Mullen Group Ltd.

INTERIM REPORT

QUARTER THREE

WE THINK tomorrow™

FOR THE PERIOD ENDED
September 30, 2020

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated October 21, 2020, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the three and nine month periods ended September 30, 2020, and should be read in conjunction with (i) the audited annual consolidated financial statements for the fiscal year ended December 31, 2019 (the "**Annual Financial Statements**"), together with the Management's Discussion and Analysis thereon (the "**2019 MD&A**"), and (ii) the unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2020, (the "**Interim Financial Statements**"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of the province of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information are available on SEDAR at www.sedar.com and at www.mullen-group.com. These documents are also available upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com. This MD&A and the Interim Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "**Board**") on October 21, 2020.

ACCOUNTING STANDARDS

The Interim Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards ("**IFRS**"), which include the International Accounting Standards ("**IAS**") and the interpretations developed by the International Financial Reporting Interpretations Committee ("**IFRIC**"), as issued by the International Accounting Standards Board ("**IASB**"). The Interim Financial Statements comply with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements. Unless otherwise indicated, all amounts contained in this MD&A are in Canadian funds, which is the functional currency of the Corporation.

ADVISORY:

Forward-looking statements *- This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to certain strategic, financial and operational risks, most important of which are geopolitical risks including but not limited to a slowdown in the general economy, reduced oil and natural gas drilling and decreased oil sands and heavy oil activity; e-commerce and supply chain evolution; acquisitions; competition; foreign exchange rates; change in the return on fair value of investments; access to financing; reliance on major customers; customer relationships; impairment of goodwill or intangible assets; credit risk; prevailing interest rates; employees & labour relations; labour disruption and driver retention; cost escalation & fuel costs; accidents; cost of liability insurance; digital infrastructure & cyber security; business continuity, disaster recovery & crisis management; environmental liability risks; weather & seasonality; access to parts, development of new technology & relationships with key suppliers; regulatory framework governing matters such as tax and the environment in the jurisdictions in which the Corporation conducts and will conduct its business; and litigation. Given these risks and uncertainties, readers should not place undue reliance on the forward-looking statements contained in this MD&A. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors and risks that could affect the operations or financial results of Mullen Group may be found under the heading "Principal Risks and Uncertainties" starting on page 65 of the 2019 MD&A as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements contained in this MD&A are made as of the date hereof and Mullen Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. Mullen Group relies on litigation protection for "forward-looking" statements. Additional information regarding the forward-looking statements contained in this MD&A and the material assumptions made in preparing such statements may be found under the heading "Forward-Looking Information Statements" beginning on page 56 of this MD&A.*

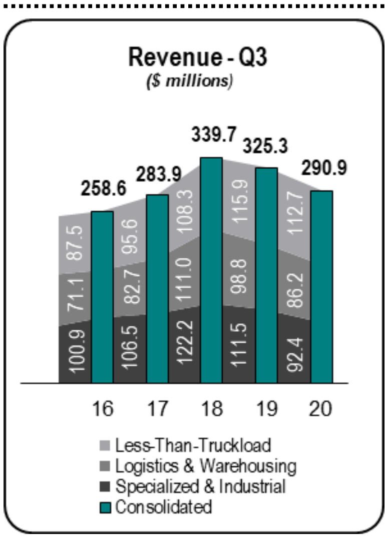
Non-GAAP Terms *- Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. In addition, these measures are used by management in its evaluation of performance. These financial performance measures ("**Non-GAAP Terms**") are not recognized financial terms under Canadian generally accepted accounting principles ("**Canadian GAAP**"). For publicly accountable enterprises, such as Mullen Group, Canadian GAAP is governed by principles based on IFRS and interpretations of IFRIC. Management believes these Non-GAAP Terms are useful supplemental measures. These Non-GAAP Terms do not have standardized meanings and may not be comparable to similar measures presented by other entities. Specifically, operating margin[1], net income – adjusted[1], earnings per share – adjusted[1], net capital expenditures[1], net debt[1], total net debt[1] and cash flow per share[1] are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. For the reader's reference, the definition, calculation and reconciliation of Non-GAAP Terms are provided in the "Glossary of Terms and Reconciliation of Non-GAAP Terms" section of this MD&A. The Non-GAAP Terms should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP. Investors are cautioned that these indicators should not replace the forgoing Canadian GAAP terms: net income, earnings per share, purchases of property, plant and equipment, proceeds on sale of property, plant and equipment and debt.*

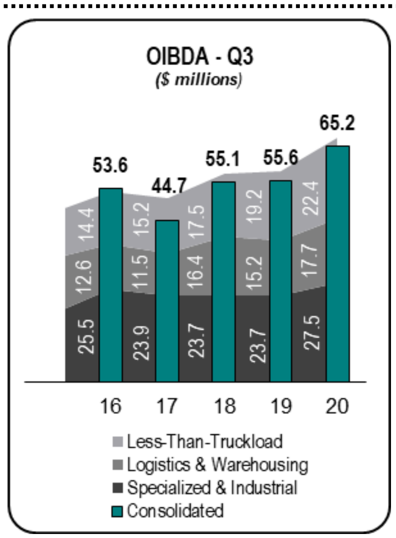
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

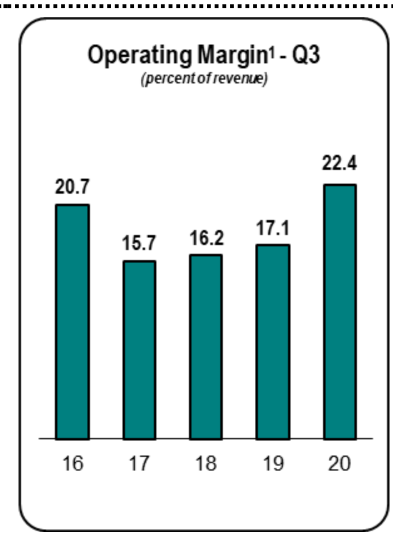
HIGHLIGHTS FOR THE QUARTER

PERFORMANCE: *(unaudited)* *($ millions, except share price and per share amounts)*	Three month periods ended September 30			Nine month periods ended September 30		
	2020	2019	% Change	2020	2019	% Change
Financial Results						
Revenue	**$ 290.9**	$ 325.3	(10.6)	**$ 866.6**	$ 963.9	(10.1)
Operating income before depreciation and amortization[(1)]	**65.2**	55.6	17.3	**165.4**	151.0	9.5
Net foreign exchange (gain) loss	**(0.1)**	(3.9)	(97.4)	**(2.5)**	(11.8)	(78.8)
Decrease (increase) in fair value of investments	**0.1**	0.3	(66.7)	**1.4**	0.3	366.7
Net income	**26.2**	20.5	27.8	**53.9**	63.8	(15.5)
Net income – adjusted[(2)]	**25.6**	16.5	55.2	**53.1**	42.6	24.6
Net cash from operating activities	**47.4**	46.5	1.9	**172.3**	116.4	48.0
Cash dividends declared	**8.8**	15.8	(44.3)	**24.5**	47.2	(48.1)
Financial Position						
Cash and cash equivalents	**$ 105.4**	$ 77.5	36.0	**$ 105.4**	$ 77.5	36.0
Private Placement Debt	**475.6**	473.2	0.5	**475.6**	473.2	0.5
Private Placement Debt covenant (threshold 3.50:1)	**2.12:1**	2.30:1	(7.8)	**2.12:1**	2.30:1	(7.8)
Total assets	**1,747.4**	1,784.6	(2.1)	**1,747.4**	1,784.6	(2.1)
Share Information						
Cash dividends declared per Common Share	**$ 0.09**	$ 0.15	(40.0)	**$ 0.24**	$ 0.45	(46.7)
Earnings per share – basic	**$ 0.27**	$ 0.20	35.0	**$ 0.53**	$ 0.61	(13.1)
Earnings per share – diluted	**$ 0.26**	$ 0.20	30.0	**$ 0.53**	$ 0.61	(13.1)
Earnings per share – adjusted[(2)]	**$ 0.26**	$ 0.16	62.5	**$ 0.52**	$ 0.41	26.8
Share price – September 30	**$ 9.01**	$ 8.73	3.2	**$ 9.01**	$ 8.73	3.2
Other Information						
Net capital expenditures[(2)]	**$ 7.6**	$ 16.8	(54.8)	**$ 31.7**	$ 47.6	(33.4)
Acquisitions	**$ 14.4**	$ 13.5	6.7	**$ 14.4**	$ 15.0	(4.0)

*(1) Management relies on operating income before depreciation and amortization ("**OIBDA**") as a measurement since it provides an indication of our ability to generate cash from our principal business activities prior to depreciation and amortization, financing or taxation in various jurisdictions.*
(2) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".







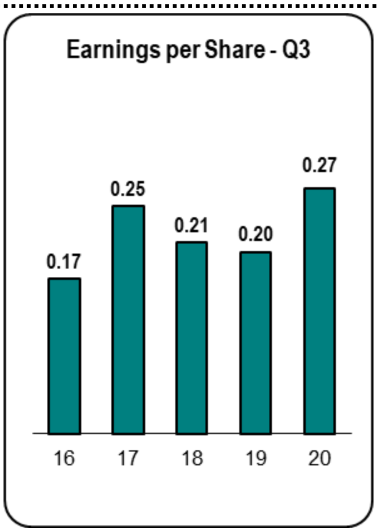
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

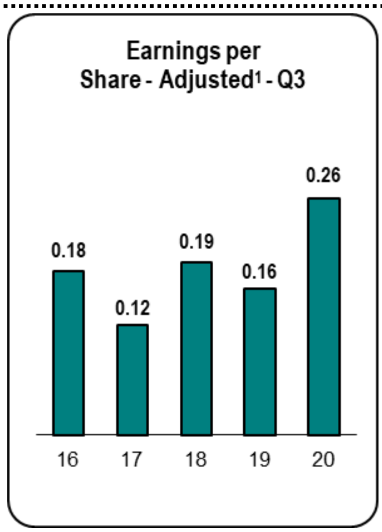
POSITION:

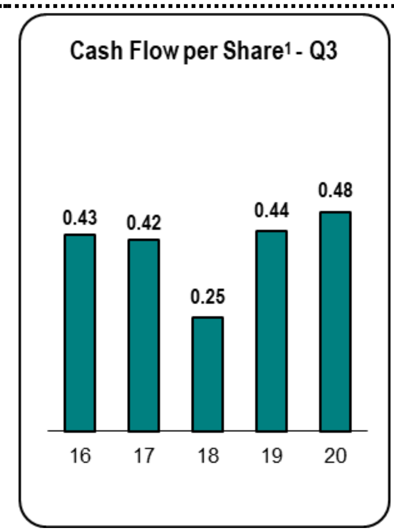
- Well-structured balance sheet with ample liquidity:
  - Working capital: $235.0 million (includes $105.4 million of cash and cash equivalents)
  - Unused Bank Credit Facility of $150.0 million
  - Net debt[1] of $376.6 million, which represents a debt to OIBDA ratio of 1.75:1
  - Private Placement Debt of $475.6 million (operating cash flow covenant at 2.12:1) with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum)
- Net book value of property, plant and equipment of $944.3 million, which includes $586.4 million of carrying costs of owned land and buildings
- Book value of Derivative Financial Instruments of $51.9 million, which swaps $229.0 million of U.S. dollar debt at an average foreign exchange rate of $1.1096

THIRD QUARTER PROGRESS:

- Revenue decreased by 10.6 percent on a year over year basis:
  - Less-Than-Truckload decreased by 2.8 percent to $112.7 million
  - Logistics & Warehousing decreased by 12.8 percent to $86.2 million
  - Specialized & Industrial Services decreased by 17.1 percent to $92.4 million
- OIBDA increased by 17.3 percent from the prior year:
  - Less-Than-Truckload increased by 16.7 percent to $22.4 million
  - Logistics & Warehousing increased by 16.4 percent to $17.7 million
  - Specialized & Industrial Services increased by 16.0 percent to $27.5 million
- Repurchased 7,972,926 Common Shares in 2020 at an average price of $6.70 per share under the NCIB
- Recognized $10.3 million of Canada Emergency Wage Subsidy
- Acquired the remaining common shares of Pacific Coast Express Limited and announced an agreement to acquire International Warehousing & Distribution Inc.







[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

EXECUTIVE SUMMARY

Since the onset of COVID-19 important lessons have been learned. At Mullen Group, for example, we believe the most obvious is the importance of a diversified business model. We didn't anticipate this pandemic, however we were confident that we were positioned to manage through the disruptions. We knew we had a good business focused on multiple segments of the economy and a well structured balance sheet, lessons we garnered from past market and economic breakdowns. We also moved quickly to manage and control those things we could. As a result, today we report another solid quarter, a testament to the strength of our diversified business model and the commitment displayed by our people.

We continue to see a resurgence in economic activity driven thus far by a very resilient and ever demanding consumer. How they spend has changed but how much they spend has not. And since consumer spending is the primary demand source for the trucking and logistics industry, we witnessed a strong rebound from the lows earlier this year. We see it in our LTL business and in our Logistics & Warehousing business. And we see it in our employment levels where most, but not all, of our workforce has returned to full time employment. Unfortunately, however, parts of the economy and certain geographic regions continue to be ravaged by changes in consumer trends and the economy. The hospitality industry, air travel and the crude oil industry by way of example have been disrupted. The Province of Alberta, where the crude oil and natural gas industries play a significant economic role has been hit hard. A sustained recovery in capital goods and investment remains elusive at best. But, and here is the good news, we did see some improvement in activity during the quarter. Revenues have recovered nicely from last quarter, yet they remain a little softer as compared to last year. All in all, we are very pleased considering how 2020 has unfolded thus far.

Entering the fourth quarter we remain cognizant of the challenges associated with the COVID-19 pandemic. No one knows with any certainty what happens next and with no clear evidence to suggest this health crisis can be resolved in the short term, we remain on high alert that our business could be negatively impacted, either from a financial or safety perspective. Nevertheless, our current view is that consumer spending should remain strong entering the holiday season. Our optimism is based upon a very nice recovery in the employment statistics and job market as well as recent announcements by the Federal Government to provide fiscal support and stimulus to ensure Canadians have the means to manage through this pandemic induced crisis. As such we expect consolidated revenues to remain solid.

Mullen Group operates a diversified business model combined with a highly adaptable and variable cost structure. The financial results for the three month period ended September 30, 2020, are as follows:

- generated consolidated revenue of $290.9 million, a decrease of $34.4 million, or 10.6 percent, as compared to $325.3 million in 2019 due to:
  - a decrease of $3.2 million, or 2.8 percent, to $112.7 million in the Less-Than-Truckload segment
  - a decrease of $12.6 million, or 12.8 percent, to $86.2 million in the Logistics & Warehousing segment
  - a decrease of $19.1 million, or 17.1 percent, to $92.4 million in the Specialized & Industrial Services segment
- earned consolidated OIBDA of $65.2 million, an increase of $9.6 million as compared to $55.6 million in 2019 due to:
  - an increase of $3.2 million, or 16.7 percent, to $22.4 million in the Less-Than-Truckload segment
  - an increase of $2.5 million, or 16.4 percent, to $17.7 million in the Logistics & Warehousing segment
  - an increase of $3.8 million, or 16.0 percent, to $27.5 million in the Specialized & Industrial Services segment

Third Quarter Financial Results

Revenue decreased by $34.4 million, or 10.6 percent, to $290.9 million and is summarized as follows:

- Less-Than-Truckload segment down $3.2 million, or 2.8 percent, to $112.7 million – revenue declined by $3.2 million due to $3.2 million of lower fuel surcharge revenue and from lower demand resulting from the negative effects of the COVID-19 pandemic being partially offset by the incremental revenue generated from the acquisition of Pacific Coast Express Limited ("**PCX**").

- Logistics & Warehousing segment down $12.6 million, or 12.8 percent, to $86.2 million – revenue declined by $12.6 million due to the outbreak of the COVID-19 virus in North America resulting in business closures, projects being cancelled as well as $2.6 million of lower fuel surcharge revenue. These decreases were partially offset by a strong performance by Kleysen Group Ltd. ("**Kleysen**") due to greater demand for transload services from expanding our service offerings at our Edmonton, Alberta distribution center.

- Specialized & Industrial Services segment down $19.1 million, or 17.1 percent, to $92.4 million – revenue declined by $19.1 million due to lower demand for fluid hauling and drilling related services resulting from low oil prices, mandated curtailments and a poor drilling environment. Somewhat offsetting these declines was greater demand for large diameter pipeline hauling and stringing services at Premay Pipeline Hauling L.P. ("**Premay Pipeline**") as well as greater demand for civil construction services in northern Manitoba at Smook Contractors Ltd. ("**Smook**").

OIBDA increased by $9.6 million, or 17.3 percent, to $65.2 million and is summarized as follows:

- Less-Than-Truckload segment up $3.2 million, or 16.7 percent, to $22.4 million – OIBDA improved due to $1.7 million recognized in the quarter from the Canada Emergency Wage Subsidy ("**CEWS**") program, from lower fuel costs and from the incremental OIBDA generated by PCX. These increases were somewhat offset by a weakened Alberta market. Operating margin[1] increased to 19.9 percent (CEWS Adjusted – 18.4 percent) from 16.6 percent in 2019 due to the CEWS program, lower diesel prices and cost control initiatives.

- Logistics & Warehousing segment up $2.5 million, or 16.4 percent, to $17.7 million – OIBDA improved due to $2.3 million being recognized in the quarter from the CEWS program. Operating margin[1] improved to 20.5 percent (CEWS Adjusted – 17.9 percent) from 15.4 percent in 2019 due to the strong performance at Kleysen, from lower diesel fuel prices and cost control measures.

- Specialized & Industrial Services segment up $3.8 million, or 16.0 percent, to $27.5 million – OIBDA improved due to recognizing $6.3 million in the quarter from the CEWS program and from greater demand for large diameter pipeline hauling and stringing services and improved results at Smook. These increases were partially offset by lower OIBDA from those Business Units (as hereafter defined on page 7) directly tied to oil and natural gas drilling activity and from those involved in the transportation of fluids and servicing of wells. Operating margin[1] improved to 29.8 percent (CEWS Adjusted – 22.9 percent) from 21.3 percent in 2019 due to the CEWS program, a greater proportion of higher margin revenue and cost control measures.

Net income increased by $5.7 million to $26.2 million, or $0.27 per Common Share due to:

- A $9.6 million increase in OIBDA, a $1.3 million increase in the gain on sale of property, plant and equipment, a $1.1 million decrease in depreciation and amortization and a $0.4 million gain on the fair value of equity investment.

- The above was partially offset by a $3.8 million negative variance in net foreign exchange, a $3.0 million increase in income tax expense and a $0.2 million decrease in earnings from equity investments.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Financial Position

The following summarizes our financial position as at September 30, 2020, along with some key changes that occurred during the third quarter of 2020:

- Working capital of $235.0 million including $105.4 million of cash and cash equivalents and an undrawn Bank Credit Facility (as hereafter defined on page 13) of $150.0 million.

- Total net debt[1] ($464.3 million) to operating cash flow ($218.7 million) (as hereafter defined on page 50) of 2.12:1 as defined per our Private Placement Debt (as hereafter defined on page 18) agreement.

- Private Placement Debt of $475.6 million with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum). Private Placement Debt decreased by $6.6 million due to the foreign exchange gain on our U.S. $229.0 million debt.

- Book value of Derivative Financial Instruments down $6.5 million to $51.9 million, which swaps our $229.0 million of U.S. dollar debt at an average foreign exchange rate of $1.1096.

- Net book value of property, plant and equipment of $944.3 million, which includes $586.4 million of carrying costs of owned real property.

OUTLOOK

COVID-19 continued to dominate the headlines during the quarter. From an economic perspective the recovery has been impressive, although certain sectors of the economy including the hospitality, air travel and oil industry continue to be negatively impacted by shifts in consumer preferences and demand. Nevertheless, with the support of government spending, stimulus cheques and the reopening of many businesses, overall consumer spending continued to improve during the quarter driving an economic recovery, strong job growth and improved market conditions.

At Mullen Group our business benefited from the economic recovery. We rehired most of the workforce that we were forced to furlough or temporary layoff. Revenue recovered nicely from the second quarter COVID-19 induced lows, although parts of our business remain challenged, most notably in the Province of Alberta. We generated best-in-class operating margin[1] achieving record results for the quarter, made two acquisitions during the quarter, used our strong balance sheet to buy back 8.0 million Common Shares as part of the authorized share buyback program and reinstated the monthly dividend. All in all a very good quarter for our company.

As we enter the fourth quarter of 2020, we remain cognizant of the challenges associated with the COVID-19 pandemic. There is no clear evidence as of yet to suggest that this health issue will be resolved in the short term. As such, we remain on high alert that our business could be negatively impacted, either from a financial or safety perspective. Our current view is that consumer spending will remain strong given the recovery in the job market, continued fiscal support from the governments and accommodative monetary policy, providing solid demand for freight and logistics services across most of our business lines. Consolidated revenue, however, will continue to be softer than last year's levels due to the challenges facing the Alberta economy, which remains highly dependent upon the oil and natural gas industries. And from the profitability point of view, we expect our business will continue to perform at a high level providing the possibility we will meet or exceed last year's fourth quarter results.

Our strong balance sheet supports our acquisition strategy, which we have identified as a means of accelerating growth and positioning our organization for the future. There is a clear trend towards consolidation emerging in the trucking and logistics industry providing our executives with several opportunities to evaluate. In addition, it is evident that COVID-19 has changed consumer spending trends and the supply chain. As a result, we are actively pursuing several proposals to acquire land and buildings that we view as strategic to the long-term growth of our existing less-than-truckload and warehousing Business Units.

In terms of our share buyback program, we have acquired the maximum allowed for this year – 8.0 million Common Shares as of September 30, 2020 at an average price of $6.70. The Board will consider reinstating a share buyback program in 2021 as part of our Annual Budget and Planning Session.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

CORPORATE OVERVIEW

Mullen Group is a publicly-traded company listed on the Toronto Stock Exchange ("**TSX**") under the symbol "**MTL**". We are a logistics company that owns a network of independently operated businesses. We are recognized as one of the leading suppliers of trucking and logistics services in Canada providing a wide range of service offerings including less-than-truckload ("**LTL**"), truckload, warehousing, logistics, transload, oversized and specialized hauling transportation. In addition, we provide a diverse set of specialized services related to the energy, mining, forestry and construction industries in western Canada, including water management, fluid hauling and environmental reclamation.

Business

The business is operated through a network of wholly-owned companies and limited partnerships (the "**Business Units**"). As disclosed in the first quarter, we have commenced reporting financial results in three new operating segments: Less-Than-Truckload, Logistics & Warehousing and Specialized & Industrial Services. The segments are differentiated by the type of service provided, equipment requirements and customer needs. Mullen Group provides the capital and financial expertise, legal support, technology and systems support, shared services and strategic planning (the "**Corporate Office**") for the Business Units. The Corporate Office also invests in certain public and private corporations. In addition, the Corporate Office, through its subsidiary MT Investments Inc. ("**MT**"), owns a network of real estate holdings and facilities that are leased primarily to the Business Units. Such properties are leased to the Business Units by MT on commercially reasonable terms. The day to day management of the Business Units is conducted at the subsidiary level.

Less-Than-Truckload Segment

Less-Than-Truckload consisted of 9 regionally focused Business Units and is often referred to as the final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. We are committed to investing in the most advanced technologies available ensuring the continued improvement in all aspects of our business, shortening delivery times and providing customers with visibility, via tracking and tracing, to their shipments during transit.

Service Offerings	*Key Drivers and Considerations*
• *Less-Than-Truckload Trucking (LTL)*	• *Regional network comprised of 109 terminals;* • *Tied to consumer needs*
• *Ambient Temperature Controlled Transportation*	• *Tied to the movement of healthcare products*

Less-Than-Truckload Segment:

Business Unit	**Primary Service Region**
Argus Carriers Ltd.(1)	Lower Mainland British Columbia
Courtesy Freight Systems Ltd.	Northern Ontario
Gardewine Group Limited Partnership	Manitoba and Ontario
Grimshaw Trucking L.P.	Northern Alberta
Hi-Way 9 Express Ltd.(2) (3) (4)	Southern Alberta
Inter-Urban Delivery Service Ltd.(1)	Lower Mainland British Columbia
Jay's Transportation Group Ltd.	Saskatchewan
Number 8 Freight Ltd.	Lower Mainland British Columbia
Pacific Coast Express Limited(5)	Western Canada

(1) Acquired July 1, 2019.
(2) On January 1, 2019, the operations of Bernard Transport Ltd. were combined into Hi-Way 9 Express Ltd.
(3) Includes Jen Express Inc., which was acquired on May 1, 2019.
(4) On January 1, 2020, the operations of Load-Way Ltd. and Streamline Logistics Inc., were integrated into Hi-Way 9 Express Ltd.
(5) Acquired September 1, 2020.

Logistics & Warehousing Segment

Logistics & Warehousing consisted of 9 Business Units that provide shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. Operations and customer service are supported by a robust suite of leading edge technology solutions including a fully integrated transportation management system, customized inventory management and warehouse systems along with our proprietary Moveitonline® and Haulistic™ technology platforms, applications that are positioning our organization for an evolving and changing supply chain.

Service Offerings	*Key Drivers and Considerations*
• *Long-Haul Trucking (T/L)*	• *Tied to general economy (i.e., GDP)*
• *Logistics, Intermodal and Transload Services*	• *Requires less maintenance capital*
• *Bulk Hauling*	• *Primarily contract services*

Logistics & Warehousing Segment:

Business Unit	Primary Service Provided
24/7 The Storehouse (2015) Ltd.	Value-Added Warehousing and Distribution Services
Caneda Transport Ltd.	LTL & Irregular Route Truckload
Cascade Carriers L.P.	Dry Bulk Freight
DWS Logistics Inc.	Value-Added Warehousing and Distribution Services
Kleysen Group Ltd.	Irregular Route Truckload & Multi-Modal
Mullen Trucking Corp.	Irregular Route Truckload & Specialized Transportation
Payne Transportation Ltd.	Irregular Route Truckload & Specialized Transportation
RDK Transportation Co. Inc.	Irregular Route Truckload & Specialized Transportation
Tenold Transportation Ltd.	Irregular Route Truckload & Specialized Transportation

Specialized & Industrial Services Segment

Specialized & Industrial Services consisted of 15 Business Units and is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. Strategically located throughout western Canada, these specialty Business Units are focused on providing advanced technology solutions and leading edge service capabilities.

Service Offerings	*Key Drivers and Considerations*
• *Production Services*	• *Commodity prices (i.e., oil and natural gas)*
• *Specialized Services* – oil sands, dewatering and infrastructure	• *Drilling trends and evolving technologies* • *Take-away / Pipeline Capacity*
• *Drilling and Drilling Related*	• *Drilling activity in western Canada*

Specialized & Industrial Services Segment:	
Business Unit	**Primary Service Provided**
Canadian Dewatering L.P.	Water Management Services
Cascade Energy Services L.P.	Production services, Turnaround and Industrial Cleaning Services
Canadian Hydrovac Ltd.	Hydrovac Excavation Services
E-Can Oilfield Services L.P.	Fluid Transportation
Envolve Energy Services Corp.	Processing and Disposal of Oilfield Fluids
Formula Powell L.P.	Mud / Fluid Transportation & Warehousing
Heavy Crude Hauling L.P.(1)	Fluid Transportation
Mullen Oilfield Services L.P.(2)	Rig Relocation Services
OK Drilling Services L.P.	Conductor Pipe Setting
Pe Ben Oilfield Services L.P.(3)	Drill Pipe Transportation & Warehousing
Premay Equipment L.P.	Specialized Heavy Haul
Premay Pipeline Hauling L.P.	Large Diameter Pipe Transportation
Recon Utility Search L.P.	Hydrovac Excavation Services
Smook Contractors Ltd.	Civil Construction
Spearing Service L.P.	Fluid Transportation
TREO Drilling Services L.P.	Core Drilling

(1) On April 1, 2020, the operations of R. E. Line Trucking (Coleville) Ltd. were combined into Heavy Crude Hauling L.P.
(2) On January 1, 2020, the operations of Withers L.P. were combined into Mullen Oilfield Services L.P.
(3) On March 31, 2020, Pe Ben Oilfield Services L.P. ceased operations and is no longer considered a Business Unit for reporting purposes.

A more detailed description of the Business Units is set forth in the Annual Information Form, which is dated February 6, 2020 and is available on SEDAR at www.sedar.com, our website at www.mullen-group.com or upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com.

Capital Allocations

Normal Course Issuer Bid

On March 4, 2020, we announced a normal course issuer bid ("**NCIB**"), commencing March 9, 2020, to purchase for cancellation up to 7,972,926 Common Shares in the open market on or before March 8, 2021. As at September 30, 2020, we had repurchased 7,972,926 Common Shares for $53.4 million, of which 7,914,260 Common Shares were cancelled under this NCIB program. All purchases were made in accordance with the NCIB at prevalent market prices as permitted by the Toronto Stock Exchange. The NCIB can be cancelled at the discretion of the Corporation at any time. At September 30, 2020, the Corporation had 96,910,713 Common Shares issued and outstanding. Subsequent to September 30, 2020, up to and including the date of this report, we repurchased 58,666 Common Shares at a total cost of $0.5 million to be cancelled at the end of October 2020. This completes the NCIB as the Corporation has now repurchased the maximum allowable number of Common Shares under the program.

As at March 4, 2020, the average daily trading volume of the Common Shares on the Exchange ("**ADTV**") for the most recently completed six calendar months was 266,914. Pursuant to the Exchange policies, the maximum number of Common Shares that may be purchased in one day pursuant to the NCIB was the greater of 1,000 and 25.0 percent of ADTV, which amounts to 66,728 Common Shares, subject to certain prescribed exceptions.

The Corporation entered into an automatic securities purchase plan (the "**ASPP**") with its broker, to allow for the repurchase of Common Shares at all times during the course of the NCIB including when the Corporation ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. The funding for the purchase of Common Shares under the NCIB is financed out of the working capital of the Corporation. The ASPP can be cancelled at the discretion of the Corporation at any time.

Dividends

On February 12, 2020, we announced our intention to pay annual dividends of $0.60 per Common Share ($0.05 per Common Share on a monthly basis) for 2020. On March 20, 2020, Mullen Group announced the temporary suspension of the monthly dividend of $0.05 per Common Share for three months, effective April 1, 2020. The suspension of the dividend was in response to the government mandated closure of many businesses, steps initiated to stop the spread of COVID-19. On July 22, 2020, Mullen Group announced the reinstatement of the monthly dividend by paying $0.03 per Common Share on a monthly basis. For the nine month period ending September 30, 2020, we declared monthly dividends totalling $0.24 per Common Share (2019 – $0.45 per Common Share). At September 30, 2020, we had 96,910,713 Common Shares outstanding and a dividend payable of $2.9 million (December 31, 2019 – $5.2 million).

We declared a dividend of $0.03 per Common Share on October 20, 2020, to the holders of record at the close of business on October 31, 2020. The Board will continue to consider the amount of and the record date for the monthly dividend.

Convertible Debentures

In June 2019, we issued $125.0 million of convertible unsecured subordinated debentures (the "**Debentures**"), by way of a bought deal, at a price of $1,000 per Debenture. The Debentures are publicly traded and are listed on the TSX under the symbol "**MTL.DB**". The Debentures will mature on November 30, 2026 and bear interest at an annual rate of 5.75 percent payable semi-annually in arrears on May 31 and November 30 in each year beginning November 30, 2019.

Each $1,000 Debenture is convertible into 71.4286 Common Shares of Mullen Group (such is based on a conversion price of $14.00) at any time at the option of the holders of the Debentures. Thus, an aggregate of approximately 8.9 million Common Shares of Mullen Group may be issued if all the holders convert their principal amount. The proceeds of the offering will be used for general corporate purposes, which may include future acquisitions. As subordinated debt, the accounting value assigned to the Debentures including any related interest expense is excluded from our financial covenant calculations under our Private Placement Debt (as hereafter defined on page 18).

The Debentures shall not be redeemable by the Corporation prior to November 30, 2023. On or after November 30, 2023 and prior to November 30, 2025, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the arithmetic average of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125.0 percent of the conversion price. On or after November 30, 2025 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest if any, up to but excluding the date set for redemption.

The Debentures are comprised of both a debt and equity component, which are presented separately on our condensed consolidated statement of financial position. The debt component represents the total discounted present value of both the semi-annual interest obligations and the principal payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. The result is an accounting value assigned to the debt component of the Debentures, which is less than the principal amount due at maturity. The debt component presented on the condensed consolidated statement of financial position will increase over the term of the Debentures to the full face value of the outstanding Debentures at maturity. This increase will be recognized in the financial statements through a notional increase to interest expense on the Debentures and a resulting decrease to net income. In the event the Debentures are converted prior to maturity, the difference between the carrying amount of such Debentures and their face value would be charged to interest expense. The equity component of the Debentures is presented under "Equity" in the condensed consolidated statement of financial position. The equity component represents the difference between the face value of the Debentures (namely, $125.0 million) and the accounting value assigned to the debt component of the Debentures at the date of issue (namely, $112.6 million). Subject to the impact of the Debentures being converted, this equity component amount will remain constant over the term of the Debentures. Upon conversion of the Debentures into Common Shares, a proportionate amount of both the debt and equity components are transferred to shareholders' capital. Accretion and interest expense on the Debentures are reflected as finance costs in the condensed consolidated statement of comprehensive income.

The transaction costs associated with the Debentures were $5.2 million and are being amortized over the term of the Debentures. If the holders of the Debentures convert the principal portion to Common Shares prior to maturity, the unamortized transaction costs would be expensed and would thereby decrease earnings.

The details of the debt component of the Debentures are as follows:

($ millions)		**September 30, 2020**		**December 31, 2019**	
Year of Maturity	**Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2026	5.75%	**$ 125.0**	**$ 110.5**	$ 125.0	$ 108.7

Capital Expenditures

On February 12, 2020, the Board approved a $50.0 million capital budget for 2020, exclusive of corporate acquisitions, real property and special projects with $45.0 million to be allocated to replace trucks, trailers and specialized equipment to support the operations of the business and $5.0 million allocated to the Corporate Office mainly to complete the Regina, Saskatchewan cross dock facility. On March 20, 2020, we announced that capital expenditures for fiscal 2020 will remain at $50.0 million, although some capital will be delayed due to temporary plant shutdowns and disruptions to the supply chain. The Board will continue to monitor the various sectors of the economy we serve and will adjust the capital budget as required.

In the first nine months of 2020, gross capital expenditures on a pre-consolidated basis were $39.5 million as compared to $55.4 million in 2019, including $2.0 million (2019 – $4.2 million) of equipment transferred between segments to improve asset utilization. These capital expenditures were comprised of $14.7 million in the Less-Than-Truckload segment (2019 – $18.3 million), $7.2 million in the Logistics & Warehousing segment (2019 – $13.5 million), $10.1 million in the Specialized & Industrial Services segment (2019 – $17.3 million) and $7.5 million in the Corporate Office (2019 – $6.3 million). The $15.9 million decrease in gross capital expenditures was mainly due to the delay in new equipment arriving, which resulted from the impact of COVID-19 and the corresponding plant shutdowns and disruptions to the supply chain. Gross dispositions on a pre-consolidated basis were $7.8 million in 2020 as compared to $7.8 million in 2019. These gross dispositions were comprised of $0.5 million in the Less-Than-Truckload segment (2019 – $0.8 million), $1.0 million in the Logistics & Warehousing segment (2019 – $0.9 million), $4.0 million in the Specialized & Industrial Services segment (2019 – $6.1 million) and $2.3 million in the Corporate Office (2019 – nil).

Goodwill

Goodwill is reviewed for impairment annually at December 31, or more frequently if there are indications that impairment may have occurred. One indication that an asset may be impaired occurs when the carrying amount of the net assets of an entity is more than its market capitalization. The carrying amount of Mullen Group's net assets exceeded its market capitalization as at March 31, 2020. Goodwill impairment is tested at the cash generating unit ("**CGU**") level and is determined based upon the recoverable amount of each CGU compared to the CGU's respective carrying amount. At March 31, 2020, the Corporation performed an impairment test for goodwill within certain CGUs, including revising revenue projections downwards and increasing the discount rate, and concluded that there was no impairment of goodwill as the recoverable amount for these CGUs was higher than their respective carrying amount. Given the unprecedented economic impact due to COVID-19 and low oil prices, we will continue to monitor events in the fourth quarter and our assumptions used for such impairment tests.

Acquisitions

The acquisitions set forth below have been accounted for by the acquisition method and the financial results of operations have been included in the accompanying Interim Financial Statements from the date of acquisition.

2020

Pacific Coast Express Limited – On August 1, 2018, we acquired 40.0 percent of the issued and outstanding shares of Pacific Coast Express Limited ("**PCX**") for $2.0 million. We used the equity method to account for this investment and recognized $1.6 million of earnings from August 1, 2018 until September 1, 2020. On September 1, 2020, we acquired all of the remaining issued and outstanding shares of PCX including two of PCX's operating facilities, one in Calgary, Alberta and one in Winnipeg, Manitoba for cash consideration of $14.4 million. We recorded $14.4 million of cash used to acquire PCX in our condensed consolidated statement of cash flows, which consists of $14.2 million of cash consideration paid on closing and $0.2 million of bank indebtedness acquired. The fair value of PCX was $18.4 million on the date control was obtained resulting in a $0.4 million gain on this equity investment being recognized within other (income) expense on the condensed consolidated statement of comprehensive income. PCX is based out of the Lower Mainland of British Columbia and provides expedited handling of international less-than-truckload and truckload shipments to and from western Canada, the western United States and Mexico, along with shipments between multiple points in western Canada. PCX operates an owner operator and logistics model from four locations with its head office in Surrey, British Columbia, along with operating terminals in Edmonton and Calgary, Alberta and Winnipeg, Manitoba. We acquired PCX as part of our strategy to invest in the transportation sector in western Canada. The financial results of PCX's operations are included in the Less-Than-Truckload segment.

2019

Argus Carriers Ltd. and Inter-Urban Delivery Service Ltd. – On July 1, 2019, we acquired all of the issued and outstanding shares of Argus Carriers Ltd. ("**Argus**") and Inter-Urban Delivery Service Ltd. ("**Inter-Urban**") for total cash consideration of $20.0 million. Both Argus and Inter-Urban provide transportation and logistics services in the Lower Mainland of British Columbia. We acquired Argus and Inter-Urban as part of our strategy to invest in transportation and logistics companies that have a strong regional LTL presence centrally located to serve consumers in large urban centres. Argus and Inter-Urban financial results were included in the Less-Than-Truckload segment.

Argus, a well-established company founded in 1948, has approximately 95 employees and dedicated owner operators and operates a fleet of 57 trucks and 46 trailers providing general freight services including: local pick-up and delivery, warehousing, regional LTL, dedicated and linehaul trucking from four British Columbia operating terminals – Burnaby, Kelowna, Victoria, and Nanaimo. In addition, Argus provides daily LTL service to the Pacific Northwest of the United States.

Inter-Urban, also a well-established company founded in 1974, has approximately 70 employees and dedicated owner operators and operates 43 trucks and 26 trailers focusing on critical same day delivery service for the healthcare sector including: cross-border linehaul, cross-border LTL cartage, dedicated and local pick-up and delivery. Inter-Urban operates from a terminal based in Abbotsford, British Columbia.

Jen Express Inc. – On May 1, 2019, we acquired the business and assets of Jen Express Inc. ("**Jen Express**") for cash consideration of $1.5 million. Included in this amount is $0.3 million of contingent consideration. Pursuant to the purchase and sale agreement, the vendor may receive cash consideration of up to $0.3 million for achieving certain financial targets over the two year period ending May 1, 2021. The funds to settle this liability have been set aside in an escrow account, which have been presented within cash and cash equivalents. We acquired Jen Express as part of our strategy to invest in the transportation sector in western Canada. Located in Stettler, Alberta, Jen Express offers LTL services and has been integrated into the operations of Hi-Way 9 Express Ltd. ("**Hi-Way 9**"), whose financial results were included in the Less-Than-Truckload segment.

Intangible Assets

In the second quarter of 2019, MT purchased a customer list for Hi-Way 9 from a third-party for $0.4 million. The customer list included LTL customers in the Alberta and British Columbia regions.

Bank Credit Facility Amendments

On October 24, 2018, we entered into an agreement to amend the amount available to be borrowed on the credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). The amount available to be borrowed on the Bank Credit Facility was increased by $50.0 million to $125.0 million. On June 21, 2019, the amount available to be borrowed on the Bank Credit Facility was increased by $25.0 million to $150.0 million. All other terms under the Bank Credit Facility remain the same. This facility does not have any financial covenants, however, we cannot be in default of our Private Placement Debt (as hereafter defined on page 18) and we must be in compliance with certain reporting and general covenants. We are in compliance with all of these reporting and general covenants.

Subsequent Event

Subsequent to September 30, 2020, we purchased a strategic parcel of real estate in Calgary, Alberta for $7.5 million. The purchase of this real estate provides us with the opportunity to continue to expand our logistics and warehousing network as well as enable our Business Units to operate more efficiently.

International Warehousing & Distribution Inc. – In October 2020, we announced an agreement to acquire all of the issued and outstanding shares of International Warehousing & Distribution Inc. ("**IWD**") for $5.0 million. IWD is based out of Mississauga, Ontario and provides sufferance warehousing and distribution services in Ontario. We are acquiring IWD as part of our strategy to invest in the warehousing and transportation sector in eastern Canada. The acquisition of IWD expands our service offering to the greater Toronto, Ontario market.

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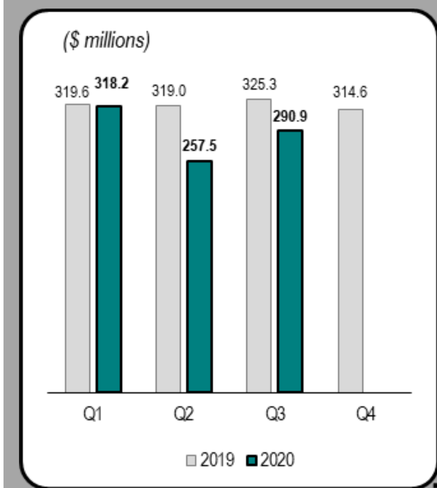
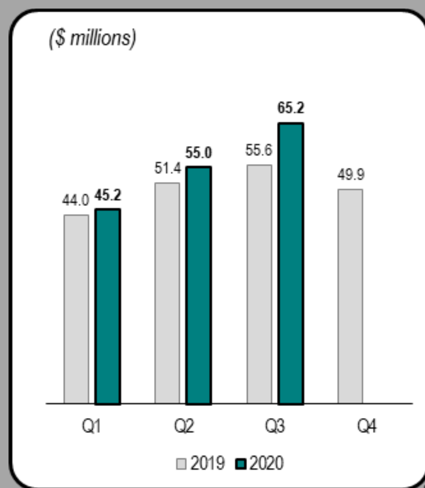
CONSOLIDATED FINANCIAL RESULTS – THREE MONTH PERIOD ENDED SEPTEMBER 30, 2020

Summary – Trailing Seven Quarters

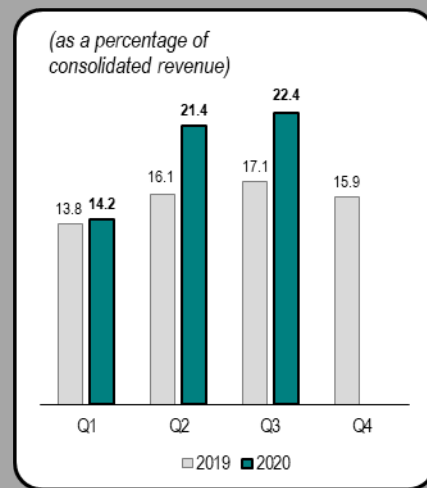
Consolidated Revenue



OIBDA



Operating Margin[1]



Our results for the quarter rebounded as compared to the second quarter of this year, reflecting a strong recovery in economic activity driven by what appears to be an acceleration in consumer spending. There remain sectors of the economy and regions in Canada that continue to be more negatively impacted by COVID-19, however, there were obvious improvements quarter over quarter as reflected in the economic data and our financial performance.

Consolidated revenue was down marginally year over year primarily due to changes in the economy including the lack of capital investment and oil and natural gas activity in western Canada, which continues to underperform due to low commodity prices. Overall, it was a strong quarter from a revenue perspective despite some of the challenges.

An obvious highlight in the quarter is the operating profitability of our company. The results were significantly higher than our expectations, than the second quarter as well as year over year. We attribute the solid quarter to a number of factors, including:

- Our network of Business Units continue to operate at a very high level, managing costs effectively. All three operating segments contributed.
- Robust consumer spending proved beneficial to the Less-Than-Truckload segment.
- The Specialized & Industrial Services segment had an excellent quarter due to major pipeline construction activity, an increase in civil construction in northern Manitoba and increased maintenance and turnaround work associated with the oil industry.
- Lower fuel costs associated with the continued weakness in the price of crude oil – fuel costs declined by $3.9 million year over year.
- The Government of Canada reimbursed many Canadian businesses for the lost business associated with the mandatory closure of many parts of the economy. We had 24 Business Units qualify for $10.3 million in wage subsidies through the CEWS program during the quarter.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Revenue

*Revenue is generated by the Corporation through its Business Units. These Business Units are divided into three operating segments: Less-Than-Truckload, Logistics & Warehousing and Specialized & Industrial Services. The Business Units utilize a combination of company assets that are either owned by the Business Unit or leased ("**Company Equipment**"), owner operators who provide trucks and/or trailers and work exclusively for the Business Unit under annual contracts and subcontractors who own their own equipment and are used during times of peak demand (collectively, "**Contractors**").*

Q3 Consolidated Revenue by Segment *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Less-Than-Truckload	**112.7**	**38.7**	115.9	35.5	(3.2)	(2.8)
Logistics & Warehousing	**86.2**	**29.6**	98.8	30.3	(12.6)	(12.8)
Specialized & Industrial Services	**92.4**	**31.7**	111.5	34.2	(19.1)	(17.1)
Corporate and intersegment eliminations	**(0.4)**	**—**	(0.9)	—	0.5	—
Total	**290.9**	**100.0**	325.3	100.0	(34.4)	(10.6)

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the third quarter decreased by $34.4 million, or 10.6 percent, to $290.9 million as compared to $325.3 million in 2019. The negative effects of the COVID-19 pandemic continued to impact the demand for most trucking and logistics services. In our Less-Than-Truckload segment that is tied to the consumer part of the economy, revenue declined by only 2.8 percent or $3.2 million year over year reflecting the steady nature of the consumer demand. The demand for Logistics & Warehousing segment services was much softer than 2019 due to plant closures, a lack of investment in capital equipment by business and other issues related to COVID-19. As a result, this segment experienced a revenue decline of 12.8 percent or $12.6 million. In our Specialized & Industrial Services segment, revenue decreased by 17.1 percent, or $19.1 million, due to the collapse in oil prices and the lack of oilfield drilling and maintenance activity that was offset by strong pipeline construction activity. Fuel surcharge revenue was $14.9 million as compared to $21.1 million in 2019.

Q3 Consolidated Revenue *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**219.1**	**75.3**	236.1	72.6	(17.0)	(7.2)
Contractors	**70.7**	**24.3**	88.0	27.1	(17.3)	(19.7)
Other	**1.1**	**0.4**	1.2	0.3	(0.1)	(8.3)
Total	**290.9**	**100.0**	325.3	100.0	(34.4)	(10.6)

Revenue generated by Company Equipment decreased by $17.0 million, or 7.2 percent, to $219.1 million as compared to $236.1 million in 2019 and represented 75.3 percent of consolidated revenue in the current period as compared to 72.6 percent in 2019. Revenue related to Contractors decreased by $17.3 million, or 19.7 percent, to $70.7 million as compared to $88.0 million in 2019 and represented 24.3 percent of consolidated revenue in the current period as compared to 27.1 percent in 2019. The increase in proportion of revenue generated by Company Equipment was due to the relative strength of our Less-Than-Truckload segment and the increase in revenue experienced by Premay Pipeline and Smook.

Direct Operating Expenses

*Direct operating expenses ("**DOE**") include two main categories of expenses. The first category of DOE relates to the direct costs incurred to operate and maintain Company Equipment. The major DOE associated with operating Company Equipment are wages, Canada Emergency Wage Subsidy ("**CEWS**"), fuel, repairs and maintenance, purchased transportation and operating supplies. The other expenses included under DOE – Company mainly consist of short-term or low value leases, equipment rent, insurance and licensing costs. The second category of DOE are the costs incurred to hire Contractors, whether owner operators or subcontractors.*

Q3 Consolidated Direct Operating Expenses *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**59.3**	**27.1**	63.0	26.7	(3.7)	(5.9)
CEWS	**(8.0)**	**(3.7)**	—	—	(8.0)	—
Fuel	**15.2**	**6.9**	19.1	8.1	(3.9)	(20.4)
Repairs and maintenance	**26.1**	**11.9**	31.4	13.3	(5.3)	(16.9)
Purchased transportation	**22.2**	**10.1**	25.1	10.6	(2.9)	(11.6)
Operating supplies	**15.8**	**7.2**	16.9	7.2	(1.1)	(6.5)
Other	**6.4**	**3.0**	6.7	2.8	(0.3)	(4.5)
	137.0	**62.5**	162.2	68.7	(25.2)	(15.5)
Contractors	**53.7**	**76.0**	66.1	75.1	(12.4)	(18.8)
Total	**190.7**	**65.6**	228.3	70.2	(37.6)	(16.5)

**as a percentage of respective Consolidated revenue*

DOE were $190.7 million in the third quarter as compared to $228.3 million in 2019. This decrease of $37.6 million, or 16.5 percent, was in line with the $34.4 million, or 10.6 percent, decrease in consolidated revenue. We actively managed all costs during the quarter under our cost management plan called the "**COVID-19 Action Plan**". The COVID-19 Action Plan focused on adjusting staffing levels for current and anticipated revenue levels, implementing temporary pay cuts and managing all other costs, especially repairs and maintenance expense and monitoring bad debts.

DOE associated with Company Equipment decreased to $137.0 million as compared to $162.2 million in 2019. This decrease of $25.2 million, or 15.5 percent, was attributable to the $17.0 million, or 7.2 percent, decrease in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses decreased by 6.2 percent to 62.5 percent as compared to 68.7 percent in 2019 due to CEWS as well as decreased fuel expenses and cost control initiatives under the COVID-19 Action Plan. Excluding CEWS, as a percentage of Company revenue these expenses decreased by 2.5 percent to 66.2 percent as compared to 68.7 percent in 2019.

Contractors expense in the third quarter decreased to $53.7 million as compared to $66.1 million in 2019. This $12.4 million, or 18.8 percent, decrease was generally in line with the $17.3 million, or 19.7 percent, decline in Contractors revenue. As a percentage of revenue, Contractors expense increased by 0.9 percent to 76.0 percent as compared to 75.1 percent in 2019 and was mainly attributable to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells.

Selling and Administrative Expenses

*Selling and administrative ("**S&A**") expenses include salaries, CEWS, employee profit share and other administrative expenses incurred to support the operations of Mullen Group and its Business Units.*

Q3 Consolidated Selling and Administrative Expenses ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**22.0**	**7.6**	24.2	7.4	(2.2)	(9.1)
CEWS	**(2.3)**	**(0.8)**	—	—	(2.3)	—
Communications, utilities and general supplies	**9.5**	**3.3**	11.2	3.4	(1.7)	(15.2)
Profit share	**3.6**	**1.2**	3.4	1.0	0.2	5.9
Foreign exchange	**0.5**	**0.2**	—	—	0.5	—
Stock-based compensation	**0.3**	**0.1**	0.3	0.1	—	—
Rent and other	**1.4**	**0.4**	2.3	0.8	(0.9)	(39.1)
Total	**35.0**	**12.0**	41.4	12.7	(6.4)	(15.5)

**as a percentage of total Consolidated revenue*

S&A expenses for the period declined by $6.4 million to $35.0 million as compared to $41.4 million in 2019, largely due to cost control initiatives and CEWS being partially offset by the $0.5 million negative variance in foreign exchange expense that related to the year over year change in the Canadian dollar relative to the U.S. dollar and the $0.3 million of incremental S&A expenses associated with acquisitions. Excluding CEWS, S&A expenses rose as a percentage of revenue to 12.8 percent as compared to 12.7 percent due to the decline in consolidated revenue being mostly offset by cost management initiatives under the COVID-19 Action Plan.

Operating Income Before Depreciation and Amortization

*Operating income before depreciation and amortization ("**OIBDA**") is net income before, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, finance costs, net foreign exchange gains and losses, other (income) expense and income taxes.*

Q3 Consolidated Operating Income Before Depreciation and Amortization ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Less-Than-Truckload	**22.4**	**34.4**	19.2	34.5	3.2	16.7
Logistics & Warehousing	**17.7**	**27.1**	15.2	27.3	2.5	16.4
Specialized & Industrial Services	**27.5**	**42.2**	23.7	42.7	3.8	16.0
Corporate	**(2.4)**	**(3.7)**	(2.5)	(4.5)	0.1	(4.0)
Total	**65.2**	**100.0**	55.6	100.0	9.6	17.3

OIBDA for the period was $65.2 million, or 22.4 percent of revenue, as compared to $55.6 million, or 17.1 percent, in 2019 as a result of $10.3 million of CEWS. Excluding CEWS, OIBDA was $54.9 million for an operating margin[1] of 18.9 percent, an improvement from the 17.1 percent operating margin[1] achieved in 2019. The $9.6 million increase in OIBDA was comprised of a $3.2 million increase in the Less-Than-Truckload segment, a $2.5 million increase in the Logistics & Warehousing segment, a $3.8 million increase in the Specialized & Industrial Services segment and a $0.1 million reduction in Corporate costs.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $18.2 million in the third quarter as compared to $18.6 million in 2019. This decrease of $0.4 million was mainly attributable to a lower amount of depreciation being recognized in the Specialized & Industrial Services segment, which was somewhat offset by a greater amount of depreciation

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

being recorded in the Less-Than-Truckload segment. Depreciation in the Logistics & Warehousing segment and the Corporate Office remained consistent on a year over year basis. Depreciation in the Specialized & Industrial Services segment decreased by $0.8 million due to the lower amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. Depreciation in the Less-Than-Truckload segment increased by $0.4 million due to a greater amount of capital expenditures being made within this segment.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was $2.8 million in the third quarter as compared to $2.8 million in 2019. The majority of our right-of-use assets consist of real property leases within the Less-Than-Truckload segment and the Logistics & Warehousing segment. There was a decrease of $0.1 million of depreciation of right-of-use assets being recorded in the Specialized & Industrial Services segment, which was offset by a greater amount of depreciation being recognized in the Logistics & Warehousing segment. Depreciation in the Less-Than-Truckload segment remained consistent on a year over year basis. Depreciation in the Specialized & Industrial Services segment decreased due to some real property leases that have come to the end of their term and were not renewed. Depreciation in the Logistics & Warehousing segment increased slightly due to the renewal of certain real property leases.

Amortization of Intangible Assets

Intangible assets are normally acquired on acquisitions and are mainly comprised of customer relationship values and non-competition agreements that are amortized over their estimated life from the date of acquisition. Amortization of intangible assets was $4.4 million in the third quarter as compared to $5.1 million in 2019. This decrease of $0.7 million mainly resulted from certain intangible assets becoming fully amortized, which was somewhat offset by the additional amortization recorded on the intangible assets associated with the acquisition of PCX.

Finance Costs

Finance costs consist of:

- Interest expense on financial liabilities, including:
  - U.S. $117.0 million of Series G Notes, U.S. $112.0 million of Series H Notes, $30.0 million of Series I Notes, $3.0 million of Series J Notes, $58.0 million of Series K Notes and $80.0 million of Series L Notes (collectively, the "**Private Placement Debt**");
  - the **Debentures** that were issued in June 2019;
  - lease liabilities; and
  - borrowings on the Bank Credit Facility.
- Less any interest income generated from the debentures issued to our equity investees and from cash and cash equivalents.

Finance costs were $6.8 million in the third quarter as compared to $6.9 million in 2019. The decrease of $0.1 million was mainly attributable to a lower amount of interest expense being recorded on our U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar.

Net Foreign Exchange (Gain) Loss

We recognize foreign exchange gains or losses at the end of each reporting period related to our U.S. dollar debt and from our two cross-currency swap contracts. In 2014 we entered into two cross-currency swap contracts to swap the principal portion of the Series G (U.S. $117.0 million) and Series H (U.S. $112.0 million) Notes (collectively, the "**Cross-Currency Swaps**") into Canadian dollars at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These swap contracts were entered into as a method of hedging the U.S. debt notes against any declines in the Canadian dollar vis-à-vis the U.S. dollar.

The net foreign exchange gain was $0.1 million in the third quarter of 2020 as compared to a net foreign exchange gain of $3.9 million in 2019. The net foreign exchange gain of $0.1 million in 2020 resulted even though the principal portion of all our U.S. $229.0 million debt is hedged by our Cross-Currency Swaps. This gain is due to how our U.S. dollar debt and our Cross-Currency Swaps are valued for accounting purposes. Our U.S. dollar debt is valued at the end of each quarter using the closing exchange rate between the Canadian dollar vis-à-vis the U.S. dollar (the "**Spot Rate**"). In addition to the Spot Rate, our Cross-Currency Swaps are valued using a discounted value from maturity of the forward rate, which is influenced by changes in interest rate differentials between Canada and the United States. As the Cross-Currency Swaps get closer to maturity, their accounting value should more closely correlate to the value of our U.S. dollar debt. The variance of $3.8 million was mainly attributable to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the net foreign exchange (gain) loss are as follows:

Net Foreign Exchange (Gain) Loss	**Three month periods ended September 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2020**	**2019**
Foreign exchange (gain) loss on U.S. $ debt	**(6.7)**	3.6
Foreign exchange loss (gain) on Cross-Currency Swaps	**6.6**	(7.5)
Net foreign exchange (gain) loss	**(0.1)**	(3.9)

Foreign Exchange (Gain) Loss on U.S. $ Debt

We recorded a foreign exchange gain of $6.7 million related to our U.S. dollar debt due to the $0.0289 strengthening of the Canadian dollar relative to the U.S. dollar during the third quarter of 2020. For the same period in 2019, we recorded a foreign exchange loss of $3.6 million due to the weakening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange (gain) loss on the U.S. dollar debt are summarized in the following table:

Foreign Exchange (Gain) Loss on U.S. $ Debt	**Three month periods ended September 30**					
	2020			**2019**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – September 30	**229.0**	**1.3339**	**305.5**	229.0	1.3243	303.3
Beginning – June 30	**229.0**	**1.3628**	**312.2**	229.0	1.3087	299.7
Foreign exchange (gain) loss on U.S. $ debt			**(6.7)**			3.6

Foreign Exchange Loss (Gain) on Cross-Currency Swaps

On July 25, 2014, we entered into two Cross-Currency Swaps with a Canadian bank to swap U.S. $117.0 million and U.S. $112.0 million into Canadian currency at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. The Cross-Currency Swaps convert the repayment of the principal portion of the Series G and Series H Notes into a Canadian currency equivalent of $129.2 million and $124.9 million, respectively. We record the foreign exchange gain or loss relating to these Cross-Currency Swaps within net foreign exchange (gain) loss on the condensed consolidated statement of comprehensive income, which is consistent with its underlying nature and purpose. The carrying value of these Cross-Currency Swaps are recorded within derivative financial instruments ("**Derivatives**") in the condensed consolidated statement of financial position.

We recorded a foreign exchange loss on Cross-Currency Swaps of $6.6 million in the third quarter of 2020 as compared to a $7.5 million gain in 2019. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange Loss (Gain) on Cross-Currency Swaps	**Three month periods ended September 30**			
	2020		**2019**	
(unaudited) ***($ millions)***	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117.0**	**3.5**	117.0	(3.5)
Cross-Currency Swap maturing October 22, 2026	**112.0**	**3.1**	112.0	(4.0)
Foreign exchange loss (gain) on Cross-Currency Swaps		**6.6**		(7.5)

Other (Income) Expense

Other (income) expense consists of the change in fair value of investments, the gain or loss on sale of the Corporation's assets including property, plant and equipment, earnings from equity investments and the gain on fair value of equity investment. Other income in the third quarter was $1.9 million, a $1.7 million positive variance as compared to the $0.2 million of other income recorded in 2019. The $1.7 million positive variance was due to the factors set forth below:

<u>Change in Fair Value of Investments (positive variance of $0.2 million)</u>. We periodically invest in certain public corporations. We recorded a decrease in the fair value of investments of $0.1 million in the third quarter as compared to a $0.3 million decrease in 2019. There were no investments purchased or sold in either the third quarter of 2020 or 2019.

<u>Gain or Loss on Sale of Property, Plant and Equipment (positive variance of $1.3 million)</u>. We recognized a gain of $0.9 million on sale of property, plant and equipment on total consolidated proceeds on sale of $2.6 million in the third quarter as compared to a $0.4 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $1.2 million in 2019. The $0.9 million gain on sale of property, plant and equipment in 2020 mainly resulted from the sale of redundant real property within the Corporate Office.

<u>Earnings from Equity Investments (negative variance of $0.2 million)</u>. We recognized $0.7 million of earnings from equity investments in the third quarter as compared to earnings of $0.9 million in 2019. The $0.2 million negative variance was mainly due to declines in demand for their services, which resulted from lower economic activity. We use the equity method to account for investments in which we obtain significant influence or joint control over the investee and we recognize earnings from these equity investments from the date thereof. The following table details our equity investments and the date from which we commenced recording earnings from them.

Equity Investment	**Date of Significant Influence or Joint Control Obtained**
Canol Oilfield Services Inc.	January 1, 2013
Kriska Transportation Group Limited	December 1, 2014
Cordova Oilfield Services Ltd.	April 17, 2015
Butler Ridge Energy Services (2011) Ltd.	July 1, 2015
Thrive Management Group Ltd.	September 27, 2017

<u>Gain on Fair Value of Equity Investment (positive variance of $0.4 million)</u>. We acquired control of PCX through a series of transactions. On August 1, 2018, we acquired 40.0 percent of the issued and outstanding shares of PCX for $2.0 million and then recognized $1.6 million of earnings from this equity investment until September 1, 2020, the date we obtained control. We acquired all the remaining issued and outstanding shares of PCX for cash

consideration of $14.4 million. The fair value of PCX was $18.4 million on the date control was obtained resulting in a $0.4 million gain on this equity investment.

Income Taxes

(unaudited) *($ millions)*	Three month periods ended September 30			
		2020		**2019**
Income before income taxes	**$**	**35.0**	$	26.3
Combined statutory tax rate		**26%**		27%
Expected income tax		**9.1**		7.1
Add (deduct):				
Non-deductible (taxable) portion of net foreign exchange loss (gain)		**—**		(0.5)
Non-deductible (taxable) portion of the change in fair value of investments		**(0.1)**		—
Stock-based compensation expense		**—**		0.1
Changes in unrecognized deferred tax asset		**—**		(0.5)
Decrease in income tax due to changes in income tax rates		**—**		(0.1)
Other		**(0.2)**		(0.3)
Income tax expense	**$**	**8.8**	$	5.8

Income tax expense was $8.8 million in the third quarter of 2020 as compared to $5.8 million in 2019. The increase of $3.0 million was mainly attributable to the greater amount of income generated in 2020 as compared to the prior year and from the variance in net foreign exchange.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended September 30				
		2020		**2019**	**% Change**
Net income	**$**	**26.2**	$	20.5	27.8
Weighted average number of Common Shares outstanding		**98,507,667**		104,824,973	(6.0)
Earnings per share – basic	**$**	**0.27**	$	0.20	35.0

Net income increased to $26.2 million in the third quarter of 2020 as compared to $20.5 million in 2019. The factors contributing to the increase in net income include:

- a $9.6 million increase in OIBDA;
- a $1.3 million increase in the gain on sale of property, plant and equipment;
- a $0.7 million decrease in amortization of intangible assets;
- a $0.4 million gain on fair value of equity investment;
- a $0.4 million decrease in depreciation of property, plant and equipment;
- a $0.2 million positive variance in the fair value of investments; and
- a $0.1 million decrease in finance costs.

These factors were somewhat offset by the following factors that decreased net income:

- a $3.8 million negative variance in net foreign exchange;
- a $3.0 million increase in income tax expense; and
- a $0.2 million decrease in earnings from equity investments.

Basic earnings per share increased to $0.27 in 2020 as compared to $0.20 in 2019. This increase resulted from the effect of the $5.7 million increase in net income. The weighted average number of Common Shares outstanding decreased from 104,824,973 to 98,507,667, which was due to the repurchase and cancellation of 7,914,260 Common Shares under the NCIB.

Net Income – Adjusted and Earnings per Share – Adjusted

The following table illustrates net income and basic earnings per share before considering the impact of the net foreign exchange gains or losses, the change in fair value of investments, and the gain on fair value of equity investment. Net income and basic earnings per share have been adjusted to reflect earnings from a strictly operating perspective.

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended September 30** **2020**	**2019**
Income before income taxes	**$ 35.0**	$ 26.3
Add (deduct):		
Net foreign exchange (gain) loss	**(0.1)**	(3.9)
Change in fair value of investments	**0.1**	0.3
Gain on fair value of equity investment	**(0.4)**	—
Income before income taxes – adjusted	**34.6**	22.7
Income tax rate	**26%**	27%
Computed expected income tax expense	**9.0**	6.2
Net income – adjusted[1]	**25.6**	16.5
Weighted average number of Common Shares outstanding – basic	**98,507,667**	104,824,973
Earnings per share – adjusted[1]	**$ 0.26**	$ 0.16

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

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SEGMENTED INFORMATION –
THREE MONTH PERIOD ENDED SEPTEMBER 30, 2020

Three month period ended September 30, 2020 ***(unaudited)*** ***($ millions)***	**Less-Than -Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate and intersegment eliminations**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue	**112.7**	**86.2**	**92.4**	**(0.4)**	**290.9**
Direct operating expenses	**75.5**	**59.5**	**56.8**	**(1.1)**	**190.7**
Selling and administrative expenses	**14.8**	**9.0**	**8.1**	**3.1**(1)	**35.0**
Operating income before depreciation and amortization	**22.4**	**17.7**	**27.5**	**(2.4)**	**65.2**
Net capital expenditures(2)	**6.0**	**1.6**	**1.0**	**(1.0)**	**7.6**

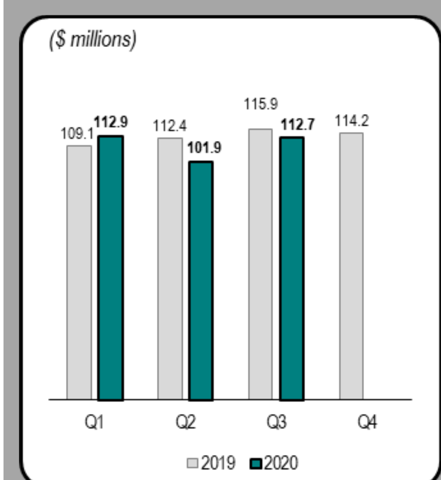
Three month period ended September 30, 2019 ***(unaudited)*** ***($ millions)***	**Less-Than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate and intersegment eliminations**	**Total**
	$	$	$	$	$
Revenue	115.9	98.8	111.5	(0.9)	325.3
Direct operating expenses	81.7	72.8	75.7	(1.9)	228.3
Selling and administrative expenses	15.0	10.8	12.1	3.5(3)	41.4
Operating income before depreciation and amortization	19.2	15.2	23.7	(2.5)	55.6
Net capital expenditures(2)	7.5	2.5	3.6	3.2	16.8

(1) *Includes a $0.4 million foreign exchange loss.*
(2) *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".*
(3) *Includes a nil amount of foreign exchange.*

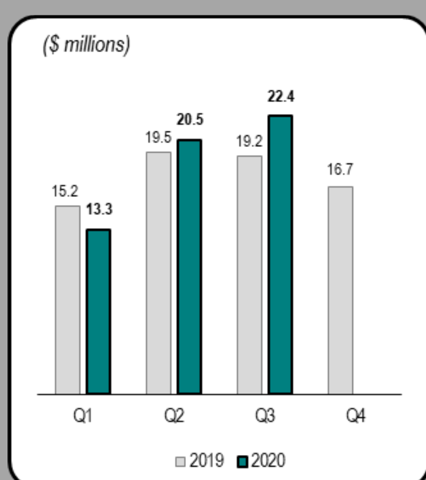
LESS-THAN-TRUCKLOAD SEGMENT

Summary – Trailing Seven Quarters

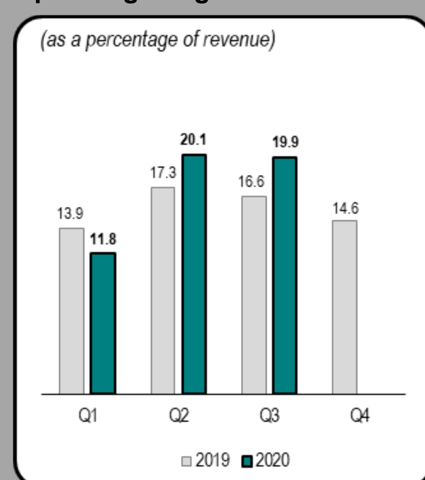
Revenue



OIBDA



Operating Margin[1]



[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Revenue

Q3 Revenue – Less-Than-Truckload *(unaudited)* *($ millions)*	2020		2019		Change	
	$	%	$	%	$	%
Company	**108.3**	**96.1**	114.3	98.6	(6.0)	(5.2)
Contractors	**4.2**	**3.7**	1.6	1.4	2.6	162.5
Other	**0.2**	**0.2**	—	—	0.2	—
Total	**112.7**	**100.0**	115.9	100.0	(3.2)	(2.8)

Segment revenue declined by $3.2 million, or 2.8 percent, to $112.7 million as compared to $115.9 million in 2019 and represented 38.7 percent of pre-consolidated revenue as compared to 35.5 percent in 2019. This decline in revenue was mainly attributable to a reduction in fuel surcharge revenue as well as the negative effects of the COVID-19 pandemic being partially offset by the acquisition of PCX. Specific factors affecting segment revenue were:

- a $2.0 million increase in revenue generated from the acquisition of PCX;
- a decrease of $3.2 million in fuel surcharge revenue to $10.1 million, from the $13.3 million generated in 2019 resulting from the decline in diesel fuel prices; and
- a more pronounced decline in freight demand in Alberta.

Direct Operating Expenses

Q3 Direct Operating Expenses – Less-Than-Truckload *(unaudited)* *($ millions)*	2020		2019		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**29.0**	**26.8**	30.9	27.0	(1.9)	(6.1)
CEWS	**(1.4)**	**(1.3)**	—	—	(1.4)	—
Fuel	**8.7**	**8.0**	10.9	9.5	(2.2)	(20.2)
Repairs and maintenance	**11.5**	**10.6**	11.8	10.3	(0.3)	(2.5)
Purchased transportation	**20.1**	**18.6**	22.7	19.9	(2.6)	(11.5)
Operating supplies	**1.5**	**1.4**	1.4	1.2	0.1	7.1
Other	**3.4**	**3.1**	3.1	2.8	0.3	9.7
	72.8	**67.2**	80.8	70.7	(8.0)	(9.9)
Contractors	**2.7**	**64.3**	0.9	56.3	1.8	200.0
Total	**75.5**	**67.0**	81.7	70.5	(6.2)	(7.6)

**as a percentage of respective Less-Than-Truckload revenue*

DOE were $75.5 million as compared to $81.7 million in 2019. The decrease of $6.2 million, or 7.6 percent, was directly related to the $3.2 million, or 2.8 percent, decrease in segment revenue. As a percentage of revenue these expenses decreased by 3.5 percent to 67.0 percent as compared to 70.5 percent in 2019, largely as a result of CEWS. Excluding CEWS, these expenses decreased by 2.3 percent as a percentage of revenue to 68.2 percent as compared to 70.5 percent in 2019.

DOE associated with Company Equipment decreased by $8.0 million, or 9.9 percent, to $72.8 million as compared to $80.8 million in 2019. This decrease was directly related to the $6.0 million, or 5.2 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 3.5 percent to 67.2 percent as compared to 70.7 percent in 2019, primarily due to CEWS and lower fuel costs. CEWS accounted for a reduction in expenses of $1.4 million.

Contractors expense increased by $1.8 million to $2.7 million as compared to $0.9 million in 2019. This increase was directly related to the $2.6 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 64.3 percent as compared to 56.3 percent in 2019.

Selling and Administrative Expenses

Q3 Selling and Administrative Expenses – Less-Than-Truckload ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**9.4**	**8.3**	9.2	7.9	0.2	2.2
CEWS	**(0.3)**	**(0.2)**	—	—	(0.3)	—
Communications, utilities and general supplies	**4.1**	**3.6**	4.1	3.5	—	—
Profit share	**1.0**	**0.9**	0.9	0.8	0.1	11.1
Foreign exchange	**—**	**—**	—	—	—	—
Rent and other	**0.6**	**0.5**	0.8	0.7	(0.2)	(25.0)
Total	**14.8**	**13.1**	15.0	12.9	(0.2)	(1.3)

**as a percentage of total Less-Than-Truckload revenue*

S&A expenses decreased by $0.2 million to $14.8 million as compared to $15.0 million in 2019 primarily due to CEWS, which was $0.3 million, being partially offset by the $0.3 million of incremental S&A expenses associated with the acquisition of PCX. S&A expenses as a percentage of segment revenue increased by 0.2 percent to 13.1 percent as compared to 12.9 percent in 2019. Excluding CEWS, S&A expenses as a percentage of segment revenue were 13.4 percent. This increase was due to the fixed nature of these expenses relative to the decrease in revenue.

Operating Income Before Depreciation and Amortization

OIBDA increased by $3.2 million, or 16.7 percent, to $22.4 million as compared to $19.2 million in 2019. The increase in OIBDA was due to $1.7 million of CEWS, lower fuel costs and $0.4 million of incremental OIBDA generated by PCX. Operating margin[1] increased to 19.9 percent as compared to 16.6 percent in 2019. Excluding CEWS, the operating margin[1] was 18.4 percent.

Capital Expenditures

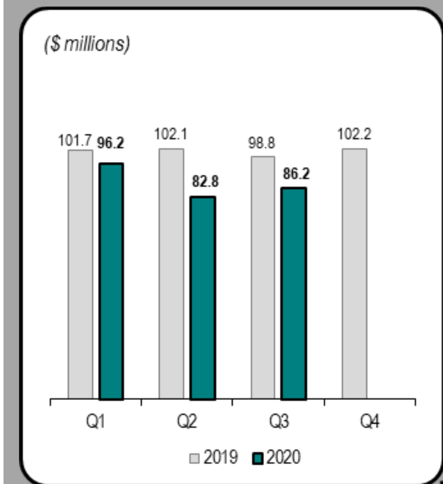
Net capital expenditures[1] were $6.0 million in the third quarter, a decrease of $1.5 million as compared to $7.5 million in 2019. The Less-Than-Truckload segment had gross capital expenditures of $6.1 million and dispositions of $0.1 million for net capital expenditures[1] of $6.0 million in 2020. The majority of the capital invested consisted of trucks and trailers to support growth opportunities as well as replace some older less efficient equipment. In 2019 gross capital expenditures were $7.7 million and dispositions were $0.2 million for net capital expenditures[1] of $7.5 million.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

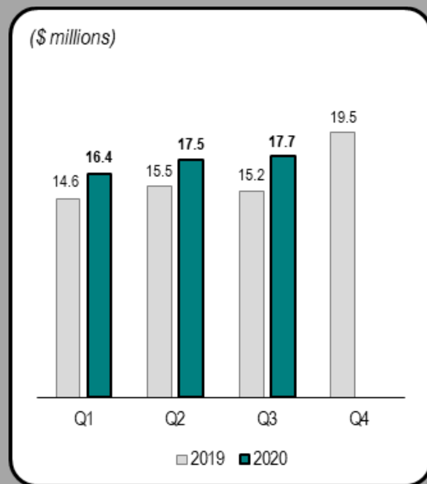
LOGISTICS & WAREHOUSING SEGMENT

Summary – Trailing Seven Quarters

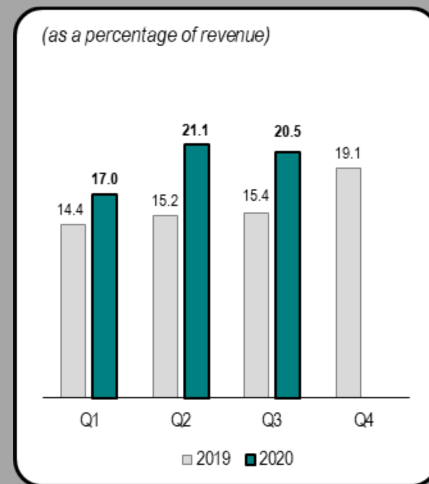
Revenue



OIBDA



Operating Margin[1]



Revenue

Q3 Revenue – Logistics & Warehousing *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**32.1**	**37.2**	32.1	32.5	—	—
Contractors	**53.8**	**62.4**	66.4	67.2	(12.6)	(19.0)
Other	**0.3**	**0.4**	0.3	0.3	—	—
Total	**86.2**	**100.0**	98.8	100.0	(12.6)	(12.8)

Segment revenue fell by $12.6 million, or 12.8 percent, to $86.2 million as compared to $98.8 million in 2019 and represented 29.6 percent of pre-consolidated revenue as compared to 30.3 percent in 2019. Segment revenue decreased as a result of the effects of the COVID-19 virus in North America. This negatively impacted both freight volumes and spot prices. Further, fuel surcharge revenue declined by $2.6 million to $4.0 million as compared to $6.6 million in 2019 due to lower diesel fuel prices.

Revenue related to Company Equipment was steady at $32.1 million as compared to $32.1 million in 2019 and represented 37.2 percent of segment revenue in the current period as compared to 32.5 percent in 2019. Revenue related to Contractors decreased by $12.6 million, or 19.0 percent, to $53.8 million as compared to $66.4 million in 2019 and represented 62.4 percent of segment revenue in the current period as compared to 67.2 percent in 2019.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Direct Operating Expenses

Q3 Direct Operating Expenses – Logistics & Warehousing *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**8.8**	**27.4**	9.4	29.3	(0.6)	(6.4)
CEWS	**(1.6)**	**(5.0)**	—	—	(1.6)	—
Fuel	**1.9**	**5.9**	2.7	8.4	(0.8)	(29.6)
Repairs and maintenance	**4.0**	**12.5**	4.8	15.0	(0.8)	(16.7)
Purchased transportation	**1.3**	**4.0**	1.3	4.0	—	—
Operating supplies	**3.3**	**10.3**	4.0	12.5	(0.7)	(17.5)
Other	**1.4**	**4.4**	1.4	4.3	—	—
	19.1	**59.5**	23.6	73.5	(4.5)	(19.1)
Contractors	**40.4**	**75.1**	49.2	74.1	(8.8)	(17.9)
Total	**59.5**	**69.0**	72.8	73.7	(13.3)	(18.3)

**as a percentage of respective Logistics & Warehousing revenue*

DOE expressed as a percentage of revenue decreased by 4.7 percent to 69.0 percent as compared to 73.7 percent in 2019. Total DOE were $59.5 million as compared to $72.8 million in 2019. The decrease of $13.3 million, or 18.3 percent, was generally in line with the $12.6 million, or 12.8 percent, decrease in segment revenue.

DOE related to Company Equipment decreased by $4.5 million, or 19.1 percent, to $19.1 million as compared to $23.6 million in 2019. This decrease was due to CEWS and to a lesser degree, lower fuel costs and operational efficiencies. CEWS accounted for a $1.6 million reduction in wages. In terms of a percentage of revenue, Company expenses decreased by 14.0 percent to 59.5 percent as compared to 73.5 percent in 2019. Excluding CEWS, Company expenses as a percentage of revenue were 64.5 percent. This decline was due to lower fuel costs and a focus on operational efficiencies that resulted in lower repairs and maintenance, wages and benefits and operating supplies expenses.

Contractors expense decreased by $8.8 million to $40.4 million as compared to $49.2 million in 2019. This decrease was generally in line with the $12.6 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 1.0 percent to 75.1 percent as compared to 74.1 percent in 2019.

Selling and Administrative Expenses

Q3 Selling and Administrative Expenses – Logistics & Warehousing *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**6.1**	**7.1**	6.9	7.0	(0.8)	(11.6)
CEWS	**(0.7)**	**(0.8)**	—	—	(0.7)	—
Communications, utilities and general supplies	**2.3**	**2.7**	2.7	2.7	(0.4)	(14.8)
Profit share	**1.0**	**1.2**	0.9	0.9	0.1	11.1
Foreign exchange	**0.1**	**0.1**	(0.1)	(0.1)	0.2	(200.0)
Rent and other	**0.2**	**0.1**	0.4	0.4	(0.2)	(50.0)
Total	**9.0**	**10.4**	10.8	10.9	(1.8)	(16.7)

**as a percentage of total Logistics & Warehousing revenue*

S&A expenses were $9.0 million as compared to $10.8 million in 2019. The decrease of $1.8 million was primarily due to $0.7 million of CEWS and cost control initiatives being somewhat offset by the $0.2 million negative variance in foreign exchange. Excluding these two factors, S&A expenses decreased by $1.3 million primarily due to reduced wages as part of our COVID-19 Action Plan. S&A expenses as a percentage of segment revenue declined by 0.5 percent to 10.4 percent as compared to 10.9 percent in 2019. Excluding the effects of CEWS, S&A expenses as a percentage of segment revenue increased slightly to 11.3 percent as compared to 10.9 percent in 2019.

Operating Income Before Depreciation and Amortization

OIBDA increased by $2.5 million, or 16.4 percent, to $17.7 million as compared to $15.2 million in 2019, primarily due to the $2.3 million of CEWS. Operating margin[1] increased by 5.1 percent to 20.5 percent as compared to 15.4 percent in 2019. Excluding the effects of CEWS, operating margin[1] was 17.9 percent. This rise in operating margin[1] was due to lower DOE.

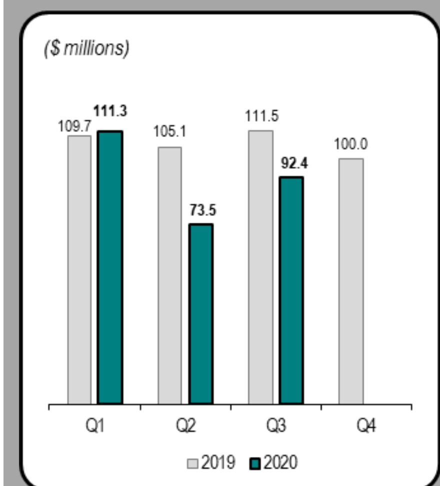
Capital Expenditures

Net capital expenditures[1] were $1.6 million in the third quarter of 2020, a decrease of $0.9 million as compared to $2.5 million in 2019. The Logistics & Warehousing segment had gross capital expenditures of $2.2 million and dispositions of $0.6 million for net capital expenditures[1] of $1.6 million in 2020. The majority of the capital invested consisted of operating equipment along with trucks and trailers to support growth opportunities and replace some equipment that had previously been leased. In 2019 gross capital expenditures were $2.8 million and dispositions were $0.3 million for net capital expenditures[1] of $2.5 million.

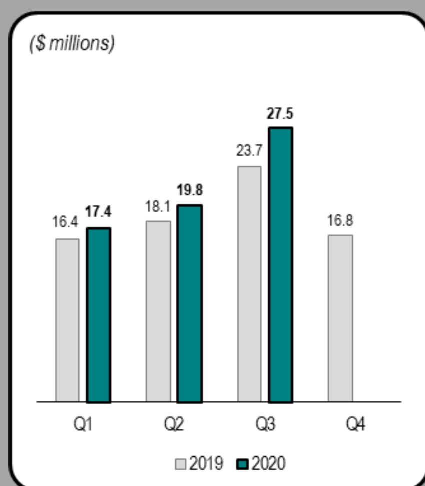
SPECIALIZED & INDUSTRIAL SERVICES SEGMENT

Summary – Trailing Seven Quarters

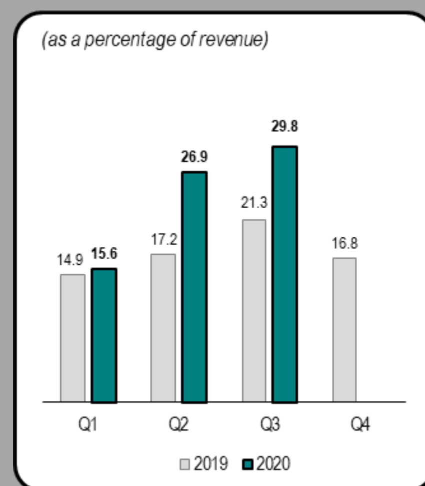
Revenue



OIBDA



Operating Margin[1]



Revenue

Q3 Revenue – Specialized & Industrial Services ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**78.5**	**85.0**	89.7	80.4	(11.2)	(12.5)
Contractors	**13.6**	**14.7**	21.5	19.3	(7.9)	(36.7)
Other	**0.3**	**0.3**	0.3	0.3	—	—
Total	**92.4**	**100.0**	111.5	100.0	(19.1)	(17.1)

Segment revenue declined by $19.1 million, or 17.1 percent, to $92.4 million as compared to $111.5 million in 2019 and represented 31.7 percent of pre-consolidated revenue as compared to 34.2 percent of pre-consolidated revenue in 2019. This decline in revenue was mainly attributable to lower demand for fluid hauling and drilling

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

related services being partially offset by the rise in demand for large diameter pipeline hauling and stringing services as well as civil construction services in northern Manitoba. Specific factors affecting segment revenue were:

- A $9.7 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to the sharp decline in demand resulting from low oil prices.

- A $7.2 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as the demand for most services was severely impacted by the loss of drilling activity in the Western Canadian Sedimentary Basin ("**WCSB**").

- A $2.0 million decrease in revenue generated by those Business Units providing specialized services to the oil sands, environmental, construction, pipeline, utility, telecom and water management industries including a $5.6 million decrease in demand for water management services and pumps at Canadian Dewatering L.P. ("**Canadian Dewatering**"), lower demand for heavy haul transportation and hydrovac services. These decreases were partially offset by a $3.4 million increase in pipeline hauling and stringing services revenue as well as an increase in demand for civil construction services at Smook.

Direct Operating Expenses

Q3 Direct Operating Expenses – Specialized & Industrial Services

(unaudited) ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**21.4**	**27.3**	22.6	25.2	(1.2)	(5.3)
CEWS	**(5.0)**	**(6.4)**	—	—	(5.0)	—
Fuel	**4.5**	**5.7**	5.5	6.1	(1.0)	(18.2)
Repairs and maintenance	**10.6**	**13.5**	14.8	16.5	(4.2)	(28.4)
Purchased transportation	**0.7**	**0.9**	1.2	1.3	(0.5)	(41.7)
Operating supplies	**11.0**	**14.0**	11.5	12.8	(0.5)	(4.3)
Other	**2.1**	**2.7**	2.4	2.8	(0.3)	(12.5)
	45.3	**57.7**	58.0	64.7	(12.7)	(21.9)
Contractors	**11.5**	**84.6**	17.7	82.3	(6.2)	(35.0)
Total	**56.8**	**61.5**	75.7	67.9	(18.9)	(25.0)

**as a percentage of respective Specialized & Industrial Services revenue*

DOE were $56.8 million as compared to $75.7 million in 2019. The decrease of $18.9 million, or 25.0 percent, was directly related to the $19.1 million, or 17.1 percent, decline in segment revenue. As a percentage of revenue these expenses decreased by 6.4 percent to 61.5 percent as compared to 67.9 percent in 2019 due to CEWS. Excluding CEWS, these expenses decreased by 1.0 percent as a percentage of revenue to 66.9 percent as compared to 67.9 percent in 2019, largely due to a change in revenue mix.

DOE associated with Company Equipment decreased by $12.7 million, or 21.9 percent, to $45.3 million as compared to $58.0 million in 2019. This decrease was directly related to the $11.2 million, or 12.5 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 7.0 percent to 57.7 percent as compared to 64.7 percent in 2019, primarily due to CEWS, which accounted for a $5.0 million reduction, as well as lower fuel costs and lower repairs and maintenance expense.

Contractors expense decreased by $6.2 million to $11.5 million as compared to $17.7 million in 2019. As a percentage of Contractors revenue, Contractors expense increased to 84.6 percent as compared to 82.3 percent due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells.

Selling and Administrative Expenses

Q3 Selling and Administrative Expenses – Specialized & Industrial Services *(unaudited)* *($ millions)*	2020		2019		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**5.1**	**5.5**	6.3	5.7	(1.2)	(19.0)
CEWS	**(1.3)**	**(1.4)**	—	—	(1.3)	—
Communications, utilities and general supplies	**2.5**	**2.7**	3.5	3.1	(1.0)	(28.6)
Profit share	**1.6**	**1.7**	1.6	1.4	—	—
Foreign exchange	**—**	**—**	—	—	—	—
Rent and other	**0.2**	**0.3**	0.7	0.7	(0.5)	(71.4)
Total	**8.1**	**8.8**	12.1	10.9	(4.0)	(33.1)

**as a percentage of total Specialized & Industrial Services revenue*

S&A expenses decreased by $4.0 million to $8.1 million as compared to $12.1 million in 2019, primarily due to the reduction in wages and benefits expense and other cost control initiatives as well as $1.3 million of CEWS. S&A expenses as a percentage of segment revenue declined by 2.1 percent to 8.8 percent as compared to 10.9 percent in 2019. Excluding the effects of CEWS, S&A expenses as a percentage of revenue were reduced to 10.2 percent.

Operating Income Before Depreciation and Amortization

OIBDA increased by $3.8 million, or 16.0 percent, to $27.5 million as compared to $23.7 million in 2019 due to $6.3 million of CEWS. Operating margin[1] increased to 29.8 percent as compared to 21.3 percent in 2019. Excluding CEWS, the operating margin[1] increased to 22.9 percent. The margin gain was due to the change in revenue mix associated with certain large diameter pipeline projects that had a beneficial effect on margin being largely offset by the significant decline in margin generated by those Business Units most directly tied to drilling related activity. Specifically, the $3.8 million year over year increase in OIBDA can be attributed to the following:

- a $2.6 million increase in those Business Units involved in the transportation of fluids and servicing of wells;
- a $1.9 million increase relating to those Business Units providing specialized services including pipeline stockpiling and stringing services; and
- a $0.7 million decrease from those Business Units tied to drilling and drilling related activity.

Capital Expenditures

Net capital expenditures[1] were $1.0 million in the third quarter, a decrease of $2.6 million as compared to $3.6 million in 2019. The Specialized & Industrial Services segment had gross capital expenditures of $2.2 million and dispositions of $1.2 million for net capital expenditures[1] of $1.0 million in 2020. The majority of the capital invested in 2020 consisted of various pieces of operating equipment to support strong demand at Smook. In 2019 gross capital expenditures were $4.5 million and dispositions were $0.9 million for net capital expenditures[1] of $3.6 million.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

CORPORATE

The Corporate Office provides support to the Business Units including coordinating business strategies, monitoring financial and business performance and providing shared services such as payroll services, human resource support, information technology support, legal support and accounting services. The Corporate Office also owns a network of real estate holdings and facilities, through its subsidiary MT, which are leased primarily to the Business Units. Such properties are leased on commercially reasonable terms. In addition, the Corporate Office is responsible for capital allocation to the Business Units as well as all regulatory and public reporting.

The Corporate Office recorded a loss of $2.4 million in the third quarter of 2020 as compared to a loss of $2.5 million in 2019. The $0.1 million decrease in loss was mainly attributable to lower salaries, which resulted from cost control initiatives in response to COVID-19. This decrease was somewhat offset by a $0.4 million negative variance in foreign exchange. In the third quarter of 2020, the Corporate Office recorded a foreign exchange loss of $0.4 million as compared to a foreign exchange gain of $0.04 million in 2019.

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CONSOLIDATED FINANCIAL RESULTS – NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

Revenue

Consolidated Revenue by Segment **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Less-Than-Truckload	**327.5**	**37.6**	337.4	34.9	(9.9)	(2.9)
Logistics & Warehousing	**265.2**	**30.5**	302.6	31.3	(37.4)	(12.4)
Specialized & Industrial Services	**277.2**	**31.9**	326.3	33.8	(49.1)	(15.0)
Corporate and intersegment eliminations	**(3.3)**	**—**	(2.4)	—	(0.9)	—
Total	**866.6**	**100.0**	963.9	100.0	(97.3)	(10.1)

**as a percentage of pre-consolidated revenue*

Mullen Group's consolidated revenue in 2020 decreased by $97.3 million, or 10.1 percent, to $866.6 million as compared to $963.9 million in 2019. This decrease in revenue was primarily due to the negative effect of the COVID-19 pandemic. Revenue decreased in the first, second and third quarters by $1.4 million, $61.5 million and $34.4 million, respectively.

Revenue in the Less-Than-Truckload segment fell by $9.9 million, or 2.9 percent, to $327.5 million as compared to $337.4 million in 2019. This decline was primarily due to lower demand for freight service in the second quarter being partially offset by incremental revenue related to our recent acquisitions. Revenue in the Logistics & Warehousing segment decreased by $37.4 million, or 12.4 percent, to $265.2 million as compared to $302.6 million in 2019 due to lower demand for freight service in the COVID-19 impaired economy. The Specialized & Industrial Services segment revenue decreased by $49.1 million, or 15.0 percent, to $277.2 million as compared to $326.3 million in 2019, primarily due to the significant decline in oilfield activity in the WCSB that was offset by a substantial increase in demand for large diameter pipeline stringing and stockpiling services.

Consolidated Revenue **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**635.9**	**73.4**	675.8	70.1	(39.9)	(5.9)
Contractors	**227.2**	**26.2**	283.3	29.4	(56.1)	(19.8)
Other	**3.5**	**0.4**	4.8	0.5	(1.3)	(27.1)
Total	**866.6**	**100.0**	963.9	100.0	(97.3)	(10.1)

Revenue related to Company Equipment decreased by $39.9 million, or 5.9 percent, to $635.9 million as compared to $675.8 million in 2019 and represented 73.4 percent of consolidated revenue in the current period as compared to 70.1 percent in 2019. Revenue related to Contractors decreased by $56.1 million, or 19.8 percent, to $227.2 million as compared to $283.3 million in 2019, and represented 26.2 percent of consolidated revenue in the current period as compared to 29.4 percent in 2019.

Direct Operating Expenses

Consolidated Direct Operating Expenses Nine month periods ended September 30 ***(unaudited) ($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**172.0**	**27.0**	182.3	27.0	(10.3)	(5.7)
CEWS	**(16.3)**	**(2.5)**	—	—	(16.3)	—
Fuel	**50.1**	**7.9**	63.9	9.5	(13.8)	(21.6)
Repairs and maintenance	**79.3**	**12.5**	91.4	13.5	(12.1)	(13.2)
Purchased transportation	**63.9**	**10.0**	70.3	10.4	(6.4)	(9.1)
Operating supplies	**48.3**	**7.6**	47.1	7.0	1.2	2.5
Other	**19.4**	**3.0**	18.5	2.7	0.9	4.9
	416.7	**65.5**	473.5	70.1	(56.8)	(12.0)
Contractors	**174.4**	**76.8**	214.1	75.6	(39.7)	(18.5)
Total	**591.1**	**68.2**	687.6	71.3	(96.5)	(14.0)

**as a percentage of respective Consolidated revenue*

DOE in 2020 were $591.1 million as compared to $687.6 million in 2019. The decrease of $96.5 million, or 14.0 percent, was attributable to the $97.3 million, or 10.1 percent, decrease in consolidated revenue. As a percentage of revenue these expenses decreased slightly to 68.2 percent as compared to 71.3 percent in 2019 due to CEWS, lower fuel prices and operational efficiency gains in all segments.

In 2020 DOE associated with Company Equipment decreased to $416.7 million as compared to $473.5 million in 2019. The decrease of $56.8 million, or 12.0 percent, was attributable to the $39.9 million, or 5.9 percent, decrease in Company revenue that occurred during the period and $16.3 million of CEWS. As a percentage of Company revenue these expenses decreased to 65.5 percent as compared to 70.1 percent in 2019. Excluding CEWS, these expenses declined as a percentage of revenue to 68.1 percent. The reduction in fuel expense accounted for the majority of the decrease. Total fuel expense decreased by 1.6 percent of Company revenue to 7.9 percent, or $50.1 million, as compared to 9.5 percent or $63.9 million in 2019.

Contractors expense in 2020 decreased by 18.5 percent to $174.4 million, as compared to $214.1 million in 2019. This $39.7 million decrease was generally in line with the $56.1 million, or 19.8 percent, decline in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 1.2 percent to 76.8 percent as compared to 75.6 percent in 2019 due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells in the Specialized & Industrial Services segment.

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Selling and Administrative Expenses

Consolidated Selling and Administrative Expenses Nine month periods ended September 30 (*unaudited*) *($ millions)*	2020		2019		Change	
	$	%*	$	%*	$	%
Wages and benefits	**68.6**	**7.9**	74.3	7.7	(5.7)	(7.7)
CEWS	**(4.9)**	**(0.5)**	—	—	(4.9)	—
Communications, utilities and general supplies	**31.1**	**3.6**	34.9	3.6	(3.8)	(10.9)
Profit share	**9.6**	**1.1**	9.1	0.9	0.5	5.5
Foreign exchange	**(0.8)**	**(0.1)**	0.4	—	(1.2)	(300.0)
Stock-based compensation	**1.0**	**0.1**	1.0	0.1	—	—
Rent and other	**5.5**	**0.6**	5.6	0.7	(0.1)	(1.8)
Total	**110.1**	**12.7**	125.3	13.0	(15.2)	(12.1)

**as a percentage of total Consolidated revenue*

S&A expenses decreased to $110.1 million in 2020 as compared to $125.3 million in 2019. The decrease of $15.2 million was primarily due to the cost control initiatives under our COVID-19 Action Plan and CEWS of $4.9 million. Excluding CEWS, S&A expenses were reduced by $10.3 million but rose to 13.3 percent of revenue as compared to 13.0 percent in 2019. The reduction of $10.3 million was mainly due to the $5.7 million reduction in wages and benefits expense as well as a $1.2 million positive variance in foreign exchange expense.

Operating Income Before Depreciation and Amortization

Consolidated Operating Income Before Depreciation and Amortization Nine month periods ended September 30 *(unaudited)* *($ millions)*	2020		2019		Change	
	$	%	$	%	$	%
Less-Than-Truckload	**56.2**	**34.0**	53.9	35.7	2.3	4.3
Logistics & Warehousing	**51.6**	**31.2**	45.3	30.0	6.3	13.9
Specialized & Industrial Services	**64.7**	**39.1**	58.2	38.5	6.5	11.2
Corporate	**(7.1)**	**(4.3)**	(6.4)	(4.2)	(0.7)	10.9
Total	**165.4**	**100.0**	151.0	100.0	14.4	9.5

OIBDA for the period was $165.4 million, or 19.1 percent of revenue, as compared to $151.0 million, or 15.7 percent, in 2019. The $14.4 million, or 9.5 percent, increase was primarily due to CEWS of $21.2 million. Excluding CEWS, OIBDA declined to $144.2 million but operating margin[1] increased by 0.9 percent to 16.6 percent as compared to 15.7 percent in 2019, largely due to a change in revenue mix and lower fuel costs.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $53.6 million in the first nine months of 2020 as compared to $53.8 million in 2019. This decrease of $0.2 million was mainly attributable to a lower amount of depreciation being recorded in the Specialized & Industrial Services segment, which was somewhat offset by a greater amount of depreciation being recognized in the Less-Than-Truckload segment. Depreciation in the Logistics & Warehousing segment and the Corporate Office remained consistent on a year over year basis. Depreciation in the Specialized & Industrial Services segment decreased by $1.6 million due to the lower amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. Depreciation in the Less-Than-Truckload segment increased by $1.4 million due to a greater amount of capital expenditures being made within this segment and from the acquisitions of Argus and Inter-Urban.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was $8.6 million in the first nine months of 2020 as compared to $8.4 million in 2019. The majority of our right-of-use assets consist of real property leases within the Less-Than-Truckload segment and the Logistics & Warehousing segment. This increase of $0.2 million was mainly attributable to a greater amount of depreciation of right-of-use assets being recorded in the Less-Than-Truckload segment, which was somewhat offset by a lower amount of depreciation being recognized in the Specialized & Industrial Services segment. Depreciation in the Logistics & Warehousing segment remained consistent on a year over year basis. Depreciation in the Less-Than-Truckload segment increased by $0.6 million due to the incremental real property leases acquired in the acquisitions of Argus, Inter-Urban and PCX. Depreciation in the Specialized & Industrial Services segment decreased by $0.4 million and was mainly due to some real property leases that have come to the end of their term and were not renewed.

Amortization of Intangible Assets

Amortization of intangible assets was $12.8 million in the first nine months of 2020 as compared to $14.0 million in 2019. This decrease of $1.2 million mainly resulted from certain intangible assets becoming fully amortized, which was somewhat offset by the additional amortization recorded on the intangible assets associated with the acquisitions of Argus, Inter-Urban and PCX.

Finance Costs

Finance costs were $21.2 million in the first nine months of 2020 as compared to $17.2 million in 2019. The increase of $4.0 million was mainly attributable to the $3.4 million of incremental interest expense being recorded on the Debentures and from a greater amount of interest expense being recorded on our U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar. These increases were somewhat offset by the reduction in interest expense from borrowings on the Bank Credit Facility.

Net Foreign Exchange (Gain) Loss

The net foreign exchange gain was $2.5 million in the first nine months of 2020 as compared to a gain of $11.8 million in 2019. The components of net foreign exchange gain are as follows:

Net Foreign Exchange (Gain) Loss	**Nine month periods ended September 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2020**	**2019**
Foreign exchange loss (gain) on U.S. $ debt	**8.0**	(9.1)
Foreign exchange (gain) loss on Cross-Currency Swaps	**(10.5)**	(2.7)
Net foreign exchange (gain) loss	**(2.5)**	(11.8)

Foreign Exchange Loss (Gain) on U.S. $ Debt

We recorded a foreign exchange loss of $8.0 million related to the Corporation's U.S. dollar debt due to the $0.0351 weakening of the Canadian dollar relative to the U.S. dollar in the first nine months of 2020. For the same period in 2019 we recorded a foreign exchange gain of $9.1 million due to the strengthening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange loss (gain) on U.S. dollar debt are summarized in the table below:

Foreign Exchange Loss (Gain) on U.S. $ Debt	**Nine month periods ended September 30**					
	2020			**2019**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – September 30	**229.0**	**1.3339**	**305.5**	229.0	1.3243	303.3
Beginning – January 1	**229.0**	**1.2988**	**297.5**	229.0	1.3642	312.4
Foreign exchange loss (gain) on U.S. $ debt			**8.0**			(9.1)

Foreign Exchange (Gain) Loss on Cross-Currency Swaps

We recorded a foreign exchange gain on Cross-Currency Swaps of $10.5 million in the first nine months of 2020 as compared to a $2.7 million gain in 2019. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange (Gain) Loss on Cross-Currency Swaps	**Nine month periods ended September 30**			
	2020		**2019**	
(unaudited) ***($ millions)***	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117.0**	**(5.1)**	117.0	(0.8)
Cross-Currency Swap maturing October 22, 2026	**112.0**	**(5.4)**	112.0	(1.9)
Foreign exchange (gain) loss on Cross-Currency Swaps		**(10.5)**		(2.7)

Other (Income) Expense

Other income was $1.5 million for the first nine months of 2020 as compared to $0.5 million of other income recorded in 2019. The $1.0 million positive variance was due to the factors set forth below:

<u>Change in Fair Value of Investments (negative variance of $1.1 million)</u>. We recorded a decrease in the fair value of investments of $1.4 million in the first nine months of 2020 as compared to a $0.3 million decrease in 2019. There were no investments purchased or sold during the first nine months of 2020. In the first nine months of 2019, there was $0.7 million of investments sold and no investments were purchased.

<u>Gain or Loss on Sale of Property, Plant and Equipment (positive variance of $2.0 million)</u>. We recognized a gain of $0.2 million on sale of property, plant and equipment on consolidated proceeds on sale of $5.8 million in the first nine months of 2020 as compared to a $1.8 million loss on consolidated proceeds on sale of $3.7 million in 2019.

<u>Earnings from Equity Investments (negative variance of $0.3 million)</u>. We recognized $2.3 million of earnings from equity investments in the first nine months of 2020 as compared to $2.6 million in 2019. The $0.3 million negative variance was mainly due to declines in demand for services offered by our equity investees, which resulted from lower economic activity.

<u>Gain on Fair Value of Equity Investment (positive variance of $0.4 million).</u> We acquired control of PCX through a series of transactions. On August 1, 2018, we acquired 40.0 percent of the issued and outstanding shares of PCX for $2.0 million and then recognized $1.6 million of earnings from this equity investment until September 1, 2020, the date we obtained control. We acquired all the remaining issued and outstanding shares of PCX for cash

consideration of $14.4 million. The fair value of PCX was $18.4 million on the date control was obtained resulting in a $0.4 million gain on this equity investment.

Income Taxes

(unaudited) *($ millions)*	Nine month periods ended September 30	
	2020	**2019**
Income before income taxes	**$ 73.2**	$ 69.9
Combined statutory tax rate	**26%**	27%
Expected income tax	**19.0**	18.9
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange loss (gain)	**—**	(1.6)
Non-deductible (taxable) portion of the change in fair value of investments	**0.1**	—
Stock-based compensation expense	**0.2**	0.3
Changes in unrecognized deferred tax asset	**—**	(1.6)
Decrease in income tax due to changes in income tax rate	**—**	(9.5)
Other	**—**	(0.4)
Income tax expense	**$ 19.3**	$ 6.1

Income tax expense was $19.3 million in the first nine months of 2020 as compared to $6.1 million in 2019. The increase of $13.2 million was mainly attributable to the decrease in income tax in 2019 due to the change in the substantively enacted tax rate in Alberta and from the variance in net foreign exchange.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Nine month periods ended September 30		
	2020	**2019**	**% Change**
Net income	**$ 53.9**	$ 63.8	(15.5)
Weighted average number of Common Shares outstanding	**101,884,589**	104,824,973	(2.8)
Earnings per share – basic	**$ 0.53**	$ 0.61	(13.1)

Net income decreased to $53.9 million in the first nine months of 2020 as compared to $63.8 million in 2019. The factors contributing to the decrease in net income include:

- a $13.2 million increase in income tax expense;
- a $9.3 million negative variance in net foreign exchange;
- a $4.0 million increase in finance costs;
- a $1.1 million negative variance in the fair value of investments;
- a $0.3 million decrease in earnings from equity investments; and
- a $0.2 million increase in depreciation of right-of-use assets.

These factors were somewhat offset by the following factors that increased net income:

- a $14.4 million increase in OIBDA;
- a $2.0 million increase in the gain on sale of property, plant and equipment;
- a $1.2 million decrease in amortization of intangible assets;
- a $0.4 million gain on fair value of equity investment; and
- a $0.2 million decrease in depreciation of property, plant and equipment.

Basic earnings per share decreased to $0.53 in 2020 as compared to $0.61 in 2019. This decrease resulted from the effect of the $9.9 million decrease in net income. The weighted average number of Common Shares outstanding decreased from 104,824,973 to 101,884,589, which was due to the repurchase and cancellation of 7,914,260 Common Shares under the NCIB.

Net Income – Adjusted and Earnings per Share – Adjusted

The following table illustrates net income and basic earnings per share before considering the impact of the net foreign exchange gains or losses, the change in fair value of investments, and the gain on fair value of equity investment. Net income and basic earnings per share have been adjusted to reflect earnings from a strictly operating perspective.

(unaudited)	**Nine month periods ended September 30**	
($ millions, except share and per share amounts)	**2020**	**2019**
Income before income taxes	**$ 73.2**	$ 69.9
Add (deduct):		
Net foreign exchange (gain) loss	**(2.5)**	(11.8)
Change in fair value of investments	**1.4**	0.3
Gain on fair value of equity investment	**(0.4)**	—
Income before income taxes – adjusted	**71.7**	58.4
Income tax rate	**26%**	27%
Computed expected income tax expense	**18.6**	15.8
Net income – adjusted(1)	**53.1**	42.6
Weighted average number of Common Shares outstanding – basic	**101,884,589**	104,824,973
Earnings per share – adjusted(1)	**$ 0.52**	$ 0.41

(1) *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".*

SEGMENTED INFORMATION – NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

Nine month period ended September 30, 2020 ***(unaudited)*** ***($ millions)***	**Less-Than -Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate and intersegment eliminations**	**Total**
	$	**$**	**$**	**$**	**$**
Revenue	**327.5**	**265.2**	**277.2**	**(3.3)**	**866.6**
Direct operating expenses	**226.6**	**185.2**	**184.9**	**(5.6)**	**591.1**
Selling and administrative expenses	**44.7**	**28.4**	**27.6**	**9.4**[(1)]	**110.1**
Operating income before depreciation and amortization	**56.2**	**51.6**	**64.7**	**(7.1)**	**165.4**
Net capital expenditures[(2)]	**14.2**	**6.2**	**6.1**	**5.2**	**31.7**

Nine month period ended September 30, 2019 ***(unaudited)*** ***($ millions)***	**Less-Than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate and intersegment eliminations**	**Total**
	$	$	$	$	$
Revenue	337.4	302.6	326.3	(2.4)	963.9
Direct operating expenses	239.8	223.2	231.2	(6.6)	687.6
Selling and administrative expenses	43.7	34.1	36.9	10.6[(3)]	125.3
Operating income before depreciation and amortization	53.9	45.3	58.2	(6.4)	151.0
Net capital expenditures[(2)]	17.5	12.6	11.2	6.3	47.6

(1) Includes a nil amount of foreign exchange.
(2) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
(3) Includes a $0.2 million foreign exchange loss.

LESS-THAN-TRUCKLOAD SEGMENT

Revenue

Revenue – Less-Than-Truckload **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**313.2**	**95.6**	326.1	96.7	(12.9)	(4.0)
Contractors	**14.0**	**4.3**	11.2	3.3	2.8	25.0
Other	**0.3**	**0.1**	0.1	—	0.2	200.0
Total	**327.5**	**100.0**	337.4	100.0	(9.9)	(2.9)

Segment revenue fell by $9.9 million, or 2.9 percent, to $327.5 million as compared to $337.4 million in 2019 and represented 37.6 percent of pre-consolidated revenue as compared to 34.9 percent in 2019. This decrease in revenue was due to the negative impacts of the COVID-19 pandemic being partially offset by acquisitions. Prior to the pandemic, revenue rose by $3.8 million in the first quarter. Revenue then fell by $10.5 million in the second quarter and $3.2 million in the third quarter. Specific factors affecting segment revenue were:

- a $13.4 million increase in revenue generated from the acquisitions of Argus, Inter-Urban and PCX;
- market share gains in the first quarter that were more than offset by the negative effects of the COVID-19 pandemic;
- a decrease of $9.1 million in fuel surcharge revenue to $32.7 million, from the $41.8 million generated in 2019 resulting from the decline in diesel fuel prices; and
- a more pronounced decline in freight demand in Alberta.

Direct Operating Expenses

Direct Operating Expenses – Less-Than-Truckload **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**85.2**	**27.2**	86.6	26.6	(1.4)	(1.6)
CEWS	**(3.0)**	**(1.0)**	—	—	(3.0)	—
Fuel	**28.6**	**9.1**	35.2	10.8	(6.6)	(18.8)
Repairs and maintenance	**33.7**	**10.8**	33.9	10.4	(0.2)	(0.6)
Purchased transportation	**58.7**	**18.7**	64.7	19.8	(6.0)	(9.3)
Operating supplies	**4.4**	**1.4**	4.5	1.4	(0.1)	(2.2)
Other	**9.8**	**3.2**	8.5	2.6	1.3	15.3
	217.4	**69.4**	233.4	71.6	(16.0)	(6.9)
Contractors	**9.2**	**65.7**	6.4	57.1	2.8	43.8
Total	**226.6**	**69.2**	239.8	71.1	(13.2)	(5.5)

**as a percentage of respective Less-Than-Truckload revenue*

DOE were $226.6 million as compared to $239.8 million in 2019. The decrease of $13.2 million, or 5.5 percent, was directly related to the $9.9 million, or 2.9 percent, decline in segment revenue. As a percentage of revenue these expenses decreased by 1.9 percent to 69.2 percent as compared to 71.1 percent in 2019, largely as a result of CEWS. Excluding CEWS, these expenses decreased by 1.0 percent as a percentage of revenue to 70.1 percent as compared to 71.1 percent in 2019.

DOE associated with Company Equipment decreased by $16.0 million, or 6.9 percent, to $217.4 million as compared to $233.4 million in 2019. This decrease was directly related to the $12.9 million, or 4.0 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 2.2 percent to 69.4 percent as compared to 71.6 percent in 2019, primarily due to CEWS and lower fuel costs. CEWS accounted for a reduction in expenses of $3.0 million.

Contractors expense increased by $2.8 million to $9.2 million as compared to $6.4 million in 2019. This increase was directly related to the $2.8 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 65.7 percent as compared to 57.1 percent in 2019.

Selling and Administrative Expenses

Selling and Administrative Expenses – Less-Than-Truckload **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**28.0**	**8.5**	27.1	8.0	0.9	3.3
CEWS	**(0.6)**	**(0.1)**	—	—	(0.6)	—
Communications, utilities and general supplies	**12.7**	**3.9**	12.8	3.8	(0.1)	(0.8)
Profit share	**2.6**	**0.8**	2.6	0.8	—	—
Foreign exchange	**—**	**—**	—	—	—	—
Rent and other	**2.0**	**0.5**	1.2	0.4	0.8	66.7
Total	**44.7**	**13.6**	43.7	13.0	1.0	2.3

**as a percentage of total Less-Than-Truckload revenue*

S&A expenses increased by $1.0 million to $44.7 million as compared to $43.7 million in 2019, primarily due to the $1.7 million of incremental S&A expenses associated with the acquisitions being partially offset by CEWS of $0.6 million. Despite CEWS, S&A expenses as a percentage of segment revenue increased by 0.6 percent to 13.6 percent as compared to 13.0 percent in 2019 due to the fixed nature of these expenses relative to the decline in revenue.

Operating Income Before Depreciation and Amortization

OIBDA increased by $2.3 million, or 4.3 percent, to $56.2 million as compared to $53.9 million in 2019. The increase in OIBDA was due to the $2.3 million increase from the incremental OIBDA generated from the acquisitions of Argus, Inter-Urban and PCX as well as $3.6 million of CEWS. Operating margin[1] increased to 17.2 percent as compared to 16.0 percent in 2019. Excluding CEWS, operating margin[1] was 16.1 percent.

Capital Expenditures

Net capital expenditures[1] were $14.2 million in the first nine months of 2020, a decrease of $3.3 million as compared to $17.5 million in 2019. The Less-Than-Truckload segment had gross capital expenditures of $14.7 million and dispositions of $0.5 million for net capital expenditures[1] of $14.2 million in 2020. The majority of the capital invested in 2020 consisted of trucks and trailers to support growth opportunities as well as replace some older less efficient equipment. In 2019 gross capital expenditures were $18.3 million and dispositions were $0.8 million for net capital expenditures[1] of $17.5 million.

LOGISTICS & WAREHOUSING SEGMENT

Revenue

Revenue – Logistics & Warehousing **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**100.8**	**38.0**	98.3	32.5	2.5	2.5
Contractors	**163.7**	**61.7**	203.6	67.3	(39.9)	(19.6)
Other	**0.7**	**0.3**	0.7	0.2	—	—
Total	**265.2**	**100.0**	302.6	100.0	(37.4)	(12.4)

Segment revenue fell by $37.4 million, or 12.4 percent, to $265.2 million as compared to $302.6 million in 2019 and represented 30.5 percent of pre-consolidated revenue as compared to 31.3 percent in 2019. Segment revenue decreased as a result of the effects of the outbreak of the COVID-19 virus in North America and the resulting business closures. This negatively impacted both freight volumes and spot prices. Fuel surcharge revenue declined by $6.5 million to $14.9 million as compared to $21.4 million in 2019. Revenue in the first, second and third quarters declined by $5.5 million, $19.3 million and $12.6 million, respectively.

Revenue related to Company Equipment increased by $2.5 million, or 2.5 percent, to $100.8 million as compared to $98.3 million in 2019 and represented 38.0 percent of segment revenue in the current period as compared to 32.5 percent in 2019. Revenue related to Contractors decreased by $39.9 million, or 19.6 percent, to $163.7 million as compared to $203.6 million in 2019 and represented 61.7 percent of segment revenue in the current period as compared to 67.3 percent in 2019.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Direct Operating Expenses

Direct Operating Expenses – Logistics & Warehousing **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**25.2**	**25.0**	27.5	28.0	(2.3)	(8.4)
CEWS	**(3.5)**	**(3.5)**	—	—	(3.5)	—
Fuel	**6.8**	**6.7**	9.3	9.5	(2.5)	(26.9)
Repairs and maintenance	**12.8**	**12.7**	14.4	14.6	(1.6)	(11.1)
Purchased transportation	**3.4**	**3.4**	3.7	3.8	(0.3)	(8.1)
Operating supplies	**13.5**	**13.4**	12.3	12.5	1.2	9.8
Other	**3.8**	**3.8**	3.9	3.9	(0.1)	(2.6)
	62.0	**61.5**	71.1	72.3	(9.1)	(12.8)
Contractors	**123.2**	**75.3**	152.1	74.7	(28.9)	(19.0)
Total	**185.2**	**69.8**	223.2	73.8	(38.0)	(17.0)

**as a percentage of respective Logistics & Warehousing revenue*

Total DOE were $185.2 million as compared to $223.2 million in 2019. The decrease of $38.0 million, or 17.0 percent, was generally in line with the $37.4 million, or 12.4 percent, decrease in segment revenue. DOE expressed as a percentage of revenue decreased by 4.0 percent to 69.8 percent as compared to 73.8 percent in 2019 due to CEWS as well as lower fuel costs and operational efficiencies. CEWS totalled $3.5 million during the period. Excluding CEWS, these expenses decreased by 2.6 percent as a percentage of revenue to 71.2 percent as compared to 73.8 percent in 2019.

DOE related to Company Equipment decreased by $9.1 million, or 12.8 percent, to $62.0 million as compared to $71.1 million in 2019. This decrease resulted despite the $2.5 million increase in Company revenue. In terms of a percentage of revenue, Company expenses decreased by 10.8 percent to 61.5 percent as compared to 72.3 percent in 2019. This decrease was primarily due to lower wages and benefits expense as a result of our COVID-19 Action Plan and CEWS. CEWS totalled $3.5 million during the period. Excluding CEWS, these expenses decreased by 7.3 percent as a percentage of revenue to 65.0 percent as compared to 72.3 percent in 2019, primarily due to the lower wages and benefits expense, lower fuel expense that declined by 2.8 percent as a percentage of revenue to 6.7 percent as compared to 9.5 percent as well as lower repairs and maintenance expense.

Contractors expense decreased by $28.9 million to $123.2 million as compared to $152.1 million in 2019. This decrease was generally in line with the $39.9 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 0.6 percent to 75.3 percent as compared to 74.7 percent in 2019.

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Selling and Administrative Expenses

Selling and Administrative Expenses – Logistics & Warehousing **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**19.2**	**7.2**	21.2	7.0	(2.0)	(9.4)
CEWS	**(1.5)**	**(0.5)**	—	—	(1.5)	—
Communications, utilities and general supplies	**7.4**	**2.8**	8.5	2.8	(1.1)	(12.9)
Profit share	**3.0**	**1.1**	2.7	0.9	0.3	11.1
Foreign exchange	**(0.8)**	**(0.3)**	0.2	0.1	(1.0)	(500.0)
Rent and other	**1.1**	**0.4**	1.5	0.5	(0.4)	(26.7)
Total	**28.4**	**10.7**	34.1	11.3	(5.7)	(16.7)

**as a percentage of total Logistics & Warehousing revenue*

S&A expenses were $28.4 million as compared to $34.1 million in 2019. The decrease of $5.7 million was primarily due to $1.5 million of CEWS as well as the $1.0 million positive variance in foreign exchange. S&A expenses as a percentage of segment revenue decrease by 0.6 percent to 10.7 percent as compared to 11.3 percent in 2019. Excluding the effects of foreign exchange and CEWS, S&A expenses as a percentage of segment revenue was 11.6 percent as compared to 11.2 percent in 2019.

Operating Income Before Depreciation and Amortization

OIBDA increased by $6.3 million, or 13.9 percent, to $51.6 million as compared to $45.3 million generated in 2019. The majority of this rise in OIBDA was due to CEWS and the positive variance in foreign exchange. Operating margin[1] increased by 4.5 percent to 19.5 percent as compared to 15.0 percent in 2019 primarily due to CEWS, which totalled $5.0 million. Excluding CEWS, operating margin[1] increased to 17.6 percent as compared to 15.0 percent in 2019 due to the strong performance by Kleysen and the beneficial effect of lower diesel prices.

Capital Expenditures

Net capital expenditures[1] were $6.2 million in the first nine months of 2020, a decrease of $6.4 million as compared to $12.6 million in 2019. The Logistics & Warehousing segment had gross capital expenditures of $7.2 million and dispositions of $1.0 million for net capital expenditures[1] of $6.2 million in 2020. The majority of the capital invested in 2020 consisted of growth capital to expand our service offerings and rail capacity at our Edmonton, Alberta distribution center as well as purchase trucks, trailers and various pieces of operating equipment to replace some older less efficient equipment. In 2019 gross capital expenditures were $13.5 million and dispositions were $0.9 million for net capital expenditures[1] of $12.6 million.

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[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

SPECIALIZED & INDUSTRIAL SERVICES SEGMENT

Revenue

Revenue – Specialized & Industrial Services **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**221.8**	**80.0**	251.4	77.0	(29.6)	(11.8)
Contractors	**54.9**	**19.8**	74.1	22.7	(19.2)	(25.9)
Other	**0.5**	**0.2**	0.8	0.3	(0.3)	(37.5)
Total	**277.2**	**100.0**	326.3	100.0	(49.1)	(15.0)

Segment revenue declined by $49.1 million, or 15.0 percent, to $277.2 million as compared to $326.3 million in 2019 and represented 31.9 percent of pre-consolidated revenue as compared to 33.8 percent of pre-consolidated revenue in 2019. This decline in revenue was mainly attributable to the fall in oilfield activity caused by the COVID-19 pandemic and the collapse in crude oil prices being partially offset by the rise in demand for large diameter pipeline hauling and stringing services. Segment revenue increased by $1.6 million in the first quarter and then fell by $31.6 million in the second quarter and $19.1 million in the third quarter. Specific factors affecting segment revenue were:

- A $46.3 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to the sharp decline in demand as a result of low crude oil prices.

- An $18.0 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as the demand for most services was at historic lows due to poor commodity prices.

- A $15.4 million increase in revenue generated by those Business Units providing specialized services to the oil sands, environmental, construction, pipeline, utility, telecom and water management industries, including a $22.0 million increase in pipeline hauling and stringing services revenue as well as an increase in demand for civil construction services at Smook. These increases were partially offset by lower demand for heavy haul transportation, pumps and water management services, and hydrovac services.

Direct Operating Expenses

Direct Operating Expenses – Specialized & Industrial Services **Nine month periods ended September 30** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**61.5**	**27.7**	68.2	27.1	(6.7)	(9.8)
CEWS	**(9.8)**	**(4.4)**	—	—	(9.8)	—
Fuel	**14.7**	**6.6**	19.5	7.8	(4.8)	(24.6)
Repairs and maintenance	**32.8**	**14.8**	43.1	17.1	(10.3)	(23.9)
Purchased transportation	**1.7**	**0.8**	2.0	0.8	(0.3)	(15.0)
Operating supplies	**30.4**	**13.7**	30.3	12.1	0.1	0.3
Other	**6.2**	**2.8**	6.9	2.7	(0.7)	(10.1)
	137.5	**62.0**	170.0	67.6	(32.5)	(19.1)
Contractors	**47.4**	**86.3**	61.2	82.6	(13.8)	(22.5)
Total	**184.9**	**66.7**	231.2	70.9	(46.3)	(20.0)

**as a percentage of respective Specialized & Industrial Services revenue*

DOE were $184.9 million as compared to $231.2 million in 2019. The decrease of $46.3 million, or 20.0 percent, was directly related to the $49.1 million, or 15.0 percent, decline in segment revenue. As a percentage of revenue these expenses decreased by 4.2 percent to 66.7 percent as compared to 70.9 percent in 2019, largely as a result of CEWS. Excluding CEWS, these expenses decreased by 0.7 percent as a percentage of revenue to 70.2 percent as compared to 70.9 percent in 2019 due to a change in revenue mix and lower fuel costs.

DOE associated with Company Equipment decreased by $32.5 million, or 19.1 percent, to $137.5 million as compared to $170.0 million in 2019. This decrease was directly related to the $29.6 million, or 11.8 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 5.6 percent to 62.0 percent as compared to 67.6 percent in 2019, primarily due to CEWS, lower fuel costs as well as lower repairs and maintenance expense. CEWS accounted for a $9.8 million reduction in expenses. Excluding CEWS, these expenses decreased as a percentage of revenue by 1.2 percent to 66.4 percent as compared to 67.6 percent in 2019.

Contractors expense decreased by $13.8 million to $47.4 million as compared to $61.2 million in 2019. As a percentage of Contractors revenue, Contractors expense increased to 86.3 percent as compared to 82.6 percent due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells as well as the use of sub-contracted rail services in Premay Pipeline's operations.

Selling and Administrative Expenses

Selling and Administrative Expenses – Specialized & Industrial Services
Nine month periods ended September 30

($ millions)	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**16.6**	**6.0**	20.7	6.3	(4.1)	(19.8)
CEWS	**(2.8)**	**(1.0)**	—	—	(2.8)	—
Communications, utilities and general supplies	**8.7**	**3.1**	11.0	3.4	(2.3)	(20.9)
Profit share	**4.0**	**1.4**	3.8	1.2	0.2	5.3
Foreign exchange	**—**	**—**	—	—	—	—
Rent and other	**1.1**	**0.5**	1.4	0.4	(0.3)	(21.4)
Total	**27.6**	**10.0**	36.9	11.3	(9.3)	(25.2)

**as a percentage of total Specialized & Industrial Services revenue*

S&A expenses decreased by $9.3 million to $27.6 million as compared to $36.9 million in 2019, primarily as a result of a reduction in wages and benefits expense due to our COVID-19 Action Plan and $2.8 million of CEWS during the period. S&A expenses as a percentage of segment revenue decreased by 1.3 percent to 10.0 percent as compared to 11.3 percent in 2019. Excluding CEWS, these expenses decreased by 0.3 percent as a percentage of revenue to 11.0 percent as compared to 11.3 percent in 2019 due to cost control initiatives.

Operating Income Before Depreciation and Amortization

OIBDA increased by $6.5 million, or 11.2 percent, to $64.7 million as compared to $58.2 million in 2019. Operating margin[1] increased to 23.3 percent as compared to 17.8 percent in 2019. The margin gain was due to CEWS, which totalled $12.6 million, and to the change in revenue mix associated with certain large diameter pipeline projects that had a beneficial effect on margin being largely offset by the significant decline in margin generated by those Business Units involved in the transportation of fluids and servicing of wells. Specifically, the $6.5 million year over year increase in OIBDA can be attributed to the following:

- a $9.0 million increase relating to those Business Units providing specialized services including pipeline stockpiling and stringing services;
- a $1.5 million decrease in those Business Units involved in the transportation of fluids and servicing of wells; and
- a $1.0 million decrease from those Business Units tied to drilling and drilling related activity.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Capital Expenditures

Net capital expenditures[1] were $6.1 million in the first nine months of 2020, a decrease of $5.1 million as compared to $11.2 million in 2019. The Specialized & Industrial Services segment had gross capital expenditures of $10.1 million and dispositions of $4.0 million for net capital expenditures[1] of $6.1 million in 2020. The majority of the capital invested in 2020 consisted of various pieces of operating equipment to support strong demand at Premay Pipeline, to support growth opportunities at Cascade Energy Services L.P. and to replace some equipment at Smook. In 2019 gross capital expenditures were $17.3 million and dispositions were $6.1 million for net capital expenditures[1] of $11.2 million.

CORPORATE

The Corporate Office recorded a loss of $7.1 million in the first nine months of 2020 as compared to a loss of $6.4 million in 2019. The $0.7 million increase in loss was mainly attributable to lower income generated from investments and a lower amount of costs recovered from our Business Units. These increases were somewhat offset by lower salaries resulting from cost control initiatives in response to COVID-19 and a $0.2 million positive variance in foreign exchange. In the first nine months of 2020, the Corporate Office recorded a foreign exchange gain of $0.04 million as compared to a foreign exchange loss of $0.2 million in 2019.

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[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

(unaudited) *($ millions)*	Nine month periods ended September 30			
		2020		**2019**
Net cash from operating activities	**$**	**172.3**	$	116.4
Net cash (used in) from financing activities		**(102.4)**		16.8
Net cash used in investing activities		**(43.9)**		(59.3)
Change in cash and cash equivalents		**26.0**		73.9
Effect of exchange rate fluctuations on cash held		**0.4**		(0.3)
Cash and cash equivalents, beginning of period		**79.0**		3.9
Cash and cash equivalents, end of period	**$**	**105.4**	$	77.5

Sources and Uses of Cash

Mullen Group continues to generate cash in excess of its operating needs by generating $172.3 million of cash from operating activities in the first nine months of 2020 as compared to $116.4 million in 2019. Net cash used in financing activities in 2020 was $102.4 million as compared to generating $16.8 million in 2019. The $119.2 million increase in cash used was mainly due to issuing the Debentures in 2019 and from using $52.9 million to repurchase and cancel 7,914,260 Common Shares under the NCIB in 2020. These items were somewhat offset by a decrease in dividends paid to common shareholders. Net cash used in investing activities decreased by $15.4 million due to a reduction in cash used on net capital expenditures[1] in 2020. Specific changes in cash flow are set forth below.

Cash From Operating Activities

Net cash from operating activities increased to $172.3 million in the first nine months of 2020 as compared to $116.4 million in 2019. The increase of $55.9 million, or 48.0 percent was mainly due to a $27.1 million increase in cash generated from non-cash working capital items and from a $15.2 million decrease in cash taxes paid. The change in non-cash working capital items from operating activities is detailed in the table below.

Changes in Non-Cash Working Capital Items from Operating Activities

(unaudited) *($ millions)*	Nine month periods ended September 30		
	2020	**2019**	**Variance**
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**14.6**	(6.7)	21.3
Inventory	**1.5**	—	1.5
Prepaid expenses	**(0.4)**	(5.3)	4.9
Accounts payable and accrued liabilities	**2.7**	3.3	(0.6)
Total sources (uses) of cash from non-cash working capital items	**18.4**	(8.7)	27.1

In the first nine months of 2020 we generated $18.4 million of cash from changes in non-cash working capital items from operating activities as compared to using $8.7 million of cash in 2019. This $27.1 million variance was mainly due to the following factors.

- An additional $21.3 million of cash was generated from trade and other receivables that resulted from the combined effect of a $14.6 million source of cash in 2020 as compared to a $6.7 million use of cash in 2019.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

- An additional $1.5 million of cash was generated from inventory that resulted from the combined effect of a $1.5 million source of cash in 2020 as compared to a nil amount of cash used in 2019.

- An additional $4.9 million of cash was generated from prepaid expenses that resulted from the combined effect of a $0.4 million use of cash in 2020 as compared to a $5.3 million use of cash in 2019.

Somewhat offsetting these items was the following:

- An additional $0.6 million of cash was used from accounts payable and accrued liabilities that resulted from the combined effect of a $2.7 million source of cash in 2020 as compared to a $3.3 million source of cash in 2019.

Cash Used In Financing Activities

Net cash used in financing activities was $102.4 million in 2020 as compared to generating $16.8 million in 2019. This $119.2 million variance was mainly due to the factors set forth below.

- A $119.8 million variance in cash from issuing the Debentures in the second quarter of 2019.

- A $52.9 million increase in cash used in 2020 by repurchasing and cancelling 7,914,260 Common Shares under the NCIB.

- A $3.1 million increase in interest paid in 2020.

- A $0.2 million increase in the repayment of lease liabilities in 2020.

Somewhat offsetting these items were the following:

- A $30.0 million decrease in cash used resulting from the repayment of borrowings on the Bank Credit Facility in 2019.

- A $20.4 million decrease in cash used on paying dividends to common shareholders.

- A $6.5 million decrease in the repayment of long-term debt and loans.

Cash Used In Investing Activities

Net cash used in investing activities decreased to $43.9 million in 2020 as compared to $59.3 million in 2019. This $15.4 million decrease was mainly due to the factors set forth below.

- A $15.9 million decrease in net capital expenditures[1]. In 2020 net capital expenditures[1] were $31.7 million as compared to $47.6 million in 2019.

- A $0.6 million decrease in cash used on acquisitions.

- A $0.4 million decrease in cash used on the purchase of intangible assets.

Somewhat offsetting these items were the following:

- A $0.2 million variance in changes in non-cash working capital items from investing activities.

- A $0.3 million decrease in interest received from cash and cash equivalents.

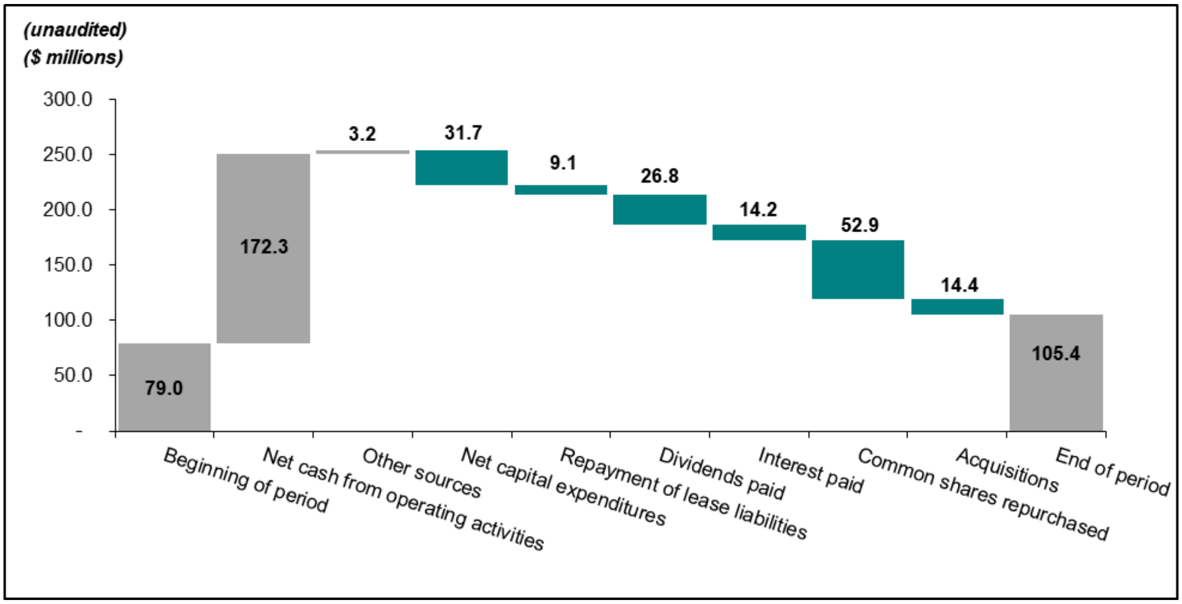
- A $0.7 million decrease in cash generated on investments due to selling some portfolio investments in 2019.

- A $0.3 million change in other assets.

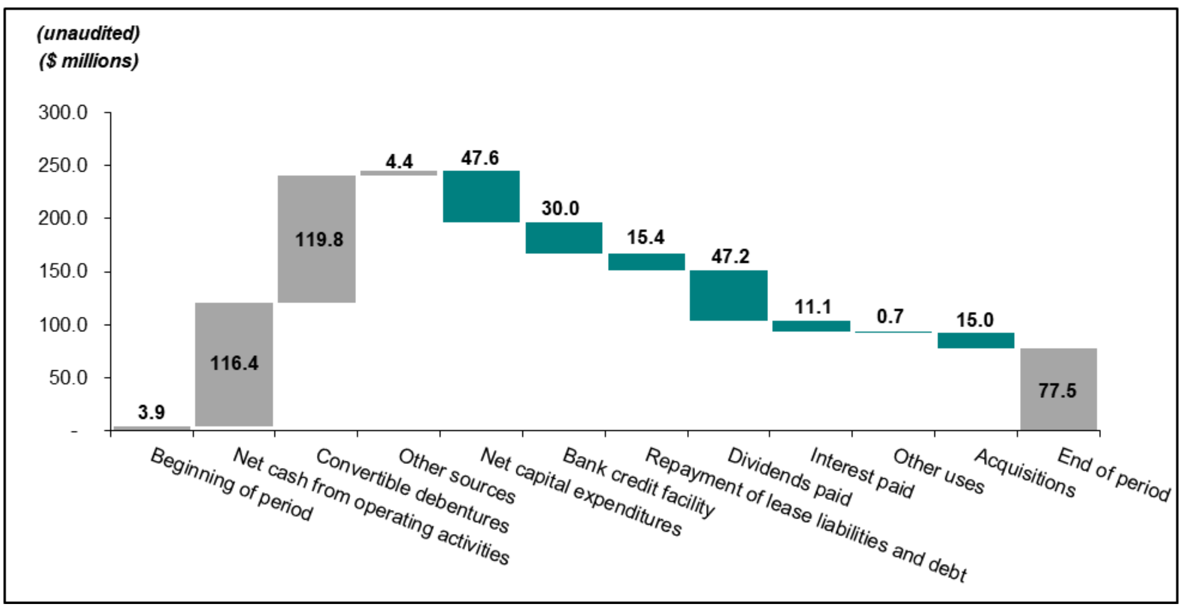
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

The following charts present the sources and uses of cash for comparative purposes.

Nine month period ended September 30, 2020



Nine month period ended September 30, 2019



In addition to the $172.3 million (2019 – $116.4 million) of net cash from operating activities, we also received $3.2 million (2019 – $124.2 million) of cash from other sources, which mainly consisted of interest income generated from cash and cash equivalents, the effect of exchange rate fluctuations on U.S. dollar cash held and from cash received on net investment in finance leases. Cash from other sources in 2019 mainly consisted of receiving $119.8 million from the Debentures. Cash was used to repurchase and cancel 7,914,260 Common Shares for $52.9 million, repay finance leases and debt of $9.1 million (2019 – $15.4 million), fund acquisitions of $14.4 million (2019 – $15.0 million), pay dividends totalling $26.8 million (2019 – $47.2 million), incur net capital expenditures[1] of $31.7 million (2019 – $47.6 million) and pay interest obligations of $14.2 million (2019 – $11.1 million). In 2019 cash was also used to repay the Bank Credit Facility of $30.0 million. We also had a nil amount (2019 – $0.7 million) of other uses.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Working Capital

At September 30, 2020, we had $235.0 million (December 31, 2019 – $243.3 million) of working capital, which included $105.4 million of cash and cash equivalents, of which $21.1 million was denominated in U.S. currency. On June 21, 2019, our Bank Credit Facility was increased by $25.0 million to $150.0 million. This working capital also includes a current liability of $11.2 million (December 31, 2019 – $10.7 million) related to the current portion of lease liabilities. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2020 are available to finance our ongoing working capital requirements, our 2020 capital budget, as well as various special projects and acquisition opportunities.

Debt

As at September 30, 2020, we had net debt[1] outstanding of $376.6 million, (December 31, 2019 – $362.8 million), which consisted of total debt of $622.8 million (December 31, 2019 – $616.8 million) less working capital (excluding the current portion of lease liabilities) of $246.2 million (December 31, 2019 – $254.0 million). The primary reason for the increase in the carrying value of the long-term debt was due to the impact of the weakening of the Canadian dollar relative to the U.S. dollar on our U.S. dollar denominated debt. Total debt is comprised of the Private Placement Debt , the Debentures, lease liabilities and the Bank Credit Facility. The following table summarizes our total debt and net debt[1] as at September 30, 2020, and December 31, 2019:

		September 30, 2020		December 31, 2019		
($ millions)	Interest Rate	U.S. Dollar	CDN. Dollar Equivalent	U.S. Dollar	CDN. Dollar Equivalent	Change in CDN. Dollar Equivalent
Private Placement Debt:						
Series G - matures October 22, 2024	3.84%	$ 117.0	$ 156.1	$ 117.0	$ 151.9	**$ 4.2**
Series H - matures October 22, 2026	3.94%	112.0	149.4	112.0	145.5	**3.9**
Series I - matures October 22, 2024	3.88%	—	30.0	—	30.0	**—**
Series J - matures October 22, 2026	4.00%	—	3.0	—	3.0	**—**
Series K - matures October 22, 2024	3.95%	—	58.0	—	58.0	**—**
Series L - matures October 22, 2026	4.07%	—	80.0	—	80.0	**—**
Bank Credit Facility	variable[(1)]	—	—	—	—	**—**
Less:						
Unamortized debt issuance costs		—	(0.9)	—	(1.0)	**0.1**
Long-term debt (including the current portion)		229.0	475.6	229.0	467.4	**8.2**
Debentures – debt component	5.75%		110.5	—	108.7	**1.8**
Lease liabilities (including the current portion)	3.20%		36.7	—	40.7	**(4.0)**
Total debt		$ 229.0	$ 622.8	$ 229.0	$ 616.8	**$ 6.0**
Less:						
Working capital (excluding the Bank Credit Facility and the current portion of leases)			246.2		254.0	**(7.8)**
Net debt[(2)]			$ 376.6		$ 362.8	**$ 13.8**

(1) Bank prime rate plus 0.5 percent or bankers' acceptance rates plus 1.5 percent.
(2) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Total Net Debt[1] to Operating Cash Flow. Mullen Group's total net debt[1] cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months' financial results normalized for acquisitions. The term total net debt[1] means all debt excluding the Debentures less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the condensed consolidated statement of financial position but includes the Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit. The term "**operating cash flow**", as defined within the 2014 Note Purchase Agreement, means, for any quarterly period, the trailing twelve months' consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits; (ii) depreciation and amortization taken during such period; (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges. Total net debt[1] to operating cash flow financial covenant under our Private Placement Debt enables us to include the trailing twelve months operating cash flows from acquisitions. Although permitted, we

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

have not included any operating cash flows generated prior to the date of the acquisition from our recent acquisitions in this financial covenant calculation.

Total net debt[1] to operating cash flow was calculated as follows:

Total net debt(1) to operating cash flow		September 30 2020		June 30 2020		March 31 2020		December 31 2019
Total net debt(1)	$	464.3	$	464.1	$	472.9	$	470.6
Operating cash flow	$	218.7	$	209.5	$	206.1	$	204.7
Total net debt(1) to operating cash flow		2.12:1		2.22:1		2.29:1		2.30:1

(1) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

<u>Total Earnings Available for Fixed Charges to Total Fixed Charges</u>. The fixed charge coverage ratio cannot be less than 1.75:1 calculated using the trailing twelve months financial results.

The term "**total earnings available for fixed charges**" means, for any period, consolidated net income plus all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) the depreciation and amortization taken during such period, (iii) consolidated fixed charges, (iv) interest charges with respect to convertible debentures, and (v) non-cash charges, and less any non-cash gains included in the computation of consolidated net income. The term "**total fixed charges"** means, for any period, the sum of total interest charges and rental charges for such period.

Total Earnings Available for Fixed Charges to Total Fixed Charges		September 30 2020		June 30 2020		March 31 2020		December 31 2019
Total earnings available for fixed charges	$	221.1	$	212.1	$	208.8	$	207.2
Total fixed charges	$	22.5	$	23.0	$	23.5	$	23.2
Total earnings available for fixed charges to total fixed charges		9.82:1		9.21:1		8.89:1		8.94:1

Mullen Group, as evidenced by the table below, is in compliance with both of the aforementioned covenants.

Financial Covenants	Financial Covenant Threshold	September 30 2020	June 30 2020	March 31 2020	December 31 2019
Private Placement Debt Covenants					
(a) Total net debt(1) to operating cash flow cannot exceed	3.50:1	2.12:1	2.22:1	2.29:1	2.30:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	9.82:1	9.21:1	8.89:1	8.94:1

(1) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Total net debt[1] to operating cash flow was 2.12:1 at September 30, 2020. Assuming the $464.3 million of total net debt[1] remains constant, we would need to generate approximately $132.6 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. When a business is acquired, the trailing twelve months of operating cash flows generated by the newly acquired business may be added to our trailing twelve months' operating cash flows from the date of acquisition for financial covenant calculation purposes.

Mullen Group is also subject to a priority debt covenant. The term "priority debt" means all indebtedness secured by permitted liens excluding certain qualified subsidiary debt. Priority debt cannot exceed 15.0 percent of total assets. At September 30, 2020, the priority debt was $0.7 million or an insignificant percentage of total assets.

Our debt-to-equity ratio was 0.70:1 at September 30, 2020, as compared to 0.67:1 at December 31, 2019. This increase in the debt-to-equity ratio was due to the net effect of a $5.9 million increase in total debt (including the current portion) and a $22.5 million decrease in equity as compared to December 31, 2019. The $5.9 million

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

increase in total debt was due to the $8.0 million foreign exchange loss on the Corporation's U.S. dollar debt, which was somewhat offset by a reduction in lease liabilities. The $22.5 million decrease in equity mainly resulted from the $24.5 million of dividends declared to shareholders in 2020 and the 7,914,260 Common Shares repurchased and cancelled for $52.9 million. These items were somewhat offset by the $53.9 million of net income being recognized in the first nine months of 2020.

Contractual Obligations

An overview of Mullen Group's contractual obligations can be found on page 45 of the 2019 MD&A. As at September 30, 2020, Mullen Group's contractual obligations have not changed significantly from this overview.

Share Capital

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. The number of, and the specific rights, privileges, restrictions and conditions attaching to any series of Preferred Shares shall be determined by the Board prior to the creation and issuance thereof. As at the date hereof, no series of Preferred Shares has been created.

Common Shares

Common Shares **Authorized: Unlimited Number**	**# of Common Shares**		**Amount *($ millions)***
Balance at December 31, 2019	104,824,973	$	946.9
Common Shares repurchased and cancelled	(7,914,260)		(71.5)
Balance at September 30, 2020	**96,910,713**	**$**	**875.4**

At September 30, 2020, there were 96,910,713 Common Shares outstanding representing $875.4 million in share capital. In the first nine months of 2020, we repurchased and cancelled 7,914,260 Common Shares under the NCIB program.

Stock Option Plan

	Options		**Weighted average exercise price**
Outstanding – December 31, 2019	3,280,000	$	19.22
Forfeited	(240,000)		(17.26)
Outstanding – September 30, 2020	**3,040,000**		**19.37**
Exercisable – September 30, 2020	**2,591,648**		**19.83**

In the first nine months of 2020, there were no stock options granted, no stock options exercised and 240,000 stock options forfeited. As at September 30, 2020, Mullen Group had 3,040,000 stock options outstanding under the stock option plan.

SUMMARY OF QUARTERLY RESULTS

Seasonality of Operations

Revenue and profitability within the Less-Than-Truckload segment and the Logistics & Warehousing segment are generally lower in the first quarter than during the remainder of the year as freight volumes are typically lower following the holiday season due to less consumer demand and customers reducing shipments. Operating expenses also tend to increase within these segments in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions. The Less-Than-Truckload segment and the Logistics & Warehousing segment represents approximately 70.0 percent of our pre-consolidated revenue on an annualized basis. Generally speaking, our third and fourth quarters tend to be the strongest in terms of demand for the services in these segments. As a result, our consolidated revenue is generally higher in these quarters compared to the first and second quarters of the year.

A significant portion of the operations within the Specialized & Industrial Services segment is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and gas, environmental, construction, pipeline, utility, telecom and civil industries, predominantly in western Canada. Activity levels, revenue and earnings are influenced by the seasonal activity pattern of western Canada's oil and natural gas exploration industry whereby activity peaks in the winter months and declines during the spring when wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing activity levels. Additionally, certain oil and natural gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unpredictable weather patterns may lead to declines in the activity levels and demand for certain services. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter.

Financial Results

	TTM[1]	**2020**			**2019**				**2018**
(unaudited)		**Q3**	**Q2**	**Q1**	Q4	**Q3**	Q2	Q1	Q4
($ millions, except per share amounts)	**$**	**$**	**$**	**$**	$	**$**	$	$	$
Revenue	**1,181.2**	**290.9**	**257.5**	**318.2**	314.6	**325.3**	319.0	319.6	333.3
Operating income before depreciation and amortization	**215.3**	**65.2**	**55.0**	**45.2**	49.9	**55.6**	51.4	44.0	51.7
Net income (loss)	**62.3**	**26.2**	**23.0**	**4.7**	8.4	**20.5**	31.7	11.6	(81.1)
Earnings (loss) per share									
Basic	**0.62**	**0.27**	**0.23**	**0.04**	0.08	**0.20**	0.30	0.11	(0.77)
Diluted	**0.61**	**0.26**	**0.23**	**0.04**	0.08	**0.20**	0.30	0.11	(0.77)
Other Information									
Net foreign exchange (gain) loss	**(4.8)**	**(0.1)**	**(5.2)**	**2.8**	(2.3)	**(3.9)**	(6.8)	(1.1)	2.2
Decrease (increase) in fair value of investments	**1.1**	**0.1**	**(0.2)**	**1.5**	(0.3)	**0.3**	0.1	(0.1)	1.7

(1) *TTM represents the "trailing twelve months" and consists of a summary of the Corporation's financial results for the most recently completed four quarters.*

Consolidated revenue in the third quarter of 2020 decreased by $34.4 million to $290.9 million as compared to $325.3 million in 2019. Revenue generated by the Less-Than-Truckload segment decreased by $3.2 million to $112.7 million due to the negative effects of the COVID-19 pandemic and lower fuel surcharge revenue. Revenue generated by the Logistics & Warehousing segment decreased by $12.6 million to $86.2 million due to COVID-19 resulting in supply chain disruptions, a lack of capital projects, business closures and lower fuel surcharge revenue. Revenue generated by the Specialized & Industrial Services segment decreased by $19.1 million to $92.4 million due to extremely low oil prices, mandated curtailments and a poor drilling environment being moderately offset by improved results from Premay Pipeline and Smook. Net income in the third quarter was $26.2 million, an increase of $5.7 million from the $20.5 million of net income generated in 2019. The $5.7 million increase in net income was mainly attributable to a $9.6 million increase in OIBDA, a $1.3 million increase in the gain on sale of property, plant and equipment, a $1.1 million decrease in amortization of intangible assets and depreciation of property, plant and equipment and a $0.4 million gain on fair value of equity investment. These increases were partially offset by a $3.8 million negative variance in net foreign exchange and a $3.0 million increase in income tax expense. As a result, basic earnings per share in the third quarter of 2020 was $0.27, an increase of $0.07, from the $0.20 of earnings per share generated in 2019.

Consolidated revenue in the second quarter of 2020 decreased by $61.5 million to $257.5 million as compared to $319.0 million in 2019. Revenue generated by the Less-Than-Truckload segment decreased by $10.5 million to $101.9 million due to the negative effects of the COVID-19 pandemic and lower fuel surcharge revenue being somewhat offset by the incremental revenue generated from the acquisitions of Argus and Inter-Urban. Revenue generated by the Logistics & Warehousing segment decreased by $19.3 million to $82.8 million due to COVID-19 resulting in supply chain disruptions and business closures, and lower fuel surcharge revenue. These decreases were somewhat offset by a strong performance by Kleysen due to greater demand for transload services. Revenue generated by the Specialized & Industrial Services segment decreased by $31.6 million to $73.5 million due to extremely low oil prices, mandated curtailments and a poor drilling environment being moderately offset by improved results from Premay Pipeline and Smook. Net income in the second quarter was $23.0 million, a decrease of $8.7 million from the $31.7 million of net income generated in 2019. The $8.7 million decrease in net income was mainly attributable to a $10.5 million variance in income tax expense, a $1.8 million increase in finance costs and a $1.6 million negative variance in net foreign exchange. These decreases were partially offset by a $3.6 million increase in OIBDA. As a result, basic earnings per share in the second quarter of 2020 was $0.23, a decrease of $0.07, from the $0.30 of earnings per share generated in 2019.

Consolidated revenue in the first quarter of 2020 decreased by $1.4 million to $318.2 million as compared to $319.6 million in 2019. Revenue generated by the Logistics & Warehousing segment decreased by $5.5 million, which was mainly attributable to reduced demand for logistics and trucking services related to government mandated closures during the month of March as well as supply chain disruptions related to rail blockades in January. These decreases were somewhat offset by greater revenue generated by Kleysen, which continued to generate solid results from transload operations and a seasonal increase in industrial salt sales. Revenue generated by the Specialized & Industrial Services segment increased by $1.6 million, which was mainly attributable to greater demand for large diameter pipeline hauling and stringing services as well as revenue increases at Canadian Dewatering and Smook. These increases were somewhat offset by lower revenue generated by those Business Units involved in the transportation of fluids and servicing of wells and from those Business Units providing drilling and drilling related services. Revenue generated by the Less-Than-Truckload segment increased by $3.8 million due to revenue gains at Gardewine Group Limited Partnership ("**Gardewine**") and the acquisitions of Argus and Inter-Urban. Net income in the first quarter was $4.7 million, a decrease of $6.9 million from the $11.6 million of net income generated in 2019. The $6.9 million decrease in net income was mainly attributable to a $3.9 million negative variance in net foreign exchange, a $2.3 million increase in finance costs, a $1.6 million negative variance in the fair value of investments and a $0.6 million increase in amortization of intangible assets. These decreases were partially offset by a $1.2 million increase in OIBDA, a $0.6 million decrease in the loss on sale of property, plant and equipment and a $0.3 million decrease in income tax expense. As a result, basic earnings per share in the first quarter of 2020 was $0.04, a decrease of $0.07, from the $0.11 of earnings per share generated in 2019.

Consolidated revenue in the fourth quarter of 2019 decreased by $18.7 million to $314.6 million as compared to $333.3 million in 2018. Revenue generated by the Specialized & Industrial Services segment decreased by $18.3 million and is mainly attributable to lower revenue generated by those Business Units involved in the transportation of fluids and servicing of wells and from those Business Units providing drilling and drilling related services due to intense competition, pricing pressure and from a decline in drilling activity in the WCSB. Revenue generated by the Logistics & Warehousing segment decreased by $6.6 million and is mainly attributable to lower GDP growth and a lack of project work associated with capital investments. These decreases were somewhat offset by a $7.2 million increase in revenue generated by the Less-Than-Truckload segment due to revenue gains at Gardewine and the acquisitions of Argus and Inter-Urban. Net income (loss) in the fourth quarter of 2019 was $8.4 million, an increase of $89.5 million from the net loss of $(81.1) million generated in 2018. The $89.5 million increase in net income (loss) was mainly attributable to the $100.0 million impairment of goodwill recognized in 2018, a $4.5 million positive variance in net foreign exchange and a $2.0 million positive variance in the fair value of investments. These increases to net income were partially offset by a $6.7 million increase in depreciation of property, plant and equipment, a $1.4 million increase in income tax expense, a $3.3 million increase in depreciation of right-of-use assets, a $1.8 million increase in finance costs, a $1.0 million increase in amortization of intangible assets and a $1.8 million decrease in OIBDA. As a result, basic earnings (loss) per share in the fourth quarter of 2019 was $0.08, an increase of $0.85, from the $(0.77) loss per share generated in 2018.

TRANSACTIONS WITH RELATED PARTIES

A description of transactions with related parties can be found on page 64 of the 2019 MD&A. As at September 30, 2020, the transactions with related parties have not changed significantly from these descriptions.

All of the transactions with related parties occurred in the normal course of operations with terms consistent with those offered to arms-length parties and are measured at the exchange amount. Mullen Group has no long-term contracts with any related party other than the $5.0 million of the Debentures subscribed to certain officers and directors of the Corporation.

PRINCIPAL RISKS AND UNCERTAINTIES

A description of principal risks and uncertainties can be found beginning on page 65 of the 2019 MD&A. As at September 30, 2020, these risks and uncertainties have not changed significantly from those descriptions, however, due to economic implications associated with the COVID-19 health care crisis, some of these risks have been elevated in 2020. Our risks and are summarized as follows:

STRATEGIC RISKS:	FINANCIAL RISKS:	OPERATIONAL RISKS:

• geopolitical risks
  ◦ general economy
  ◦ natural gas and oil drilling and oil sands development
  ◦ changes in the legal framework
• e-commerce and supply chain evolution
• acquisitions
• competition
	• foreign exchange rates
	• investments
	• access to financing
	• reliance on major customers
	• impairment of goodwill or intangible assets
	• credit risk
	• interest rates
		• employees & labour relations
		• cost escalation & fuel costs
		• potential operating risks & insurance
		• digital infrastructure & cyber security
		• business continuity, disaster recovery & crisis management
		• environmental liability risks
		• weather & seasonality
		• access to parts, development of new technology & relationships with key suppliers
		• regulation
		• litigation

CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations and is based upon our Interim Financial Statements, which have been prepared in accordance with IFRS and comply with IAS 34 Interim Financial Reporting. The Interim Financial Statements require management to select significant accounting policies and make certain critical accounting estimates that affect the reported assets, liabilities, revenue and expenses. A description of critical accounting estimates can be found beginning on page 80 of the 2019 MD&A. As at September 30, 2020, our critical accounting estimates have not changed significantly from such description.

SIGNIFICANT ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

A description of new standards and interpretations not yet adopted can be found on page 83 of the 2019 MD&A. There have been no new standards or interpretations issued during 2020 that significantly impact Mullen Group.

Changes in Accounting Policies

Other than the newly adopted accounting policy as described below, there have been no changes to our accounting policies in 2020 as compared to those disclosed in our 2019 MD&A.

During the nine month period ending September 30, 2020, the Corporation adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("**CEWS**") program as enacted on April 11, 2020, by the federal Government of Canada.

Government Subsidies

Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and that the Corporation will comply with all relevant conditions. Government subsidies related to current expenses are recorded as a reduction of the related expenses.

During the nine month period ending September 30, 2020, we qualified for the CEWS program and recognized $21.2 million as a reduction to wage expense with $16.3 million and $4.9 million allocated to direct operating expenses and selling and administrative expenses, respectively.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at September 30, 2020, an evaluation of the effectiveness of our disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"). Based on this evaluation, the CEO and the CFO concluded that, as at September 30, 2020, the design and operation of our disclosure controls and procedures was effective.

Internal control over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. Under the supervision and with the participation of the CEO and CFO, management conducted an evaluation of the effectiveness of its internal control over financial reporting as at September 30, 2020.

Based on this evaluation, the CEO and CFO concluded that as at September 30, 2020, our internal control over financial reporting was effective. We utilize the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. As at September 30, 2020 there was no change in our internal control over financial reporting that materially affected or is reasonably likely to materially affect our internal control over financial reporting.

FORWARD-LOOKING INFORMATION STATEMENTS

This MD&A contains forward-looking statements within the meaning of applicable Canadian Securities laws. Readers are cautioned that expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The following is a list of forward-looking statements contained within this MD&A, along with the respective assumptions:

- Mullen Group's comment that we expect consolidated revenues to remain solid in the fourth quarter, as referred to in the Executive Summary section beginning on page 4. This forward-looking statement is based on the assumption that we remain cognizant of the challenges associated with the COVID-19 pandemic. No one knows with any certainty what happens next and with no clear evidence to suggest this health crisis can be resolved in the short term, we remain on high alert that our business could be negatively impacted, either from a financial or safety perspective. Nevertheless, our current view is that consumer spending should remain strong entering the holiday season. Our optimism is based upon a very nice recovery in the employment statistics and job market as well as recent announcements by the Federal Government to provide fiscal support and stimulus to ensure Canadians have the means to manage through this pandemic induced crisis.

- Mullen Group's comment that consolidated revenue will continue to be softer than last year's levels and from the profitability point of view, we expect our business will continue to perform at a high level providing the possibility we will meet or exceed last year's fourth quarter results, as referred to in the Outlook section beginning on page 4. These forward-looking statements are based on the assumption that consolidated revenue will be softer than last year's levels due to the challenges facing the Alberta economy, which remains highly dependent upon the oil and natural gas industries, however, consumer spending will remain strong given the recovery in the job market, continued fiscal support from the governments and accommodative monetary policy, providing solid demand for freight and logistics services across most of our business lines.

- Mullen Group's announcement that we resumed the monthly dividend by paying $0.03 per Common Share on a monthly basis, as referred to in the Corporate Overview section beginning on page 7. This forward-looking statement is based on the assumption that we will generate sufficient cash in excess of our financial obligations to support the dividend.

- Mullen Group's intention to invest $50.0 million in capital expenditures, exclusive of corporate acquisitions, real property and special projects with $45.0 million to be allocated to replace trucks, trailers and specialized equipment to support the operations of the business and $5.0 million allocated to the Corporate Office mainly to complete the Regina, Saskatchewan cross dock facility, as referred to in the Corporate Overview section beginning on page 7. This forward-looking statement is based on the assumption that our Business Units will require capital to support their ongoing operations and growth opportunities and that we will generate sufficient cash in excess of our financial obligations to support the capital expenditures.

- Mullen Group's intention to use working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2020 to finance our ongoing working capital requirements, our 2020 capital budget as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 47. This forward-looking statement is based on our belief that our access to cash will exceed our expected requirements.

Although we believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because we can give no assurance that they will prove to be correct.

Forward-looking statements address future events and conditions and, therefore, involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to certain strategic, financial and operational risks, most important of which are geopolitical risks including but not limited to a slowdown in the general economy, reduced oil and natural gas drilling and decreased oil sands and heavy oil activity; e-commerce and supply chain evolution; acquisitions; competition; foreign exchange rates; change in the return on fair value of investments; access to financing; reliance on major customers; customer relationships; impairment of goodwill or intangible assets; credit risk; prevailing interest rates; employees & labour relations; labour disruption and driver retention; cost escalation & fuel costs; accidents; cost of liability insurance; digital infrastructure & cyber security; business continuity, disaster recovery & crisis management; environmental liability risks; weather & seasonality; access to parts, development of new technology & relationships with key suppliers; regulatory framework governing matters such as tax and the environment in the jurisdictions in which the Corporation conducts and will conduct its business; and litigation. Accordingly, readers should not place undue reliance on the forward-looking statements contained in this MD&A.

Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Mullen Group along with the forward-looking statements in this MD&A, may be found in the Advisory on page 1 as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements contained in this MD&A are made as of the date hereof and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. We rely on litigation protection for "forward-looking" statements.

GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP TERMS

The Interim Financial Statements attached and referred to in this MD&A were prepared according to Canadian GAAP. References to operating margin, net income – adjusted, earnings per share – adjusted, net capital expenditures, net debt, total net debt and cash flow per share are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. This MD&A reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate our ability to fund our operations and information regarding our liquidity. In addition, these measures are used by management in its evaluation of performance. These Non-GAAP Terms may not be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP. Investors are cautioned that these indicators should not replace the foregoing Canadian GAAP terms: net income, earnings per share, purchases of property, plant and equipment, proceeds on sale of property, plant and equipment and debt.

Operating Margin

Operating margin is a Non-GAAP term and is defined as OIBDA divided by revenue. Management relies on operating margin as a measurement since it provides an indication of our ability to generate an appropriate return as compared to the associated risk and the amount of assets employed within our principal business activities.

(unaudited) *($ millions)*	Three month periods ended September 30		Nine month periods ended September 30	
	2020	**2019**	**2020**	**2019**
Operating income before depreciation and amortization	**$ 65.2**	$ 55.6	**$ 165.4**	$ 151.0
Revenue	**$ 290.9**	$ 325.3	**$ 866.6**	$ 963.9
Operating margin	**22.4%**	17.1%	**19.1%**	15.7%

Net Income – Adjusted and Earnings per Share – Adjusted

Net income – adjusted and earnings per share – adjusted are calculated by adjusting net income and basic earnings per share by the impact of any net foreign exchange gains and losses and from the change in fair value of investments. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective. See pages 22 and 38 for detailed calculations of net income – adjusted and earnings per share – adjusted.

Net Capital Expenditures

Net capital expenditures are calculated by subtracting the amount of cash received from the sale of property, plant and equipment from the amount of cash used to purchase property, plant and equipment. Management calculates net capital expenditures to evaluate and manage its capital expenditure budget and to assist in allocating capital amongst its Business Units.

(unaudited) *($ millions)*	Three month periods ended September 30		Nine month periods ended September 30	
	2020	**2019**	**2020**	**2019**
Purchase of property, plant and equipment	**$ 10.2**	$ 18.0	**$ 37.5**	$ 51.3
Proceeds on sale of property, plant and equipment	**(2.6)**	(1.2)	**(5.8)**	(3.7)
Net capital expenditures	**$ 7.6**	$ 16.8	**$ 31.7**	$ 47.6

Net Debt

Net debt is calculated by subtracting total working capital (current assets less current liabilities) from total debt (long-term debt plus the debt component of lease liabilities and Debentures). Management calculates net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

(unaudited) *($ millions)*		September 30, 2020		December 31, 2019
Long-term debt	**$**	**475.6**	$	467.4
Convertible debentures - debt component		**110.5**		108.7
Lease liabilities (non-current portion)		**25.5**		30.0
Total debt		**611.6**		606.1
Less working capital:				
Current assets		**356.5**		349.3
Current liabilities		**(121.5)**		(106.0)
Total working capital		**235.0**		243.3
Net debt	**$**	**376.6**	$	362.8

Total Net Debt

The term "*total net debt*" means all debt excluding the Debentures but includes the Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the condensed consolidated statement of financial position. Management calculates total net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

(unaudited) *($ millions)*		September 30, 2020
Private Placement Debt	**$**	**475.6**
Lease liabilities (including the current portion)		**36.7**
Letters of credit		**3.9**
Total debt		**516.2**
Less: unrealized gain on Cross-Currency Swaps		**(51.9)**
Add: unrealized loss on Cross-Currency Swaps		**—**
Total net debt	**$**	**464.3**

Cash Flow per Share

Cash flow per share is calculated by dividing net cash from operating activities by the weighted average number of Common Shares outstanding. Management measures cash flow per share to provide investors with an indication of the amount of cash being generated on a per share basis, after consideration of working capital and income taxes paid.

	Three month periods ended September 30				Nine month periods ended September 30			
(unaudited) *($ millions, except share and per share amounts)*		2020		2019		2020		2019
Net cash from operating activities	**$**	**47.4**	$	46.5	**$**	**172.3**	$	116.4
Weighted average number of Common Shares outstanding		**98,507,667**		104,824,973		**101,884,589**		104,824,973
Cash flow per share	**$**	**0.48**	$	0.44	**$**	**1.69**	$	1.11

SEPTEMBER 30, 2020

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited) *(thousands)*	Note		September 30 2020		December 31 2019
Assets					
Current assets:					
Cash and cash equivalents		**$**	**105,433**	$	79,023
Trade and other receivables	**6**		**201,806**		211,209
Inventory			**31,518**		33,015
Prepaid expenses			**16,118**		15,461
Current tax receivable			**1,629**		10,623
			356,504		349,331
Non-current assets:					
Property, plant and equipment			**944,251**		954,604
Right-of-use assets			**32,681**		36,799
Goodwill	**7**		**270,747**		268,707
Intangible assets			**44,470**		48,456
Investments			**35,788**		38,491
Deferred tax assets			**9,025**		8,070
Derivative financial instruments	**8**		**51,926**		41,375
Other assets	**9**		**1,988**		3,459
			1,390,876		1,399,961
Total Assets		**$**	**1,747,380**	$	1,749,292
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities		**$**	**104,836**	$	90,028
Dividends payable	**10**		**2,907**		5,241
Current tax payable			**2,528**		44
Lease liabilities – current portion			**11,191**		10,711
			121,462		106,024
Non-current liabilities:					
Convertible debentures – debt component			**110,524**		108,764
Long-term debt	**12**		**475,568**		467,392
Lease liabilities			**25,504**		29,975
Asset retirement obligations			**1,666**		1,647
Deferred tax liabilities			**117,194**		117,569
			730,456		725,347
Equity:					
Share capital	**13**		**875,423**		946,910
Convertible debentures – equity component			**9,116**		9,116
Contributed surplus			**36,464**		16,860
Deficit			**(25,541)**		(54,965)
			895,462		917,921
Subsequent events	**20**				
Total Liabilities and Equity		**$**	**1,747,380**	$	1,749,292

The notes which begin on page 65 are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors on October 21, 2020, after review by the Audit Committee.

"Signed: Murray K. Mullen"

Murray K. Mullen, Director

"Signed: Philip J. Scherman"

Philip J. Scherman, Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited) *(thousands, except per share amounts)*	Note	Three month periods ended September 30 2020	Three month periods ended September 30 2019	Nine month periods ended September 30 2020	Nine month periods ended September 30 2019
Revenue	**16**	**$ 290,901**	$ 325,298	**$ 866,607**	$ 963,866
Direct operating expenses	**3**	**190,580**	228,337	**591,067**	687,623
Selling and administrative expenses	**3**	**35,047**	41,309	**110,113**	125,203
Operating income before depreciation and amortization		**65,274**	55,652	**165,427**	151,040
Depreciation of property, plant and equipment		**18,199**	18,624	**53,584**	53,796
Depreciation of right-of-use assets		**2,832**	2,879	**8,601**	8,436
Amortization of intangible assets		**4,351**	5,112	**12,761**	14,020
Finance costs		**6,828**	6,851	**21,203**	17,147
Net foreign exchange (gain) loss	**8**	**(116)**	(3,905)	**(2,513)**	(11,834)
Other (income) expense	**17**	**(1,913)**	(210)	**(1,457)**	(458)
Income before income taxes		**35,093**	26,301	**73,248**	69,933
Income tax expense	**11**	**8,863**	5,808	**19,364**	6,081
Net income and total comprehensive income		**$ 26,230**	$ 20,493	**$ 53,884**	$ 63,852
Earnings per share:	**14**				
Basic		**$ 0.27**	$ 0.20	**$ 0.53**	$ 0.61
Diluted		**$ 0.26**	$ 0.20	**$ 0.53**	$ 0.61
Weighted average number of Common Shares outstanding:	**14**				
Basic		**98,508**	104,825	**101,885**	104,825
Diluted		**107,436**	104,825	**101,885**	104,825

The notes which begin on page 65 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited) (*thousands*)		Share capital	Convertible debentures – equity component	Contributed surplus	Deficit	Total
Balance at January 1, 2020		**$ 946,910**	**$ 9,116**	**$ 16,860**	**$ (54,965)**	**$ 917,921**
Total comprehensive income for the period		**—**	**—**	**—**	**53,884**	**53,884**
Common Shares repurchased	**13**	**(71,487)**	**—**	**18,613**	**—**	**(52,874)**
Stock-based compensation expense		**—**	**—**	**991**	**—**	**991**
Dividends declared to common shareholders	**10**	**—**	**—**	**—**	**(24,460)**	**(24,460)**
Balance at September 30, 2020		**$ 875,423**	**$ 9,116**	**$ 36,464**	**$ (25,541)**	**$ 895,462**

(unaudited) (*thousands*)		Share capital	Convertible debentures – equity component	Contributed surplus	Deficit	Total
Balance at January 1, 2019		$ 946,910	$ —	$ 15,477	$ (64,311)	$ 898,076
Total comprehensive income for the period		—	—	—	63,852	63,852
Convertible debentures issued		—	12,403	—	—	12,403
Deferred tax on convertible debentures		—	(3,287)	—	—	(3,287)
Stock-based compensation expense		—	—	1,034	—	1,034
Dividends declared to common shareholders	**10**	—	—	—	(47,171)	(47,171)
Balance at September 30, 2019		$ 946,910	$ 9,116	$ 16,511	$ (47,630)	$ 924,907

The notes which begin on page 65 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(thousands)*	Note	Nine month periods ended September 30 2020	2019
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 53,884**	$ 63,852
Adjustments for:			
Depreciation and amortization		**74,946**	76,252
Finance costs		**21,203**	17,147
Stock-based compensation expense		**991**	1,034
Foreign exchange gain on cross-currency swaps	**8**	**(10,551)**	(2,697)
Foreign exchange loss (gain)		**7,628**	(8,865)
Change in fair value of investments	**17**	**1,409**	280
(Gain) loss on sale of property, plant and equipment	**17**	**(179)**	1,824
Gain on fair value of equity investment	**17**	**(432)**	—
Earnings from equity investments	**17**	**(2,274)**	(2,574)
Accretion on asset retirement obligations	**17**	**19**	12
Income tax expense	**11**	**19,364**	6,081
Cash flows from operating activities before non-cash working capital items		**166,008**	152,346
Changes in non-cash working capital items from operating activities	**18**	**18,322**	(8,717)
Cash generated from operating activities		**184,330**	143,629
Income tax paid		**(11,990)**	(27,193)
Net cash from operating activities		**172,340**	116,436
Cash flows from financing activities:			
Net proceeds of convertible debentures		**—**	119,797
Repurchase of Common Shares	**13**	**(52,874)**	—
Cash dividends paid to common shareholders		**(26,794)**	(47,171)
Interest paid		**(14,253)**	(11,156)
Repayment of long-term debt and loans		**—**	(6,486)
Repayment of bank credit facility		**—**	(30,000)
Repayment of lease liabilities		**(9,102)**	(8,860)
Changes in non-cash working capital items from financing activities	**18**	**556**	654
Net cash (used in) from financing activities		**(102,467)**	16,778
Cash flows from investing activities:			
Acquisitions net of cash (bank indebtedness) acquired		**(14,445)**	(14,979)
Purchase of intangible assets		**—**	(360)
Purchase of property, plant and equipment		**(37,514)**	(51,351)
Proceeds on sale of property, plant and equipment		**5,813**	3,706
Net investment in finance leases		**947**	936
Proceeds on sale of investments		**—**	663
Interest received		**1,235**	1,516
Other assets		**(34)**	289
Changes in non-cash working capital items from investing activities	**18**	**125**	283
Net cash used in investing activities		**(43,873)**	(59,297)
Change in cash and cash equivalents		**26,000**	73,917
Cash and cash equivalents at January 1		**79,023**	3,916
Effect of exchange rate fluctuations on cash held		**410**	(272)
Cash and cash equivalents at September 30		**$ 105,433**	$ 77,561

The notes which begin on page 65 are an integral part of these condensed interim consolidated financial statements.

(Tabular amounts in thousands, except share and per share amounts)

1. Reporting Entity

Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") was incorporated pursuant to the laws of the Province of Alberta and is a publicly-traded company listed on the Toronto Stock Exchange ("**TSX**") under the symbol 'MTL'. The Corporation maintains its registered office in Okotoks, Alberta, Canada. The business of Mullen Group is operated through wholly-owned (either directly or indirectly) subsidiaries and limited partnerships ("**Business Units**"). The Corporation is recognized as one of the leading suppliers of trucking and logistics services in Canada providing a wide range of service offerings including less-than-truckload, truckload, warehousing, logistics, transload, oversized and specialized hauling transportation. In addition, Mullen Group provides a diverse set of specialized services related to the energy, mining, forestry and construction industries in western Canada, including water management, fluid hauling and environmental reclamation. These unaudited condensed interim consolidated financial statements ("**Interim Financial Statements**") include the accounts of the Corporation, its subsidiaries and its limited partnerships.

2. Basis of Presentation

(a) Statement of Compliance

These Interim Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards ("**IFRS**"), which include the International Accounting Standards ("**IAS**") and the interpretations developed by the International Financial Reporting Interpretations Committee ("**IFRIC**"), as issued by the International Accounting Standards Board ("**IASB**"). These Interim Financial Statements comply with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements.

(b) Basis of Measurement

These Interim Financial Statements have been prepared on the historical cost basis except for investments (excluding investments accounted for by the equity method), and derivative financial instruments ("**Derivatives**"), which are measured at fair value through profit or loss.

(c) Functional and Presentation Currency

These Interim Financial Statements are presented in Canadian dollars, which is the functional currency of the Corporation and each of its Business Units. All financial information presented in Canadian dollars has been rounded to the nearest thousand except for per share amounts.

3. Significant Accounting Policies

The accompanying Interim Financial Statements should be read in conjunction with Note 3 to Mullen Group's audited annual consolidated financial statements for the year ended December 31, 2019, (the "**Annual Financial Statements**") as the accounting policies applied by the Corporation in these Interim Financial Statements are the same as those disclosed therein.

During the six month period ended June 30, 2020, the Corporation adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("**CEWS**") program as enacted on April 11, 2020, by the federal Government of Canada.

Government Subsidies

Policy: Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and that the Corporation will comply with all relevant conditions. Government subsidies related to current expenses are recorded as a reduction of the related expenses.

Supporting information:

During the three and nine month periods ended September 30, 2020, the Corporation qualified for the CEWS program and recognized $10.3 million and $21.2 million as a reduction to wage expense, respectively. During the three month period ended September 30, 2020, $8.0 million and $2.3 million was allocated to direct operating expenses and selling and administrative expenses, respectively. During the nine month period ended September 30, 2020, $16.3 million and $4.9 million were allocated to direct operating expenses and selling and administrative expenses, respectively.

4. Determination of Fair Values

The following table compares the fair value of certain financial assets and financial liabilities to its corresponding carrying amount as presented in the condensed consolidated statement of financial position.

September 30, 2020 **Financial Instrument**	**Fair Value Hierarchy**		**Carrying Amount**		**Fair Value**
Investments (excluding investments accounted for by using the equity method)	Level 1	$	745	$	745
Derivative Financial Instruments	Level 2	$	51,926	$	51,926
Private Placement Debt	Level 2	$	475,568	$	464,014
Convertible Debentures – debt component	Level 2	$	110,524	$	111,143

(Tabular amounts in thousands, except share and per share amounts)

5. Acquisition

2020 Acquisition

Pacific Coast Express Limited – On August 1, 2018, Mullen Group acquired 40.0 percent of the issued and outstanding shares of Pacific Coast Express Limited ("**PCX**") for $2.0 million. Mullen Group used the equity method to account for this investment and recognized $1.6 million of earnings from August 1, 2018 until September 1, 2020. On September 1, 2020, Mullen Group acquired all of the remaining issued and outstanding shares of PCX including two of PCX's operating facilities, one in Calgary, Alberta and one in Winnipeg, Manitoba for cash consideration of $14.4 million. Mullen Group recorded $14.4 million of cash used to acquire PCX in its condensed consolidated statement of cash flows, which consists of $14.2 million of cash consideration paid on closing and $0.2 million of bank indebtedness acquired. The fair value of PCX was $18.4 million on the date control was obtained resulting in a $0.4 million gain on this equity investment being recognized within other (income) expense on the condensed consolidated statement of comprehensive income. PCX is based out of the Lower Mainland of British Columbia and provides expedited handling of international less-than-truckload and truckload shipments to and from western Canada. Mullen Group acquired PCX as part of its strategy to invest in the transportation sector in western Canada. The financial results of PCX's operations are included in the Less-Than-Truckload segment.

This acquisition has been accounted for by the acquisition method, and results of operations have been included in these Interim Financial Statements from the date of acquisition. The goodwill acquired in this acquisition primarily relates to the assembled workforce and the synergies from the integration of the acquired business.

Due to the limited time between the closing of the acquisition of PCX and the preparation of these Interim Financial Statements, the value of the assets acquired and the liabilities assumed are based upon preliminary financial information available to management as of the date of this report and are subject to change.

6. Trade and Other Receivables

		September 30 2020		**December 31 2019**
Trade receivables	**$**	**168,028**	$	182,023
Other receivables		**31,002**		26,907
Net investment in finance leases		**1,734**		788
Contract assets		**1,042**		1,491
	$	**201,806**	$	211,209

7. Goodwill

Goodwill is reviewed for impairment annually at December 31, or more frequently if there are indications that impairment may have occurred. One indication that an asset may be impaired occurs when the carrying amount of the net assets of an entity is more than its market capitalization. The carrying amount of Mullen Group's net assets exceeded its market capitalization as at March 31, 2020. Goodwill impairment is tested at the cash generating unit (**"CGU"**) level and is determined based upon the recoverable amount of each CGU compared to the CGUs respective carrying amount. At March 31, 2020, the Corporation performed an impairment test for goodwill within certain CGUs, including revising revenue projections downwards and increasing the discount rate, and concluded that there was no impairment of goodwill as the recoverable amount for these CGUs was higher than their respective carrying amount. Given the unprecedented economic impact due to COVID-19 and low oil prices, Mullen Group will continue to monitor events in the fourth quarter and the assumptions used for such impairment tests.

8. Derivative Financial Instruments

On July 25, 2014, Mullen Group entered into two cross-currency swap contracts with a Canadian bank to swap $117.0 million U.S. dollars and $112.0 million U.S. dollars into Canadian dollars (collectively, the "**Cross-Currency Swaps**") at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These Cross-Currency Swaps hedge the principal amount of the Series G and Series H Notes.

(Tabular amounts in thousands, except share and per share amounts)

For the nine month period ended September 30, 2020, Mullen Group has recorded a net foreign exchange gain of $2.5 million (2019 – $11.8 million). This was due to the impact of the change over the period in the value of the Canadian dollar relative to the U.S. dollar on the Corporation's U.S. dollar debt and from the change in the fair value of its Cross-Currency Swaps as summarized in the table below:

Net Foreign Exchange (Gain) Loss	**Nine month periods ended September 30**			
	CDN. $ Equivalent			
		2020		**2019**
Foreign exchange loss (gain) on U.S. $ debt	**$**	**8,038**	$	(9,137)
Foreign exchange gain on Cross-Currency Swaps		**(10,551)**		(2,697)
Net foreign exchange gain	**$**	**(2,513)**	$	(11,834)

For the nine month period ended September 30, 2020, Mullen Group recorded a foreign exchange loss (gain) on U.S. dollar debt of $8.0 million (2019 – $(9.1) million) as summarized in the table below:

Foreign Exchange Loss (Gain) on U.S. $ Debt	**Nine month periods ended September 30**					
	2020			**2019**		
($ thousands, except exchange rate amounts)	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – September 30	**229,000**	**1.3339**	**305,464**	229,000	1.3243	303,265
Beginning – January 1	**229,000**	**1.2988**	**297,426**	229,000	1.3642	312,402
Foreign exchange loss (gain) on U.S. $ debt			**8,038**			(9,137)

For the nine month period ended September 30, 2020, Mullen Group recorded a foreign exchange gain on its Cross-Currency Swaps of $10.6 million (2019 – $2.7 million). This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange (Gain) Loss on Cross-Currency Swaps	**Nine month periods ended September 30**			
	2020		**2019**	
	U.S. $ Swaps	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117,000**	**(5,171)**	117,000	(800)
Cross-Currency Swap maturing October 22, 2026	**112,000**	**(5,380)**	112,000	(1,897)
Foreign exchange gain on Cross-Currency Swaps		**(10,551)**		(2,697)

9. Other Assets

		September 30 2020		**December 31 2019**
Promissory notes	**$**	**744**	$	767
Net investment in finance leases		**779**		2,284
Other		**465**		408
	$	**1,988**	$	3,459

10. Dividends Payable

For the nine month period ended September 30, 2020, Mullen Group declared dividends totalling $0.24 per Common Share (2019 – $0.45 per Common Share). On February 12, 2020, Mullen Group announced its intention to pay annual dividends of $0.60 per Common Share ($0.05 per Common Share on a monthly basis) for 2020. On March 20, 2020, Mullen Group announced the temporary suspension of the monthly dividend of $0.05 per Common Share for three months, effective April 1, 2020. On July 22, 2020, the Corporation announced that it will resume the monthly dividend by paying $0.03 per Common Share on a monthly basis. At September 30, 2020, Mullen Group had 96,910,713 Common Shares outstanding and a dividend payable of $2.9 million (December 31, 2019 – $5.2 million), which was paid on October 15, 2020. Mullen Group also declared a dividend of $0.03 per Common Share on October 20, 2020, to the holders of record at the close of business on October 31, 2020.

(Tabular amounts in thousands, except share and per share amounts)

11. Income Taxes

The following table provides a reconciliation of the effective tax rates based on the applicable tax rates in various provincial jurisdictions during the period.

	Three month periods ended September 30		Nine month periods ended September 30	
	2020	2019	**2020**	2019
Income before income taxes	**$ 35,093**	$ 26,301	**$ 73,248**	$ 69,933
Combined statutory tax rate	**26%**	27%	**26%**	27%
Expected income tax	**9,124**	7,101	**19,044**	18,882
Add (deduct):				
Non-deductible (taxable) portion of net foreign exchange loss (gain)	**—**	(517)	**—**	(1,568)
Non-deductible (taxable) portion of the change in fair value of investments	**(42)**	33	**122**	37
Stock-based compensation expense	**82**	93	**248**	274
Changes in unrecognized deferred tax asset	**—**	(517)	**—**	(1,568)
Decrease in income tax due to changes in income tax rates	**—**	(70)	**—**	(9,469)
Other	**(301)**	(315)	**(50)**	(507)
Income tax expense	**$ 8,863**	$ 5,808	**$ 19,364**	$ 6,081

During the second quarter of 2019, the Government of Alberta passed Bill 3, which will reduce the Alberta provincial corporate tax rate from 12.0 percent to 8.0 percent in a phased approach between July 1, 2019 and January 1, 2022. As a result of this change, the Corporation made an adjustment to current and deferred income taxes of $0.2 million and $9.4 million, respectively, which was recorded in the second quarter of 2019. As the tax rate change came into effect on July 1, 2019, the combined federal and provincial statutory income tax rate for 2019 decreased to 26.6 percent.

12. Long-Term Debt and Credit Facility

On October 24, 2018, Mullen Group entered into an agreement with its lender to amend the amount available to be borrowed on its credit facility (the "**Bank Credit Facility**"). The amount available to be borrowed on the Bank Credit Facility was increased by $50.0 million to $125.0 million. On June 21, 2019, the amount available to be borrowed on the Bank Credit Facility was increased by $25.0 million to $150.0 million. Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at September 30, 2020, no amounts were drawn on this facility. All other terms under the Bank Credit Facility remain the same. This facility does not have any financial covenants, however, Mullen Group cannot be in default of its Private Placement Debt and it must be in compliance with certain reporting and general covenants. Mullen Group is in compliance with all of these reporting and general covenants.

Mullen Group has $3.9 million of letters of credit outstanding, which were issued to guarantee certain performance and payment obligations. These letters of credit reduce the amount available under the Bank Credit Facility.

Mullen Group's long-term debt is mainly comprised of a series of unsecured debt (collectively, the "**Private Placement Debt**"), the details of which are set forth below:

Notes	Principal amount	Maturity	Interest Rate[(1)]
Series G	$ 117,000 U.S.	October 22, 2024	3.84%
Series H	$ 112,000 U.S.	October 22, 2026	3.94%
Series I	$ 30,000 CDN.	October 22, 2024	3.88%
Series J	$ 3,000 CDN.	October 22, 2026	4.00%
Series K	$ 58,000 CDN.	October 22, 2024	3.95%
Series L	$ 80,000 CDN.	October 22, 2026	4.07%

(1) Interest is payable semi-annually.

Mullen Group's unamortized debt issuance costs of $0.9 million related to its Private Placement Debt have been netted against its carrying value at September 30, 2020 (December 31, 2019 – $1.0 million). Mullen Group has certain financial covenants that must be met under its unsecured Private Placement Debt, which include a total net debt to operating cash flow ratio and a total earnings available for fixed charges to total fixed charges ratio. Mullen Group's total net debt cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results normalized for acquisitions. The term "**total net debt**" means all debt including the Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the condensed consolidated statement of financial position. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve month consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) depreciation and amortization taken during such period, (iii) total interest charges, including interest on the Debentures and lease liabilities; and (iv) non-cash charges. Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1 calculated using the trailing twelve months financial results. Mullen Group is in compliance with all the Private Placement Debt financial covenants.

(Tabular amounts in thousands, except share and per share amounts)

Mullen Group entered into Cross-Currency Swaps to swap the Series G and Series H Notes into Canadian dollars at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. ▶ **For more information, refer to Note 8**.

The following table summarizes the Corporation's total debt:

		September 30, 2020		December 31, 2019
Current liabilities:				
Private Placement Debt	**$**	**—**	$	—
Lease liabilities – current portion		**11,191**		10,711
Bank Credit Facility		**—**		—
		11,191		10,711
Non-current liabilities:				
Private Placement Debt		**475,568**		467,392
Lease liabilities		**25,504**		29,975
		501,072		497,367
	$	**512,263**	$	508,078

The details of total debt, as at the date hereof, are as follows:

			September 30, 2020		December 31, 2019	
	Year of Maturity	Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
			$	**$**	$	$
Bank Credit Facility	—	Variable	**—**	**—**	—	—
Lease liabilities	2020-2028	3.20%	**39,843**	**36,695**	43,754	40,686
Private Placement Debt	2024-2026	3.84% - 4.07%	**476,463**	**475,568**	468,425	467,392
			516,306	**512,263**	512,179	508,078

13. Share Capital

The authorized share capital of Mullen Group consists of an unlimited number of no par value Common Shares and an unlimited number of Preferred Shares, issuable in series.

The number of, and the specific rights, privileges, restrictions and conditions attaching to any series of Preferred Shares shall be determined by the Board of Directors (the "**Board**") of Mullen Group prior to the creation and issuance thereof. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Mullen Group, whether voluntarily or involuntarily, the Preferred Shares are entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of such series. As at the date hereof, no series of Preferred Shares had been created.

All of the issued Common Shares of Mullen Group have been paid in full.

	# of Common Shares	
	2020	2019
Issued Common Shares at January 1	**104,824,973**	104,824,973
Common Shares repurchased and cancelled	**(7,914,260)**	—
Issued Common Shares at September 30	**96,910,713**	104,824,973

On March 4, 2020, Mullen Group announced a normal course issuer bid ("**NCIB**"), commencing March 9, 2020, to purchase for cancellation up to 7,972,926 Common Shares in the open market on or before March 8, 2021. As at September 30, 2020, Mullen Group had purchased and cancelled 7,914,260 Common Shares for $52.9 million under this NCIB program.

All purchases were made in accordance with the NCIB at prevalent market prices as permitted by the Toronto Stock Exchange, with consideration allocated to share capital up to the average carrying amount of the shares and any excess allocated to contributed surplus. The NCIB can be cancelled at the discretion of the Corporation at any time.

(Tabular amounts in thousands, except share and per share amounts)

14. Earnings per Share

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the three and nine month periods ended September 30, 2020, were $26.2 million and $53.9 million (2019 – $20.5 million and $63.8 million), respectively. The weighted average number of Common Shares outstanding for the three and nine month periods ended September 30, 2020 and 2019 was calculated as follows:

		Three month periods ended September 30		Nine month periods ended September 30	
	Note	**2020**	**2019**	**2020**	**2019**
Issued Common Shares at beginning of period	**13**	**99,620,189**	104,824,973	**104,824,973**	104,824,973
Effect of Common Shares repurchased and cancelled	**13**	**(1,112,522)**	—	**(2,940,384)**	—
Weighted average number of Common Shares at end of period – basic		**98,507,667**	104,824,973	**101,884,589**	104,824,973

(b) Diluted Earnings per Share

Diluted earnings per share is calculated by adjusting net income attributable to common shareholders and the basic weighted average number of Common Shares outstanding by the effects of all potentially dilutive transactions to existing common shareholders. In calculating diluted earnings per share, net income was adjusted as follows:

	Three month periods ended September 30		Nine month periods ended September 30	
	2020	**2019**	**2020**	**2019**
Net income	**$ 26,230**	$ 20,493	**$ 53,884**	$ 63,852
Effect on finance costs from conversion of Debentures (net of tax)	**1,750**	—	**—**	—
Net income – adjusted	**$ 27,980**	$ 20,493	**$ 53,884**	$ 63,852

The diluted weighted average number of Common Shares was calculated as follows:

	Three month periods ended September 30		Nine month periods ended September 30	
	2020	**2019**	**2020**	**2019**
Weighted average number of Common Shares – basic	**98,507,667**	104,824,973	**101,884,589**	104,824,973
Effect of "in the money" stock options	**—**	—	**—**	—
Effect of the Debentures	**8,928,571**	—	**—**	—
Weighted average number of Common Shares at end of period – diluted	**107,436,238**	104,824,973	**101,884,589**	104,824,973

For the three and nine month periods ended September 30, 2020 and 2019, stock options outstanding were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive. The average market value of the Corporation's Common Shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the periods ended September 30, 2020 and 2019. For the three month period ended September 30, 2019 and the three and nine month periods ending September 30, 2020 and 2019, the Common Shares that would be issued upon conversion of the convertible unsecured subordinated debentures ("**Debentures**") were excluded from the diluted weighted average calculation as their effect would have been anti-dilutive. For the three month period ended September 30, 2020, the Common Shares that would have been issued upon conversion of the Debentures were included in the diluted weighted average calculation as their effect would have been dilutive.

15. Seasonality of Operations

Revenue and profitability within the Less-Than-Truckload segment and the Logistics & Warehousing segment are generally lower in the first quarter than during the remainder of the year as freight volumes are typically lower in the first quarter following the holiday season due to less consumer demand and customers reducing shipments. Operating expenses also tend to increase within these segments in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions.

A significant portion of the operations within the Specialized & Industrial Services segment is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. Earnings are influenced by the seasonal activity pattern of western Canada's oil and natural gas exploration industry whereby activity usually peaks in the winter months and declines during the spring when wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing activity levels. Additionally, certain oil and natural gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services provided by Mullen Group. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter.

16. Revenue

The business of Mullen Group is operated through its Business Units, which are divided into three distinct operating segments for reporting purposes – Less-Than-Truckload, Logistics & Warehousing and Specialized & Industrial Services. The segments are differentiated by the type of service provided, equipment requirements and customer needs. Mullen Group provides the capital and financial expertise, technology and systems support, shared services and strategic planning (the "**Corporate Office**") for the Business Units. The Corporate Office also invests in certain public and private corporations. In addition, the Corporate Office, through its subsidiary MT Investments Inc. ("**MT**"), owns a network of real estate holdings and facilities that are leased primarily to the Business Units. Such properties are leased by MT to the Business Units on commercially reasonable terms. The day to day management of the Business Units is conducted at the subsidiary level. ▶ **For more information, refer to Note 19**.

At September 30, 2020, the Less-Than-Truckload segment consisted of 9 Business Units and is often referred to as the final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. We are committed to investing in the most advanced technologies available ensuring the continued improvement in all aspects of our business, shortening delivery times and providing customers with visibility, via tracking and tracing, to their shipments during transit.

At September 30, 2020, the Logistics & Warehousing segment consisted of 9 Business Units and provides shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. Operations and customer service are supported by a robust suite of leading edge technology solutions including a fully integrated transportation management system, customized inventory management and warehouse systems along with our proprietary Moveitonline® and Haulistic™ technology platforms, applications that are positioning our organization for an evolving and changing supply chain.

At September 30, 2020, the Specialized & Industrial Services segment consisted of 15 Business Units and is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. Strategically located throughout western Canada, these specialty Business Units are focused on providing advanced technology solutions and leading edge service capabilities.

(Tabular amounts in thousands, except share and per share amounts)

Disaggregation of revenue:

The following table details Mullen Group's revenue by type of service and timing of the transfer of goods or services by segment and has been restated on a retrospective basis for comparative purposes:

Nine month period ended September 30, 2020	Less-than-Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate	Intersegment eliminations	Total
	$	$	$	$	$	$
Revenue by service line						
Transportation	**315,857**	**152,657**	**146,374**	**—**	**—**	**614,888**
Logistics	**13,110**	**59,707**	**4,013**	**—**	**—**	**76,830**
Other[(1)]	**3,993**	**56,167**	**129,566**	**2,358**	**—**	**192,084**
Eliminations	**(5,471)**	**(3,353)**	**(2,716)**	**—**	**(5,655)**	**(17,195)**
	327,489	**265,178**	**277,237**	**2,358**	**(5,655)**	**866,607**
Timing of revenue recognition						
Over time	**316,032**	**156,165**	**204,829**	**1,843**	**—**	**678,869**
Point in time	**16,928**	**112,366**	**75,124**	**515**	**—**	**204,933**
Eliminations	**(5,471)**	**(3,353)**	**(2,716)**	**—**	**(5,655)**	**(17,195)**
	327,489	**265,178**	**277,237**	**2,358**	**(5,655)**	**866,607**

[(1)] Included within other revenue is $26.9 million of rental revenue comprised of $0.2 million, $3.5 million, $21.4 million and $1.8 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment and Corporate, respectively.

Nine month period ended September 30, 2019	Less-than-Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate	Intersegment eliminations	Total
	$	$	$	$	$	$
Revenue by service line						
Transportation	322,555	180,974	166,546	—	—	670,075
Logistics	14,040	76,631	3,497	—	—	94,168
Other[(1)]	4,658	49,279	158,758	3,181	—	215,876
Eliminations	(3,810)	(4,272)	(2,496)	—	(5,675)	(16,253)
	337,443	302,612	326,305	3,181	(5,675)	963,866
Timing of revenue recognition						
Over time	322,669	184,151	226,610	1,917	—	735,347
Point in time	18,584	122,733	102,191	1,264	—	244,772
Eliminations	(3,810)	(4,272)	(2,496)	—	(5,675)	(16,253)
	337,443	302,612	326,305	3,181	(5,675)	963,866

[(1)] Included within other revenue is $30.8 million of rental revenue comprised of $0.1 million, $3.2 million, $25.6 million and $1.9 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment and Corporate, respectively.

(Tabular amounts in thousands, except share and per share amounts)

17. Other (Income) Expense

	Three month periods ended September 30				Nine month periods ended September 30			
		2020		**2019**		**2020**		**2019**
Change in fair value of investments	**$**	**94**	$	252	**$**	**1,409**	$	280
(Gain) loss on sale of property, plant and equipment		**(907)**		405		**(179)**		1,824
Gain on fair value of equity investment		**(432)**		—		**(432)**		—
Earnings from equity investments		**(674)**		(871)		**(2,274)**		(2,574)
Accretion on asset retirement obligations		**6**		4		**19**		12
Other (income) expense	**$**	**(1,913)**	$	(210)	**$**	**(1,457)**	$	(458)

18. Changes in non-cash working capital

	Nine month periods ended September 30			
		2020		**2019**
Trade and other receivables	**$**	**14,555**	$	(6,686)
Inventory		**1,497**		(8)
Prepaid expenses		**(431)**		(5,355)
Accounts payable and accrued liabilities		**3,382**		4,269
	$	**19,003**	$	(7,780)

	Nine month periods ended September 30			
		2020		**2019**
Changes in non-cash working capital items from:				
Operating activities	**$**	**18,322**	$	(8,717)
Financing activities		**556**		654
Investing activities		**125**		283
	$	**19,003**	$	(7,780)

19. Operating Segments

As disclosed in the first quarter, Mullen Group has commenced reporting financial results in three new operating segments. These three operating segments have been differentiated by the sector of the economy in which the businesses operate, the type of services provided, the equipment requirements and the customer needs. The Less-Than-Truckload segment provides final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. The Logistics & Warehousing segment provides shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. The Specialized & Industrial Services segment provides specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. ▶ **For more information, refer to Notes 16**.

(Tabular amounts in thousands, except share and per share amounts)

The following tables provide financial information that conforms to the Corporation's new segment presentation on a retrospective basis for comparative purposes:

					Intersegment eliminations			
Three month period ended September 30, 2020	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate**	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	**112,725**	**86,194**	**92,398**	**661**	**(208)**	**(340)**	**(529)**	**290,901**
Income (loss) before income taxes	**11,819**	**10,592**	**12,967**	**(285)**	**—**	**—**	**—**	**35,093**
Depreciation of property, plant and equipment	**3,851**	**2,813**	**9,994**	**1,541**	**—**	**—**	**—**	**18,199**
Amortization of intangible assets	**1,963**	**1,523**	**865**	**—**	**—**	**—**	**—**	**4,351**
Capital expenditures(1)	**6,088**	**2,207**	**2,188**	**122**	**—**	**(253)**	**(113)**	**10,239**
Total assets at September 30, 2020	**372,339**	**244,645**	**435,446**	**694,950**	**—**	**—**	**—**	**1,747,380**

(1) *Excludes business acquisitions*

					Intersegment eliminations			
Three month period ended September 30, 2019	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate**	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	115,906	98,822	111,544	662	(135)	(977)	(524)	325,298
Income before income taxes	8,810	8,013	7,377	2,101	—	—	—	26,301
Depreciation of property, plant and equipment	3,433	2,793	10,857	1,541	—	—	—	18,624
Amortization of intangible assets	2,564	1,523	1,025	—	—	—	—	5,112
Capital expenditures(1)	7,673	2,779	4,506	3,187	(3)	(120)	(10)	18,012
Total assets at December 31, 2019	355,764	263,161	475,028	655,339	—	—	—	1,749,292

(1) *Excludes business acquisitions*

(Tabular amounts in thousands, except share and per share amounts)

					Intersegment eliminations			
Nine month period ended September 30, 2020	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate**	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	**327,489**	**265,178**	**277,237**	**2,358**	**(530)**	**(3,484)**	**(1,641)**	**866,607**
Income (loss) before income taxes	**25,332**	**29,676**	**20,227**	**(1,987)**	**—**	**—**	**—**	**73,248**
Depreciation of property, plant and equipment	**10,892**	**8,354**	**29,828**	**4,510**	**—**	**—**	**—**	**53,584**
Amortization of intangible assets	**5,595**	**4,570**	**2,596**	**—**	**—**	**—**	**—**	**12,761**
Capital expenditures[(1)]	**14,741**	**7,151**	**10,068**	**7,543**	**—**	**(411)**	**(1,578)**	**37,514**
Total assets at September 30, 2020	**372,339**	**244,645**	**435,446**	**694,950**	**—**	**—**	**—**	**1,747,380**

(1) Excludes business acquisitions

					Intersegment eliminations			
Nine month period ended September 30, 2019	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate**	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	337,443	302,612	326,305	3,181	(359)	(3,918)	(1,398)	963,866
Income before income taxes	25,375	23,197	10,243	11,118	—	—	—	69,933
Depreciation of property, plant and equipment	9,471	8,261	31,469	4,595	—	—	—	53,796
Amortization of intangible assets	6,375	4,570	3,075	—	—	—	—	14,020
Capital expenditures[(1)]	18,364	13,511	17,312	6,332	(7)	(421)	(3,740)	51,351
Total assets at December 31, 2019	355,764	263,161	475,028	655,339	—	—	—	1,749,292

(1) Excludes business acquisitions

Performance is measured based on segment income before income tax, as included in the internal management reports that are reviewed by Mullen Group's CEO and President. Segment income is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within these industries.

20. Subsequent Event

Subsequent to September 30, 2020, the Corporation purchased real estate in Calgary, Alberta for $7.5 million.

International Warehousing & Distribution Inc. – In October 2020, Mullen Group announced an agreement to acquire all of the issued and outstanding shares of International Warehousing & Distribution Inc. ("**IWD**") for $5.0 million. IWD is based out of Mississauga, Ontario and provides sufferance warehousing and distribution services in Ontario. Mullen Group is acquiring IWD as part of its strategy to invest in the warehousing and transportation sector in Canada. Due to the limited time between announcing the acquisition of IWD and the preparation of these Interim Financial Statements, the value of the assets acquired and the liabilities assumed on the acquisition were not available to management as of the date of this report.

Subsequent to September 30, 2020, until the date of this report, the Corporation repurchased 58,666 Common Shares at a total cost of $0.5 million. This completes the NCIB as the Corporation has now repurchased the maximum allowable number of Common Shares under the program.

CORPORATE INFORMATION

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Murray K. Mullen
Chairman of the Board, Chief Executive Officer,
President and Director

Sonia Tibbatts, MBA
Lead Director

Stephen H. Lockwood, LLB
Director

Christine McGinley, CPA, CA, ICD.D
Director

David E. Mullen
Director

Philip J. Scherman, FCPA, FCA, ICD.D
Director

P. Stephen Clark, FCPA, FCMA, ICD.D
Chief Financial Officer

Richard J. Maloney
Senior Vice President

Joanna K. Scott
Corporate Secretary and
Vice President, Corporate Services

Carson Urlacher, CPA, CA
Corporate Controller

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