

The Company's derivative financial instruments, which are used to mitigate foreign exchange and interest rate risks, have seen their fair values decrease by \$8.5 million in Q1 2016, while in the same quarter last year their fair values decreased by \$9.4 million. The derivatives' fair value is subject to market price fluctuations in foreign exchange and interest rates.

### Other financial expenses

The other financial expenses mainly comprise bank charges.

<sup>1</sup> Please refer to the section "Non-IFRS financial measures".

### Income tax expense

For the quarter ended March 31, 2016, the effective tax rate was 5.3%. The income tax expense of \$0.8 million reflected a \$3.6 million favourable variance versus an anticipated income tax expense of \$4.4 million based on the Company's statutory tax rate of 26.9%. The favourable variance is mainly due to positive differences between the statutory rate and the effective rates in other jurisdictions of \$2.7 million and \$1.7 million of non-taxable income, mainly from capital gains.

### Net income from discontinued operations

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

For the three-month period ended March 31, 2016, TransForce's net income from discontinued operations amounted to \$488.3 million compared to \$1.1 million in Q1 2015. 2016 net income from discontinued operations included the pre-tax gain on sale of the Waste Management segment in the amount of \$559.2 million or \$490.8 million net of tax.

Rig moving's net loss amounted to \$1.1 million in Q1 2016 as a result of provisions adjustments for the cessation of operations. The property and equipment classified as assets held for sale, having a carrying value of \$24.5 million, are expected to be sold in 2016.

### Net income and adjusted net income from continuing operations

(unaudited) (in thousands of dollars, except per share data)	First quarters ended March 31	
	2016	2015
<b>Net income</b>	<b>503,631</b>	14,045
Amortization of intangible assets related to business acquisitions, net of tax	<b>8,093</b>	6,996
Net change in fair value of derivatives, net of tax	<b>6,226</b>	6,935
Net foreign exchange loss, net of tax	<b>1,616</b>	447
Tax on multi-jurisdiction distributions	<b>195</b>	127
Net income from discontinued operations	<b>(488,309)</b>	(1,055)
<b>Adjusted net income from continuing operations<sup>1</sup></b>	<b>31,452</b>	27,495
<b>Adjusted earnings per share from continuing operations<sup>1</sup> – basic</b>	<b>0.32</b>	0.27
<b>Adjusted earnings per share from continuing operations<sup>1</sup> – diluted</b>	<b>0.32</b>	0.26

For the three-month period ended March 31, 2016, TransForce's net income amounted to \$503.6 million compared to \$14.0 million in Q1 2015, a significant increase over last year's same quarter as a result of the gain on the sale of the Waste group of \$490.8 million, after tax. The Company's adjusted net income from continuing operations<sup>1</sup>, a non-IFRS measure, which excludes items listed in the above table, was \$31.5 million for the first quarter compared to \$27.5 million in Q1 2015, up 14% or \$4.0 million attributable to lower finance costs and tax expense. The adjusted earnings per share from continuing operations, fully diluted, increased by 23% to 32 cents as a result of share buy-backs; the weighted average number of shares outstanding decreased by 4.8 million, or 5%, on a year-over-year basis.

<sup>1</sup> Please refer to the section "Non-IFRS financial measures".

## SEGMENTED RESULTS

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

### Selected segmented financial information from continuing operations

(unaudited) (in thousands of dollars)	Package and Courier	Less- Than- Truckload	Truckload	Logistics	Corporate	Eliminations	Total
<b>Q1 2016</b>							
Revenue before fuel surcharge	319,545	172,691	334,692	54,374	-	(14,574)	866,728
% of total revenue <sup>1</sup>	35%	21%	38%	6%			100%
EBITDA	26,754	11,454	48,576	5,136	(6,035)	-	85,885
EBITDA margin <sup>2</sup>	8.4%	6.6%	14.5%	9.4%			9.9%
Operating income	17,876	4,160	20,575	4,192	(6,519)	-	40,284
Operating margin <sup>2</sup>	5.6%	2.4%	6.1%	7.7%			4.6%
Total assets	708,991	627,684	1,535,409	134,205	28,672		3,034,961
Net capital expenditures <sup>3</sup>	5,793	2,593	7,181	(105)	116		15,578
<b>Q1 2015 (restated)</b>							
Revenue before fuel surcharge	286,640	183,263	342,503	62,353	-	(16,728)	858,031
% of total revenue <sup>1</sup>	32%	22%	40%	6%			100%
EBITDA	22,858	11,014	51,075	6,555	(4,492)	-	87,010
EBITDA margin <sup>2</sup>	8.0%	6.0%	14.9%	10.5%			10.1%
Operating income	14,743	3,025	25,581	5,580	(4,971)	-	43,958
Operating margin <sup>2</sup>	5.1%	1.7%	7.5%	8.9%			5.1%
Total assets	664,769	695,164	1,556,812	146,512	28,748		3,092,005
Net capital expenditures	3,543	8,136	15,763	727	547		28,716

When the Company changes the structure of its internal organization in a manner that causes the composition of its reportable segments to change, the corresponding information for the comparative period is restated to conform to the new structure. In 2015, the main modifications to the composition of reportable segments were the reallocation of Cornerstone Logistics, a Contrans division, which moved from TL to the Logistics segment, and the exclusion of the discontinued operations: Waste Management and rig moving services. Rig moving services were previously included in Logistics and Other Services. Comparative figures have been restated.

<sup>1</sup> Before eliminations, except for the total.

<sup>2</sup> As a percentage of revenue before fuel surcharge.

<sup>3</sup> Additions to property and equipment, net of proceeds from sale of property and equipment.



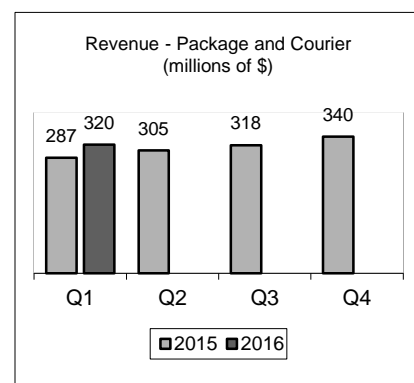
## Package and Courier

(unaudited) - (in thousands of dollars)

	First quarters ended March 31			
	2016	%	2015	%
Total revenue	336,131		311,766	
Fuel surcharge	(16,586)		(25,126)	
<b>Revenue</b>	<b>319,545</b>	<b>100.0%</b>	<b>286,640</b>	<b>100.0%</b>
Materials and services expenses (net of fuel surcharge)	195,945	61.3%	169,501	59.1%
Personnel expenses	67,417	21.1%	67,646	23.6%
Other operating expenses	29,435	9.2%	26,598	9.3%
Depreciation of property and equipment	4,828	1.5%	4,742	1.7%
Amortization of intangible assets	4,050	1.3%	3,373	1.2%
Loss (gain) on sale of property and equipment	(6)	0.0%	37	0.0%
<b>Operating income</b>	<b>17,876</b>	<b>5.6%</b>	<b>14,743</b>	<b>5.1%</b>
<b>EBITDA</b>	<b>26,754</b>	<b>8.4%</b>	<b>22,858</b>	<b>8.0%</b>

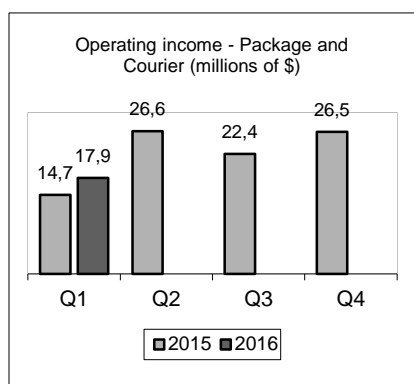
### Revenue

During the quarter ended March 31, 2016, revenue increased by \$32.9 million, or 11%, from \$286.6 million to \$319.5 million compared to the same period in the prior year. The increase is due to the business acquisitions, for \$19.5 million, to a favourable foreign exchange impact of \$11.5 million and to volume increases of \$1.9 million. Excluding business acquisitions, revenue for the three-month period ended March 31, 2016 increased by \$13.4 million or 5% from prior year. The volume increases from existing operations mainly came from the Company's U.S. same-day markets with increases in e-commerce business. These were offset by the non-renewal of unprofitable business and lower shipping activity across the segment's customer base in the first quarter.



### Operating expenses

During the quarter ended March 31, 2016, the Package and Courier's operating expenses increased by \$29.8 million, or 11%, from \$271.9 in 2015 million to \$301.7 million. The increase in operating expenses is mainly attributable to business acquisitions and unfavourable foreign exchange impact on the conversion of expenses of the segment's U.S. operating divisions. Personnel cost savings from right sizing the same-day business in the U.S., ongoing strategic personnel changes focused on synergies at several operating divisions within the segment, and lower direct labour costs due to ongoing productivity initiatives helped to offset the materials and services expense increase in the first quarter of 2016. Excluding business acquisitions, materials and services expenses were up \$12.3 million or 7% for the three-month period ended March 31, 2016 mainly due to the e-commerce customers' integration in the operations of the business. Efficiencies should improve as these new customers are fully integrated.



### Operating income

The Company's operating income in the Package and Courier segment for the quarter ended March 31, 2016 increased by 21% or \$3.2 million compared to the first quarter of 2015, from \$14.7 million to \$17.9 million. The increase is primarily attributable to personnel expense savings. For the three-month period ended March 31, 2016, the Package and Courier operating margin increased 50 basis points year-over-year, mainly from existing operations.



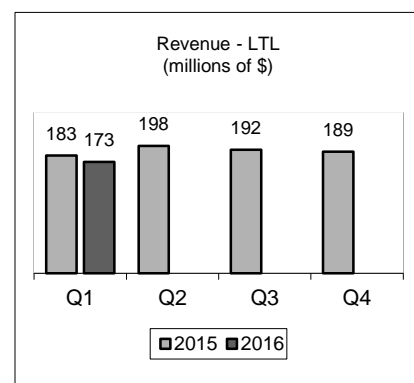
## Less-Than-Truckload

(unaudited) - (in thousands of dollars)

	First quarters ended March 31			
	2016	%	2015	%
Total revenue	193,971		213,841	
Fuel surcharge	(21,280)		(30,578)	
<b>Revenue</b>	<b>172,691</b>	<b>100.0%</b>	<b>183,263</b>	<b>100.0%</b>
Materials and services expenses (net of fuel surcharge)	91,845	53.2%	96,964	52.9%
Personnel expenses	53,927	31.2%	59,446	32.4%
Other operating expenses	15,550	9.0%	15,831	8.6%
Depreciation of property and equipment	5,154	3.0%	5,786	3.2%
Amortization of intangible assets	2,140	1.2%	2,203	1.2%
Loss (gain) on sale of property and equipment	(85)	0.0%	8	0.0%
<b>Operating income</b>	<b>4,160</b>	<b>2.4%</b>	<b>3,025</b>	<b>1.7%</b>
<b>EBITDA</b>	<b>11,454</b>	<b>6.6%</b>	<b>11,014</b>	<b>6.0%</b>

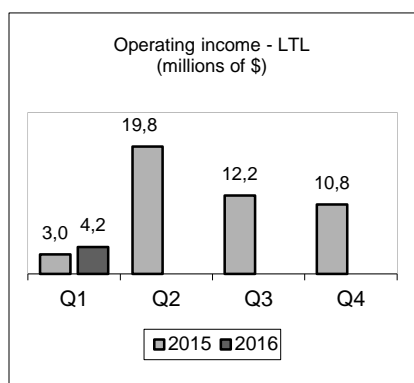
### Revenue

The LTL segment's first quarter revenue decreased by 6%, or \$10.6 million, from \$183.3 million to \$172.7 million. The impact of low oil prices continues to be felt in Western Canada as demand continued its decline year-over-year. Efforts are being made to ensure TransForce continues to profitably service these regional customers in addition to being in a strong position for an eventual return to normal market conditions. Although the shipment counts were down across the LTL companies, the average revenue per shipment remained consistent year-over-year. Included in the year-over-year variance is a \$3.0 million foreign exchange benefit.



### Operating expenses

For the first quarter of 2016, operating expenses were down 6%, or \$11.6 million, to \$168.6 million compared to \$180.2 million last year. The milder winter across Canada resulted in lower accident and claims costs year-over-year, as well as other operational efficiency gains. In addition, rail service reliability improved which helped to decrease line haul costs. Fleet number reductions year-over-year also produced savings as equipment leasing, maintenance, and depreciation costs were reduced. In its personnel expenses, the LTL operating divisions benefited from past rationalizations which resulted in decreases, both in dollars and as a percentage of revenue before fuel surcharge. This improvement process has continued in the present quarter in which a \$0.6 million employee termination expense was recorded.



### Operating income

For the quarter ended March 31, 2016, operating income increased \$1.2 million to \$4.2 million from \$3.0 million in Q1 2015. The Company's focus on cost control and operational improvements has allowed it to weather the decrease in demand while maintaining a positive operating income. Although the lower Canadian dollar is a positive sign, the Company does not see significant improvements in prices or volumes in the short term. As a percentage of revenue before fuel surcharge, the operating margin for the three-month period ended March 31, 2016 increased by 70 basis points from 1.7% to 2.4%.

## Truckload

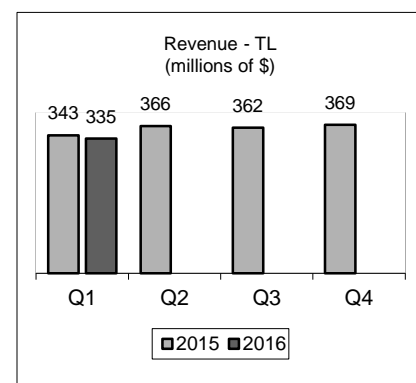
(unaudited) - (in thousands of dollars)

	First quarters ended March 31			
	2016	%	2015	%
Total revenue	363,311		390,894	
Fuel surcharge	(28,619)		(48,391)	
<b>Revenue</b>	<b>334,692</b>	<b>100.0%</b>	<b>342,503</b>	<b>100.0%</b>
Materials and services expenses (net of fuel surcharge)	173,757	51.9%	184,155	53.8%
Personnel expenses	100,722	30.1%	94,261	27.5%
Other operating expenses	14,836	4.4%	14,924	4.4%
Depreciation of property and equipment	21,852	6.5%	20,409	6.0%
Amortization of intangible assets	6,149	1.8%	5,085	1.5%
Gain on sale of property and equipment	(3,199)	-1.0%	(1,912)	-0.6%
<b>Operating income</b>	<b>20,575</b>	<b>6.1%</b>	<b>25,581</b>	<b>7.5%</b>
<b>EBITDA</b>	<b>48,576</b>	<b>14.5%</b>	<b>51,075</b>	<b>14.9%</b>

### Revenue

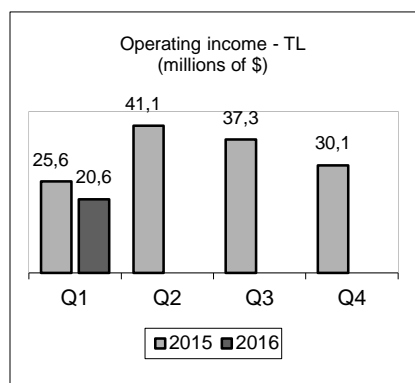
For the three-month period ended March 31, 2016, TL revenue slightly decreased by \$7.8 million or 2% from \$342.5 million in Q1 2015 to \$334.7 million, mainly explained by the difficulties faced by the specialized divisions servicing the oil and gas industry. This decrease was offset by the favourable foreign exchange impact on the conversion of revenue denominated in U.S. dollars for existing operations for a total of \$12.5 million or 4%. The TL segment also had an extra contribution of \$4.0 million from recent minor acquisitions that took place in the first quarter of 2016.

As part of an asset-light strategy, the Company continues to focus on earning revenues from brokerage and, as a result, had \$49.4 million in brokerage revenues in the first quarter of 2016. This represents 15% of revenues in Q1 2016 generating approximately 16% in gross margin, similarly to last year.



### Operating expenses

Operating expenses decreased by \$2.8 million or 1% from \$316.9 million in Q1 2015 to \$314.1 million in Q1 2016. For the quarter ended March 31, 2016, the material and services expenses decreased by \$10.4 million or 6% which is in line with the revenue decrease excluding the foreign exchange impact. In Q1 2016, the TL segment was faced with higher employee costs related to currency variation in the Company's US operations and higher driver medical claims expenses for approximately \$0.7 million. However, the Company continues to be cost-conscious and its priority remains to improve the efficiency and profitability of its existing fleet and network of independent contractors. In addition, the Company aims to dispose of any assets in excess while generating extra gains on these sales. This goal has been reached by realizing a \$3.2 million gain on sale of assets in the current quarter of 2016 compared to \$1.9 million in the same quarter of 2015.



### Operating income

The Company's operating income in the TL segment for the quarter ended March 31, 2016 decreased by \$5.0 million, to \$20.6 million compared to \$25.6 million in Q1 2015. This represents an operating margin of 6.1% for this quarter compared to 7.5% in Q1 2015. The decrease in operating margin is mainly attributable to the U.S. TL operating divisions of TransForce, for which the total operating costs per mile were higher and the yield on revenue was stable. In addition, their margin being lower, the translation impact further increased the year-over-year variance in the segment's total operating margin by 70 basis points. Even though revenue from the Canadian specialized and conventional TL divisions was challenged, these operations were able to maintain their margin at the same level as last year.

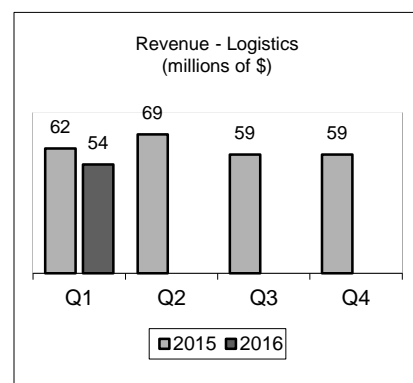
## Logistics

(unaudited) - (in thousands of dollars)

	First quarters ended March 31			
	2016	%	2015	%
Total revenue	55,360		63,803	
Fuel surcharge	(986)		(1,450)	
<b>Revenue</b>	<b>54,374</b>	<b>100.0%</b>	<b>62,353</b>	<b>100.0%</b>
Materials and services expenses (net of fuel surcharge)	38,885	71.5%	45,647	73.2%
Personnel expenses	7,501	13.8%	7,181	11.5%
Other operating expenses	2,901	5.3%	2,992	4.8%
Depreciation of property and equipment	335	0.6%	467	0.7%
Amortization of intangible assets	609	1.1%	508	0.8%
Gain on sale of property and equipment	(49)	-0.1%	(22)	0.0%
<b>Operating income</b>	<b>4,192</b>	<b>7.7%</b>	<b>5,580</b>	<b>8.9%</b>
<b>EBITDA</b>	<b>5,136</b>	<b>9.4%</b>	<b>6,555</b>	<b>10.5%</b>

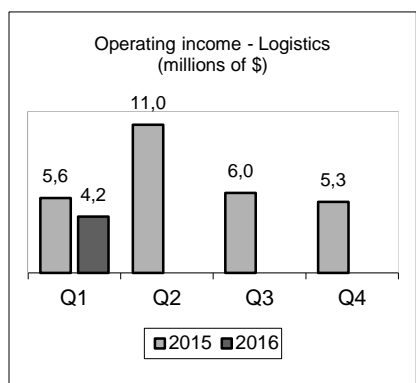
### Revenue

For the quarter ended March 31, 2016, revenue from the Logistics segment decreased by 13% or \$8.0 million year-over-year, from \$62.4 million to \$54.4 million. Excluding business acquisition, revenue decreased by 19%, or \$11.5 million, attributable to both new and current customers' lower volumes and, included in 2015 revenue, a non-recurring volume of approximately \$6.0 million generated by one of the Company's US logistics entities during a strike at the port of Los Angeles. This event also generated approximately \$7.0 million of revenue in Q2 2015.



### Operating expenses

For the quarter ended March 31, 2016, operating expenses decreased 12% or \$6.6 million compared to the first quarter of 2015, from \$56.8 million to \$50.2 million. Excluding the business acquisition, operating expenses decreased by 18% or \$10.1 million. This decrease was mostly attributable to lower year-over-year revenues. Excluding business acquisition, materials and services expenses represented 71.0% as a percentage of revenue before fuel surcharge, a reduction of 220 basis points when compared to last year's same quarter due mainly to improved operating margin on current volume. The other operating expenses stood approximately the same in dollars compared to last year, which reduced the margin in percentage of revenue.



### Operating income

The Company's operating income in the Logistics segment for the quarter ended March 31, 2016 decreased 25% or \$1.4 million compared to the first quarter of 2015, from \$5.6 million to \$4.2 million. The decrease is primarily attributable to lower volume from existing operations and a non-recurring volume achieved in 2015. The Logistics operating margin decreased 120 basis points year-over-year mainly as a result of lower volume.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and uses of cash

(unaudited) (in thousands of dollars)	First quarters ended March 31	
	2016	2015
Sources of cash:		
Net cash from continuing operations	40,244	47,426
Proceeds from sale of property and equipment	13,544	8,316
Proceeds from sale of business	758,874	-
Increase in bank indebtedness	12,438	11,081
Proceeds from exercise of stock options	649	1,444
Net cash from discontinued operations	-	20,599
Others	-	79
Total sources	825,749	88,945
Uses of cash:		
Purchases of property and equipment	29,122	37,032
Business combinations, net of cash acquired	14,618	-
Net repayment of long-term debt	692,566	34,518
Dividends paid	16,598	17,395
Repurchase of own shares	63,603	-
Net cash used in discontinued operations	3,506	-
Others	5,736	-
Total usage	825,749	88,945

### Cash flow from continuing operations

For the three-month period ended March 31, 2016, net cash from continuing operations decreased by 15% from \$47.4 million in 2015 to \$40.2 million. The \$7.2 million decrease is mainly attributable to net changes in non-cash operating working capital.

### Cash flow used in investing activities from continuing operations

#### Property and equipment

The following table presents the additions of property and equipment by category for the three-month periods ended March 31, 2016 and 2015.

(unaudited) (in thousands of dollars)	First quarters ended March 31	
	2016	2015
Additions by category:		
Land and buildings	2,220	930
Rolling stock	24,149	34,016
Equipment	2,753	2,086
	29,122	37,032

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.

The following table indicates the proceeds and gains or losses from sale of property and equipment by category for the three-month periods ended March 31, 2016 and 2015.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	First quarters ended March 31	
	2016	2015
Proceeds by category:		
Land and buildings	5,600	250
Rolling stock	7,925	8,015
Equipment	19	51
	<b>13,544</b>	<b>8,316</b>
Gains (losses) by category:		
Land and buildings	1,422	(37)
Rolling stock	1,930	1,944
Equipment	(13)	(18)
	<b>3,339</b>	<b>1,889</b>

For the three-month period ended March 31, 2016, the Company disposed of a property for a total consideration of \$5.6 million (\$0.3 million in 2015), which generated a \$1.4 million gain (\$37,000 loss in 2015).

## **Business acquisitions**

For the three-month period ended March 31, 2016, cash used in business acquisitions totalled \$14.6 million (nil in 2015). During this quarter, the Company acquired 3 businesses in the specialized Truckload ("TL") operating segment which are not considered significant. Based on historical information, annual revenue from these operations is expected to be \$17.0 million.

## **Proceeds from sale of business**

For the three-month period ended March 31, 2016, TransForce received \$758.9 million for the sale of its Waste Management segment to GFL, after customary closing adjustments, and a promissory note in an amount of \$25 million, payable in four years and bearing interest at an annual rate of 3%.

## **Cash flow from discontinued operations**

For the three-month period ended March 31, 2016, the discontinued operations used cash flow for their operating and investing activities of \$3.5 million. In Q1 2015, the discontinued operations generated cash flows of \$20.6 million.

## **Free cash flow from continuing operations**

<i>(unaudited)</i> <i>(in thousands of dollars, except per share data)</i>	First quarters ended March 31	
	2016	2015
Net cash from continuing operations	40,244	47,426
Additions to property and equipment	(29,122)	(37,032)
Proceeds from sale of property and equipment	13,544	8,316
<b>Free cash flow from continuing operations<sup>1</sup></b>	<b>24,666</b>	<b>18,710</b>
<b>Free cash flow from continuing operations per share<sup>1</sup></b>	<b>0.25</b>	<b>0.18</b>

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

TransForce generated a free cash flow from continuing operations of \$24.7 million in 2016 compared to \$18.7 million in 2015, which represented an increase of \$6.0 million or 32% from last year. This increase is mainly attributable to lower capital additions and higher proceeds from disposal of property and equipment compared to 2015. On a per share basis, the free cash flow for the three-month period ended March 31, 2016 totalled 25 cents, versus 18 cents in 2015.

Based on the March 31, 2016 closing share price of \$22.33, the free cash flow from continuing operations generated by the Company in the last twelve months represented a yield of 13.5%.

<sup>1</sup> Please refer to the section "Non-IFRS financial measures".

## Financial position

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	As at March 31, 2016	As at Dec. 31, 2015	As at Dec. 31, 2014
Total assets	3,062,454	3,377,870	3,438,589
Long-term debt	882,629	1,615,100	1,617,742
Shareholders' equity	1,442,311	1,027,372	1,029,413
Debt-to-equity ratio <sup>1</sup>	0.61	1.57	1.57
Debt-to-capital ratio <sup>2</sup>	0.38	0.61	0.61

Compared to December 31, 2015, the Company's total assets, long-term debt and shareholders' equity varied mainly due to the sale of the Waste group and currency fluctuation to a smaller extent. Total assets decreased by \$315.4 million due to the Waste disposition for \$219.4 million<sup>3</sup>, a \$57.4 million decrease resulting from currency variations compared to December 31, 2015 and \$26.4 million is attributable to lower income taxes recoverable and derivative financial instruments. Long-term debt decreased by \$732.5 million from last year mainly due to the proceeds from the sale of the Waste Group and to foreign currency movements. Shareholders' equity increased mostly as a result of the \$490.8 million after-tax gain on the sale of the Waste group. Consequently, the debt-to-equity ratio and the debt-to-capital ratio improved significantly compared to December 31, 2015 and 2014. The Company's current financial position reflects appropriate debt level to further pursue its acquisition strategy. Strict cash flow management and cash flow generated from operations allowed the Company to pursue debt reduction when the situation dictated.

As at March 31, 2016, the Company's working capital (current assets less current liabilities) was positive \$23.1 million. At that date, assets held for sale included rig moving property and equipment having a carrying amount of \$24.5 million, which are expected to be sold in 2016 and the majority of the current tax payable of \$48.2 million will be paid in January 2017.

## Contractual obligations

The following table indicates the Company's contractual obligations with their respective maturity dates at March 31, 2016, excluding future interest payments.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Total	Less Than 1 year	1 to 3 years	3 to 5 years	After 5 years
Unsecured revolving facility – August 2017	627,789	-	627,789	-	-
Unsecured debentures – December 2020	125,000	-	-	125,000	-
Finance lease obligations	34,513	14,281	17,282	2,950	-
Conditional sales contracts and other long-term debt	97,293	32,076	60,798	4,419	-
Operating leases (see commitments)	480,971	120,719	165,791	78,129	116,332
<b>Total contractual obligations</b>	<b>1,365,566</b>	<b>167,076</b>	<b>871,660</b>	<b>210,498</b>	<b>116,332</b>

As at March 31, 2016, the Company had \$33.3 million of outstanding letters of credit (\$32.6 million on December 31, 2015).

Term loans, having a carrying value of 559.9 million as at December 31, 2015 have been fully repaid in February 2016, with the proceeds of the sale of the Waste group.

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:

<b>Covenants</b>	<b>Requirements</b>	<b>As at March 31, 2016</b>
<b>Funded debt-to-EBITDA ratio</b> [ratio of total debt plus letters of credit and some other long-term liabilities to earnings before interest, income tax, depreciation and amortization ("EBITDA"), including last twelve months adjusted EBITDA from business acquisitions]	< 3.50	2.07
<b>EBITDAR-to-interest and rent ratio</b> [ratio of EBITDAR (EBITDA before rent and including last twelve months adjusted EBITDAR from business acquisitions) to interest and net rent expenses]	> 1.75	2.86

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

<sup>1</sup> Long-term debt divided by shareholders' equity.

<sup>2</sup> Long-term debt divided by the sum of shareholders' equity and long-term debt.

<sup>3</sup> As at December 31, 2015, Waste Management segment's net assets were presented on a net basis under "Disposal group held for sale" on the statements of financial position.

## Commitments, contingencies and off-balance sheet arrangements

The following table indicates the Company's commitments with their respective terms at March 31, 2016.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Total	Less than 1 year	1 to 3 years	3 to 5 Years	After 5 years
Operating leases – rolling stock	111,363	45,683	58,021	7,348	311
Operating leases – real estate & others	369,608	75,036	107,770	70,781	116,021
Total off-balance sheet obligations	480,971	120,719	165,791	78,129	116,332

Long-term real estate leases totalling \$369.6 million included five significant real estate commitments for an aggregate value of \$146.5 million, which expire between 2024 and 2035. A total of 313 properties constitute the remaining real estate operating leases.

## Dividends and outstanding share data

### Dividends

The Company declared \$16.1 million in dividends, or 17 cents per outstanding common share, in the first quarter of 2016.

### NCIB on common shares

Pursuant to the renewal of the normal course issuer bid ("NCIB") which began on September 28, 2015 and will be expiring on September 27, 2016, the Company is authorized to repurchase for cancellation up to a maximum of 6,000,000 of its common shares under certain conditions. The Board of 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 three-month period ended March 31, 2016, the Company repurchased 188,400 common shares (2015 - nil) at a price ranging from \$22.20 to \$22.40 for a total purchase price of \$4.2 million.

### SIB on common shares

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

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

The offer expired on March 28, 2016. Prior to period end, TransForce purchased and cancelled 2,699,924 common shares at a price of \$22.00 per share, for a total purchase price of \$59.4 million under this SIB.

### Outstanding shares, stock options and restricted share units

A total of 94,781,412 common shares were outstanding as at March 31, 2016 (December 2015 – 97,632,502). There was no significant change in the Company's outstanding share capital between March 31, 2016 and April 20, 2016.

As at March 31, 2016, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 4,896,688 (December 2015 – 4,933,922) of which 3,413,614 were exercisable (December 2015 – 3,450,848).

As at March 31, 2016, the number of restricted share units ("RSUs") granted under the Company's equity incentive plan to the benefit of its senior employees was 218,938 (December 2015 – 224,033). The RSUs will vest after 3 consecutive years of service from the grant date. Upon satisfaction of the required service period, the plan provides for settlement of the award through shares.

## Legal proceedings

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



## OUTLOOK

In Canada, the Company's major market, low oil prices continue to negatively impact the economy while the effects of a weak currency have yet to provide a significant boost to the manufacturing sector. This persistent weakness is restraining organic growth in TransForce's main operating markets. In the U.S., resilient consumer spending could lead to more business in the Package and Courier and TL segments, where TransForce's activities are focused. As these relatively challenging conditions limit organic growth over the short-term, key drivers for revenue and operating income 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 and logistics market.

In the Package and Courier and LTL segments, TransForce's priorities remain the consolidation of its operations, administration and IT platforms where more savings and efficiency gains can be achieved. As the Company believes that general conditions will remain relatively challenging as long as overcapacity continues to affect the industry, TransForce will remain proactive in implementing measures to further optimize asset utilization. In Package and Courier, this includes completing the optimization of businesses in U.S. same-day operations and capturing an increasing share of the e-commerce delivery business. In LTL, the lower value of the Canadian dollar provides opportunities for export-oriented manufacturers, but the Company must remain disciplined in adapting supply to demand. To this end, the Company will continue to focus on major cities and exit low density regions to enhance value. Finally, TransForce will seek to further leverage its enhanced density and capabilities in intermodal activities that generate higher returns due to their asset-light business model.

In the TL market, the relatively healthier U.S. economy and weaker Canadian dollar should provide more favourable conditions to improve return on capital employed on both sides of the border. Improvement will also stem from a disciplined supply management, an optimal utilization of existing assets and 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 business acquisition strategy.

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

As the Company continues to gradually adopt an asset-light business model, capital will be increasingly deployed in initiatives that provide a better return on capital 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. In the short term, TransForce will use its cash flow to prioritize debt reimbursement and share repurchase.

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)

	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15	Q4'14	Q3'14	Q2'14
Total revenue	934.2	1,026.8	1,009.7	1,029.9	963.6	986.2	893.8	811.6
EBITDA <sup>1</sup>	85.9	111.8	117.2	136.6	87.0	105.0	104.2	89.9
Adjusted net income from continuing operations <sup>1</sup>	31.5	42.9	48.6	66.6	27.5	43.3	50.2	42.7
Adjusted EPS from continuing operations - diluted <sup>1</sup>	0.32	0.43	0.48	0.65	0.26	0.41	0.50	0.42
Net income	503.6	43.6	41.6	64.1	14.0	43.2	41.5	37.3
EPS – basic	5.16	0.45	0.42	0.63	0.14	0.42	0.42	0.38
EPS – diluted	5.09	0.44	0.41	0.62	0.13	0.41	0.41	0.37
Net income from continuing operations	15.3	40.6	31.9	60.2	13.0	32.4	31.5	52.0
EPS from continuing operations – basic	0.16	0.42	0.32	0.59	0.13	0.32	0.32	0.53
EPS from continuing operations – diluted	0.15	0.41	0.32	0.58	0.12	0.31	0.31	0.52

The differences between the quarters are mainly the result of business acquisitions. In Q1 2016, higher net income and basic and diluted EPS are mainly due to the \$490.8 million after-tax gain on the sale of the Waste Management segment.

## NON-IFRS FINANCIAL MEASURES

Financial data have been prepared in conformity with IFRS. 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.

**Adjusted net income from continuing operations:** Net income excluding amortization of intangible assets related to business acquisitions, net changes in the fair value of derivatives, net foreign exchange gain or loss, net income or loss from discontinued operations and of items that are not in the Company's normal business, net of tax. In presenting an adjusted net income from continuing operations and adjusted earnings per share from continuing operations, the Company's intent is to help provide an understanding of what would have been the net income and earnings per share in a context of significant business combinations and excluding specific impacts and to reflect earnings from a strictly operating perspective. The amortization of intangible assets related to business acquisitions comprises amortization expense of customer relationships, trademarks, non-compete agreements and permits accounted for in business combinations and the income tax effects related to this amortization. Management also believes, in excluding amortization of intangible assets related to business acquisitions, it provides more information on the amortization of intangible asset expense portion, net of tax, that will not have to be replaced to preserve the Company's ability to generate similar future cash flows. See reconciliation on page 6.

**Adjusted earnings per share from continuing operations:** Adjusted net income from continuing operations divided by the weighted average number of common shares outstanding.

**EBITDA:** Net income from continuing operations before finance income and costs, income tax expense, depreciation and amortization. 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.

**Operating income:** Net income from continuing operations before finance income and costs and income tax expense as stated in the unaudited condensed consolidated interim financial statements.

**Operating margin and EBITDA margin** are calculated as a percentage of revenue before fuel surcharge.

<sup>1</sup> Please refer to the section "Non-IFRS financial measures".

<b>EBITDA</b> (unaudited) (in thousands of dollars)	<b>First quarters ended March 31</b>	
	<b>2016</b>	<b>2015</b>
<b>Net income from continuing operations</b>	<b>15,322</b>	12,990
Net finance costs	<b>24,115</b>	26,516
Income tax expense	<b>847</b>	4,452
<b>Operating income</b>	<b>40,284</b>	43,958
Depreciation of property and equipment	<b>32,474</b>	31,719
Amortization of intangible assets	<b>13,127</b>	11,333
<b>EBITDA</b>	<b>85,885</b>	87,010

**Free cash flow from continuing operations:** Net cash from continuing operations less additions to property and equipment plus proceeds from sale of property and equipment. Management believes that this measure provides a benchmark to evaluate the performance of the Company in regard to its ability to meet capital requirements.

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

**Operating expenses:** Operating expenses, as defined in the unaudited condensed consolidated interim financial statements.

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

<b>Operating ratio</b> (unaudited) (in thousands of dollars)	<b>First quarters ended March 31</b>	
	<b>2016</b>	<b>2015</b>
Operating expenses (net of fuel surcharge revenue)	<b>826,444</b>	814,073
Revenue before fuel surcharge	<b>866,728</b>	858,031
Operating ratio	<b>95.4%</b>	94.9%

## RISKS AND UNCERTAINTIES

The following are major risk factors facing the Company, for which more detailed information can be found in the December 31, 2015 MD&A:

- Competition;
- Regulation;
- Operating Environment;
- General Economic Conditions;
- Interest Rate Fluctuations;
- Currency Fluctuations;
- Price of Fuel;
- Insurance;
- Collective Agreements;
- Acquisitions and Integration Risks;
- Environmental Matters;
- Environmental Contamination;
- Key Personnel;
- Loan Default;
- Credit Facilities;
- Credit Risks; and
- Availability of Capital.

Other than the risks specifically mentioned to be one related to its Waste Management segment disposed on February 1, 2016, there are no changes affecting the above-mentioned risk factors.

## 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, 2016 and have been applied in preparing the unaudited condensed consolidated interim financial statements:

Annual Improvements to IFRS (2012-2014 cycle)

Disclosure Initiative: Amendments to IAS 1

These new standards did not have a significant impact on the Company's unaudited 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, 2016, and have not been applied in preparing the unaudited condensed consolidated interim financial statements:

IFRS 9, Financial Instruments

IFRS 15, Revenue from Contracts with Customers

IFRS 16, Leases

Further information can be found in note 3 of the March 31, 2016 unaudited 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 (2013 framework).

### Changes in internal controls over financial reporting

No changes were made to the Company's ICFR during the three-month period ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.