Mullen Group Ltd.

INTERIM REPORT
QUARTER ONE

WE THINK tomorrow™

FOR THE PERIOD ENDED
March 31, 2020

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated April 22, 2020, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the three month period ended March 31, 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 month period ended March 31, 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 April 22, 2020.

ACCOUNTING PRINCIPLES

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 reduced oil and natural gas drilling, decreased oil sands and heavy oil activity, a slowdown in the general economy, currency exchange rates, change in the return on fair value of investments, prevailing interest rates, regulatory framework governing taxes and environmental matters in the jurisdictions in which the Corporation conducts and will conduct its business, customer relationships, labour disruption and driver retention, accidents, cost of liability insurance, fuel prices, ability to access sufficient capital from internal and external sources and changes in legislation including but not limited to tax laws and environmental regulations. 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 40 of this MD&A.*

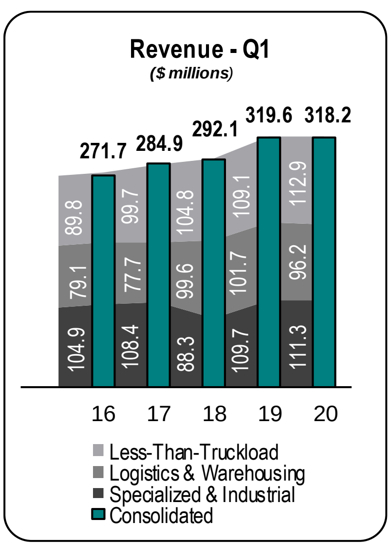
Non-GAAP Terms *- Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. In addition, 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.*

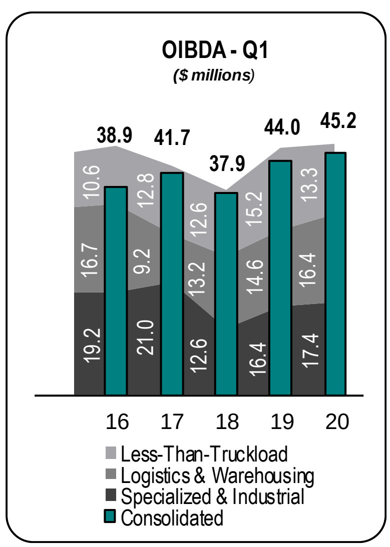
HIGHLIGHTS FOR THE QUARTER

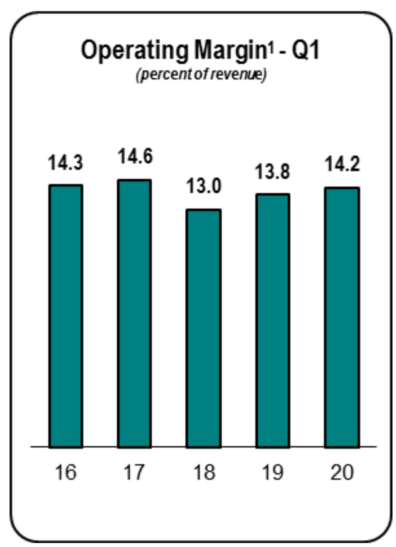
PERFORMANCE: (unaudited) ($ millions, except share price and per share amounts)	Three month periods ended March 31 2020	2019	% Change
Financial Results			
Revenue	$ **318.2**	$ 319.6	(0.4)
Operating income before depreciation and amortization(1)	**45.2**	44.0	2.7
Net foreign exchange loss (gain)	**2.8**	(1.1)	(354.5)
Decrease (increase) in fair value of investments	**1.5**	(0.1)	(1,600.0)
Net income	**4.7**	11.6	(59.5)
Net income – adjusted(2)	**9.5**	10.6	(10.4)
Net cash from operating activities	**40.2**	24.2	66.1
Cash dividends declared	**15.7**	15.7	—
Financial Position			
Cash and cash equivalents	$ **84.7**	$ 2.5	3,288.0
Long-term debt (includes the current portion thereof and the debt component of Debentures)	**644.4**	551.9	16.8
Total assets	**1,767.9**	1,676.3	5.5
Share Information			
Cash dividends declared per Common Share	$ **0.15**	$ 0.15	—
Earnings per share – basic	$ **0.04**	$ 0.11	(63.6)
Earnings per share – diluted	$ **0.04**	$ 0.11	(63.6)
Earnings per share – adjusted(2)	$ **0.09**	$ 0.10	(10.0)
Share price – March 31	$ **4.10**	$ 11.98	(65.8)
Other Information			
Net capital expenditures(2)	$ **14.9**	$ 14.5	2.8

(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".*







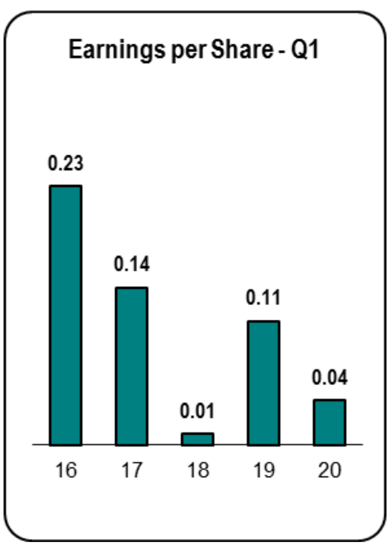
1 Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

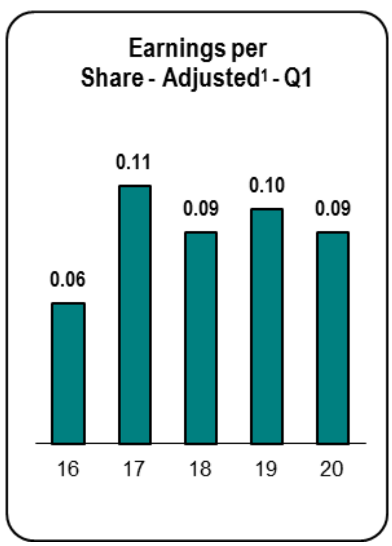
POSITION:

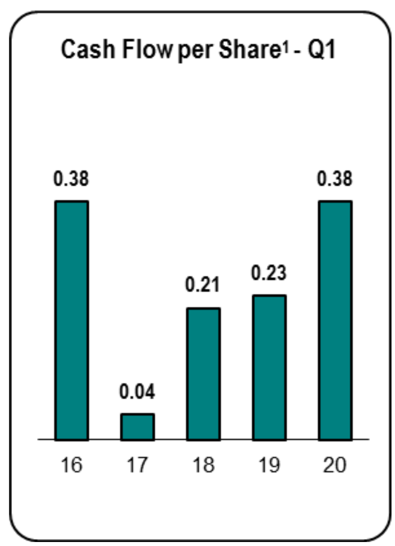
- Well-structured balance sheet with ample liquidity:
  - Working capital: $238.7 million (includes $84.7 million of cash and cash equivalents)
  - Unused Bank Credit Facility of $150.0 million
  - Net debt[1] of $394.9 million, which represents a debt to OIBDA ratio of 1.95:1
  - Private Placement Debt of $495.0 million (operating cash flow covenant at 2.29:1) with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum)
- Net book value of property, plant and equipment of $951.9 million, which includes $573.1 million of carrying costs of owned land and buildings
- Book value of Derivative Financial Instruments of $66.1 million, which swaps $229.0 million of U.S. dollar debt at an average foreign exchange rate of $1.1096

PROGRESS:

- Revenue decreased slightly by 0.4 percent on a year over year basis;
  - Less-Than-Truckload increased by 3.5 percent to $112.9 million
  - Logistics & Warehousing decreased by 5.4 percent to $96.2 million
  - Specialized & Industrial Services increased by 1.5 percent to $111.3 million
- OIBDA increased by 2.7 percent from the prior year;
  - Less-Than-Truckload decreased by 12.5 percent to $13.3 million
  - Logistics & Warehousing increased by 12.3 percent to $16.4 million
  - Specialized & Industrial Services increased by 6.1 percent to $17.4 million
- Repurchased 1,134,376 Common Shares at an average price of $5.11 per share under our NCIB
- Net cash from operating activities increased by $16.0 million or 66.1 percent to $40.2 million (highest first quarter amount since 2015)







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

EXECUTIVE SUMMARY

We are in the midst of a health care crisis most of us have never experienced. Governments worldwide have already implemented a series of steps based upon the predictions and advice of the health care professionals, scientists and experts that study infectious diseases. This makes talking about financial results and expectations somewhat awkward when the risks to many in our communities take on a much bigger meaning. Nevertheless, as a large employer in Canada, it is important to also talk about another consequence of this crisis and that is the devastating impact the government mandated closures are having on so many industries, businesses and the economy. And we are not exaggerating by stating that the job losses in the private sector are staggering. The bottom line is that this health crisis is hurting a lot of people. Obviously all of us hope that the steps taken by the governments will be successful but realistically we doubt if we will know for quite some time

Until mid-March our business was performing ahead of last year and basically on target to meet our expectations. However, once the full extent of the virus started to become evident, demand deteriorated in many sectors of the economy directly impacting several of our Business Units (as hereafter defined on page 7). For example, we witnessed a sharp decline in the demand for discretionary consumer goods as well as in commodity based industries. Nevertheless, the majority of our business remained steady throughout the quarter, especially our Less-Than-Truckload segment and the handling of large diameter pipe, a logistical component related to pipeline construction in western Canada. As a result, we are pleased to report revenue of $318.2 million and OIBDA of $45.2 million. More importantly we generated $40.2 million in net cash from operating activities during the first quarter, which is up 66.1 percent over last year. So all in all a good start to the year despite the challenges associated with the health crisis.

But this was last quarter. Today we are in the midst of a rapidly changing supply chain. Our focus is now on what is next? Clearly business will be negatively impacted in the short-term, the duration to be determined by a virus known as COVID-19 and by governments. We will see business decline, perhaps quite significantly in the short-term, however, we believe we will weather this crisis and come out of it stronger. My confidence stems from knowing that we have a strong cash position and well-structured balance sheet providing ample liquidity to withstand a slowdown. Furthermore, our diversified business model and leverage to many sectors of the economy that will continue to be in demand is an important differentiator. And once the economy starts to recover we will be well positioned to take advantage of the inevitable opportunities that arise during challenging times. This is a point that we have made to many of our people that have become early victims of the rapid destruction in demand. To date we have furloughed and provided temporary layoff notices to approximately 1,000 of our business associates. This in itself is extremely stressful which is why we established a $5.0 million Family Assistance Plan. We will provide support as required to those most impacted through no fault of their own until we can get them back to work. This is one of our primary responsibilities these days. The other is ensuring the many frontline workers, those deemed essential workers by the various governments, have the appropriate protective gear and safety protocols in place to manage their health and safety as they go about their regular jobs.

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 March 31, 2020, are as follows:

- generated consolidated revenue of $318.2 million, a slight decrease of $1.4 million, or 0.4 percent, as compared to $319.6 million in 2019 due to:
  - an increase of $3.8 million, or 3.5 percent, to $112.9 million in the Less-Than-Truckload segment
  - a decrease of $5.5 million, or 5.4 percent, to $96.2 million in the Logistics & Warehousing segment
  - an increase of $1.6 million, or 1.5 percent, to $111.3 million in the Specialized & Industrial Services segment
- earned consolidated OIBDA of $45.2 million, an increase of $1.2 million as compared to $44.0 million in 2019 due to:
  - a decrease of $1.9 million, or 12.5 percent, to $13.3 million in the Less-Than-Truckload segment
  - an increase of $1.8 million, or 12.3 percent, to $16.4 million in the Logistics & Warehousing segment
  - an increase of $1.0 million, or 6.1 percent, to $17.4 million in the Specialized & Industrial Services segment

- net cash from operating activities up by $16.0 million, or 66.1 percent, to $40.2 million (highest first quarter amount since 2015)

First Quarter Financial Results

Revenue decreased by $1.4 million, or 0.4 percent, to $318.2 million and is summarized as follows:

- Less-Than-Truckload segment up $3.8 million, or 3.5 percent, to $112.9 million – revenue improved by $3.8 million due to $6.0 million of incremental revenue from acquisitions along with market share and revenue gains at Gardewine Group Limited Partnership ("**Gardewine**") being somewhat offset by lower demand for services in the Alberta market place.

- Logistics & Warehousing segment down $5.5 million, or 5.4 percent, to $96.2 million – revenue declined by $5.5 million due to supply chain issues and bottlenecks associated with rail blockades in many parts of Canada during the first part of the year followed by issues related to COVID-19 in the month of March. These decreases were somewhat offset by greater demand for transload services from expanding our service offerings at our Edmonton, Alberta distribution center and from higher industrial salt sales due to a prolonged winter season.

- Specialized & Industrial Services segment up $1.6 million, or 1.5 percent, to $111.3 million – revenue improved by $1.6 million due to greater demand for large diameter pipeline hauling and stringing services as well as revenue increases at both Smook Contractors Ltd. ("**Smook**") and Canadian Dewatering L.P. ("**Canadian Dewatering**") These increases were somewhat offset by lower demand for those Business Units involved in the transportation of fluids and servicing of wells and from those directly tied to oil and natural gas drilling activity as a result of the oil price collapse that declined dramatically during March whereby drilling rig activity fell in the Western Canadian Sedimentary Basin (**"WCSB**") from 237 active rigs to 29 at the end of the month.

OIBDA increased by $1.2 million, or 2.7 percent, to $45.2 million and is summarized as follows:

- Less-Than-Truckload segment down $1.9 million, or 12.5 percent, to $13.3 million – OIBDA declined due to a weakened Alberta market resulting in lower OIBDA generated by Grimshaw Trucking L.P. ("**Grimshaw**") and from Gardewine receiving a $0.9 million one-time retroactive payment in 2019 on a take-or-pay contract with no corresponding associated costs. These decreases were somewhat offset by a $0.9 million increase from the incremental OIBDA generated from the acquisitions of Argus Carriers Ltd. and Inter-Urban Delivery Service Ltd. Operating margin[1] decreased to 11.8 percent from 13.9 percent in 2019 due to lower margins achieved at Grimshaw and Gardewine.

- Logistics & Warehousing segment up $1.8 million, or 12.3 percent, to $16.4 million – OIBDA improved due to lower direct operating expenses and the positive variance in foreign exchange. Operating margin[1] improved to 17.0 percent from 14.4 percent in 2019 due to the strong performance at Kleysen Group Ltd. ("**Kleysen Group**") and the beneficial effect of a weaker Canadian dollar and lower diesel prices.

- Specialized & Industrial Services segment up $1.0 million, or 6.1 percent, to $17.4 million – OIBDA improved due to greater demand for large diameter pipeline hauling and stringing services and from Smook. These increases were partially offset by lower OIBDA from those Business Units involved in the transportation of fluids and servicing of wells and from those directly tied to oil and natural gas drilling activity. Operating margin[1] improved to 15.6 percent from 14.9 percent in 2019 due to a greater proportion of higher margin revenue and cost control measures.

Net income decreased by $6.9 million to $4.7 million, or $0.04 per Common Share due to:

- A $3.9 million negative variance in foreign exchange, a $2.3 million increase in finance costs, a $1.6 million negative variance in the fair value of investments, a $0.6 million increase in amortization of intangible assets and a $0.4 million decrease in earnings from equity investments.

- The above was partially offset by a $1.2 million increase in OIBDA, a $0.6 million decrease in loss on sale of property, plant and equipment and a $0.3 million decrease in income tax expense.

[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 March 31, 2020, along with some of the key changes that occurred during the first quarter of 2020:

- Working capital of $238.7 million including $84.7 million of cash and cash equivalents and an undrawn Bank Credit Facility (as hereafter defined on page 12) of $150.0 million.

- Total net debt[1] ($472.9 million) to operating cash flow ($206.1 million) (as hereafter defined on page 34) of 2.29:1 as defined per our Private Placement Debt (as hereafter defined on page 17) agreement.

- Private Placement Debt of $495.0 million with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum). Private Placement Debt increased by $27.5 million due to the foreign exchange loss on our U.S. $229.0 million debt.

- Book value of Derivative Financial Instruments up $24.7 million to $66.1 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 $951.9 million, which includes $573.1 million of carrying costs of owned real property.

- Repurchased 1,134,376 Common Shares at an average price of $5.11 per share under our normal course issuer bid.

OUTLOOK

It will come as no surprise to anyone that the economic and financial impacts of the recent government mandated decisions, due to the outbreak of the COVID-19 virus, will be substantial, at least in the short-term. Furthermore, in the absence of any information as to when the orders to "shut down and shelter in place" will be lifted we cannot offer any meaningful guidance or outlook to our shareholders at this time. In other words economic activity and demand will be determined by the actions and policies of governments.

We entered 2020 with a sense of optimism given the information available at the time. In our February Outlook, however, dated February 12, 2020, we alerted our shareholders to the possibility that the supply chain and economic growth could be negatively impacted due to the emergence of a coronavirus. As events unfolded we took very quick action to prepare for a serious disruption in economic growth and demand destruction. These steps can be found on our website (www.mullen-group.com) under the heading of *COVID-19 Information*.

Obviously the next few months and perhaps quarters will be difficult. However, we believe we are positioned to manage through these challenging times given the nature of our diversified business model, multiple service offerings accompanied by the need for basic services including trucking and logistics. These services have been deemed by the various government bodies to be essential services and must be maintained to ensure communities have the goods needed during this health crisis. Furthermore, the structure of our balance sheet, strong working capital position and cash of $84.7 million, provide our company with the liquidity that will be required until economic activity can be restored. Acquisitions will continue to be evaluated, however, this is not a high priority at this time.

[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**"). In the first quarter of 2020, the business was 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, 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 8 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 94 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 & Specialized Transportation
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

(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.

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 17 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.	Fluid Transportation
Mullen Oilfield Services L.P.[(1)]	Rig Relocation Services
OK Drilling Services L.P.	Conductor Pipe Setting
Pe Ben Oilfield Services L.P.	Drill Pipe Transportation & Warehousing
Premay Equipment L.P.	Specialized Heavy Haul
Premay Pipeline Hauling L.P.	Large Diameter Pipe Transportation
R. E. Line Trucking (Coleville) Ltd.	Fluid 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 January 1, 2020, the operations of Withers L.P. were combined into Mullen Oilfield Services L.P.

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 March 31, 2020, we had repurchased 1,134,376 Common Shares for $5.8 million, of which 1,000,920 Common Shares were cancelled in the first quarter 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 March 31, 2020, the Corporation had 103,824,053 Common Shares issued and outstanding. Subsequent to March 31, 2020, until the date of this report, we repurchased 934,192 Common Shares at a total cost of $4.3 million.

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 will be 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. For the three month period ending March 31, 2020, we declared monthly dividends totalling $0.15 per Common Share (2019 – $0.15 per Common Share). At March 31, 2020, we had 103,824,053 Common Shares outstanding and a dividend payable of $5.2 million (December 31, 2019 – $5.2 million), which was paid on April 15, 2020. We declared a dividend of $0.05 per Common Share on

March 23, 2020, to the holders of record at the close of business on March 31, 2020. On March 20, 2020, Mullen Group announced that we will temporarily suspend the monthly dividend of $0.05 per Common Share for three months, effective April 1, 2020. The suspension of the dividend is our response to the government mandated closure of many businesses, steps initiated to stop the spread of COVID-19. We expect this will add approximately $15.6 million of additional short-term liquidity to our company. 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 17).

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)		March 31, 2020				December 31, 2019			
Year of Maturity	**Interest Rate**		**Face Value**		**Carrying Amount**		**Face Value**		**Carrying Amount**
2026	5.75%	**$**	**125.0**	**$**	**109.3**	$	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 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 three months of 2020, gross capital expenditures on a pre-consolidated basis were $16.0 million as compared to $18.0 million in 2019. These capital expenditures were comprised of $6.9 million in the Less-Than-Truckload segment (2019 – $4.2 million), $2.4 million in the Logistics & Warehousing segment (2019 – $4.5 million), $5.1 million in the Specialized & Industrial Services segment (2019 – $7.7 million) and $1.6 million in the Corporate Office (2019 – $1.6 million). Gross dispositions on a pre-consolidated basis were $1.1 million in 2020 as compared to $3.5 million in 2019. These gross dispositions were comprised of $0.2 million in the Less-Than-Truckload segment (2019 – $0.4 million), $0.2 million in the Logistics & Warehousing segment (2019 – $0.2 million), $0.7 million in the Specialized & Industrial Services segment (2019 – $2.9 million) and nil 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 second quarter and our assumptions used for such impairment tests.

Acquisitions and Intangible Assets

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.

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 17) and we must be in compliance with certain reporting and general covenants. We are in compliance with all of these reporting and general covenants.

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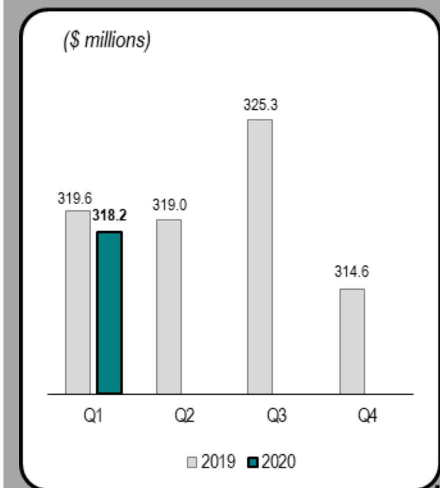
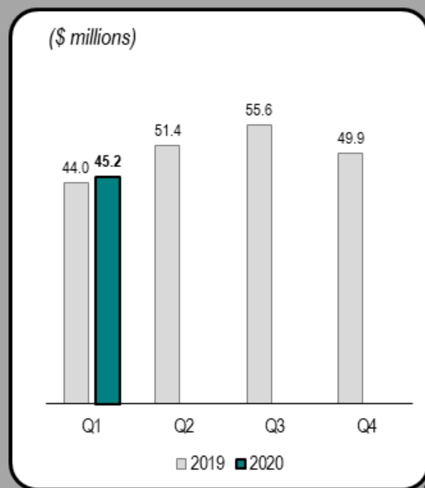
CONSOLIDATED FINANCIAL RESULTS –
THREE MONTH PERIOD ENDED MARCH 31, 2020

Summary – Trailing Five Quarters

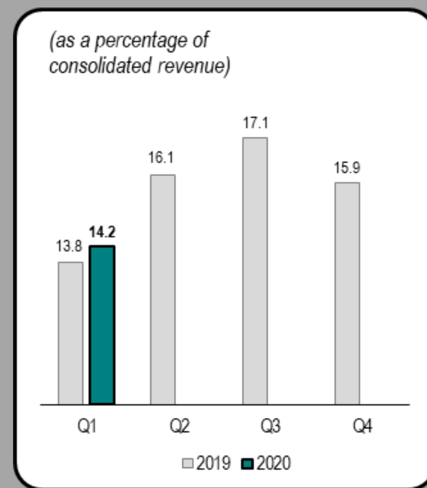
Consolidated Revenue



OIBDA



Operating Margin[1]



This is the first quarter our results are reported in three operating segments: Less-Than-Truckload; Logistics & Warehousing; and Specialized & Industrial Services. The reporting structure we have adopted more accurately reflects the business of Mullen Group today and is aligned with how information is regularly reviewed for the purposes of decision making, capital allocation and accessing performance.

Our overall financial performance for the quarter was generally in line with last year and close to expectations in spite of the challenges associated with significant declines in the demand for most service offerings by the middle of March due to the outbreak of the COVID-19 virus in North America. Government mandated closures of many businesses and restrictions on most activities led to declines in manufacturing, temporary job losses and significant declines in many sectors of the economy, but not all. For example, trucking and delivery services were declared as essential services, along with several other industry groups by government authorities, allowing our Less-Than-Truckload segment as well as Logistics & Warehousing segment Business Units to maintain a base level activity throughout the month of March, at a time when many businesses were forced to suspend service or production.

From a macroeconomic perspective it is difficult to compare the economic conditions to last year due to the unprecedented challenges associated with COVID-19. Nevertheless, we can provide shareholders with general commentary as it relates to the three new operating segments and the performance of some specific Business Units.

- LESS-THAN-TRUCKLOAD was not negatively impacted in the quarter primarily due to the nature of the business – providing a service to meet the needs of consumers and communities. The demand for consumables such as groceries, health care products, pharmaceuticals, beer and liquor along with other general freight remained steady throughout the period. In addition, the acquisitions of Argus and Inter-Urban added incremental revenue to the segment during the quarter. Our largest Business Unit within the segment, Gardewine actually grew revenue by $1.5 million despite the loss of some regional bulk haul business reflecting the powerful brand this company has in the Manitoba and northern Ontario marketplace.

- LOGISTICS & WAREHOUSING was steady until mid-March when the full extent of the slowdown became more apparent. Cross border traffic was impacted as freight demand for industrial and manufacturing products declined as facilities closed. Consumer product demand remained strong throughout the period as consumers stocked up in anticipation of supply shortages. Once again Kleysen Group, the largest

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

Business Unit in the segment had an excellent quarter, growing revenue and operating profitability as the demand for transload services remained strong in addition to an increase in industrial salt sales. Fuel costs were down significantly as the price of diesel fuel declined reducing operating expenses, but this also contributed to slightly lower revenue related to fuel surcharges.

- SPECIALIZED & INDUSTRIAL SERVICES was up slightly in the quarter, however, the majority of the Business Units in the segment experienced significant revenue declines in March. The major exception is related to pipeline construction activity that remained robust throughout the quarter. Premay Pipeline Hauling L.P. ("**Premay Pipeline**") benefitted from the stockpiling of large diameter pipe associated with the Coastal GasLink Project and LNG Canada, a liquified natural gas facility located near Kitimat, British Columbia, as well as the stringing of pipe along the Trans Mountain Pipeline route, a pipeline owned by the Government of Canada. Overall, revenue at Premay Pipeline grew by $14.2 million during the quarter.

Several industries and businesses have seen material declines in activity since the outbreak of COVID-19. Examples include airlines, the cruise ship business, tourism, travel and now even vehicle traffic resulting in a significant decline in the demand for crude oil worldwide. The impact in crude oil pricing was devastating, which in turn had a material effect on the Canadian oil industry. Drilling programs were immediately put on hold, numerous production wells were shut-in, investment decisions delayed and even planned maintenance has been curtailed, as producers attempted to adjust their business plans to the changing market conditions. This directly impacted our Business Units servicing the oil and natural gas industry in western Canada in the month of March and was the principal reason our results for the quarter were softer than they would have otherwise been. We estimate the impact on revenue during the quarter to be approximately $15.0 million.

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**").*

Q1 Consolidated Revenue by Segment *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Less-Than-Truckload	**112.9**	**35.2**	109.1	34.0	3.8	3.5
Logistics & Warehousing	**96.2**	**30.0**	101.7	31.7	(5.5)	(5.4)
Specialized & Industrial Services	**111.3**	**34.8**	109.7	34.3	1.6	1.5
Corporate and intersegment eliminations	**(2.2)**	**—**	(0.9)	—	(1.3)	—
Total	**318.2**	**100.0**	319.6	100.0	(1.4)	(0.4)

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the first quarter decreased by $1.4 million, or 0.4 percent, declining to $318.2 million as compared to $319.6 million in 2019. The government mandated closure of many parts of the Canadian economy, beginning in March, had a negative impact on the demand for most trucking and logistics services. In our Less-Than-Truckload segment revenue improved by $3.8 million year over year primarily due to the acquisitions of Argus and Inter-Urban. Demand for these services was largely consistent with prior year reflecting the steady nature of the service requirements. The demand for our Logistics & Warehousing segment services was softer than 2019 due to supply chain issues and bottlenecks associated with rail blockades in many parts of Canada during the first part of the year followed by issues related to COVID-19 in the month of March. As a result, this segment experienced a revenue decline of $5.5 million. In our Specialized & Industrial Services segment revenue increased by $1.6 million due to very strong pipeline construction activity that offset weakness in other industry groups such as oil and natural gas. Excluding acquisitions, consolidated fuel surcharge revenue was $20.8 million as compared to $21.2 million in 2019.

Q1 Consolidated Revenue *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**228.4**	**71.8**	216.0	67.6	12.4	5.7
Contractors	**88.7**	**27.9**	102.3	32.0	(13.6)	(13.3)
Other	**1.1**	**0.3**	1.3	0.4	(0.2)	(15.4)
Total	**318.2**	**100.0**	319.6	100.0	(1.4)	(0.4)

Company Equipment revenue was $228.4 million in the current period, an increase of $12.4 million, or 5.7 percent, as compared with $216.0 million in 2019. Contractors revenue, however, decreased by $13.6 million to $88.7 million from $102.3 million. These changes in revenue mix are primarily due to the increased revenue at Business Units that utilize Company Equipment versus Contractors, the most notable being Premay Pipeline. In addition, the majority of revenue generated by the Less-Than-Truckload segment is allocated to Company Equipment. Revenue declines associated with the transportation of fluids, where Contractors are utilized extensively, was the primary reason for the drop in Contractors revenue in the quarter.

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, 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.*

Q1 Consolidated Direct Operating Expenses *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**61.9**	**27.1**	59.4	27.5	2.5	4.2
Fuel	**21.5**	**9.4**	23.2	10.7	(1.7)	(7.3)
Repairs and maintenance	**29.6**	**13.0**	29.2	13.5	0.4	1.4
Purchased transportation	**24.3**	**10.6**	22.6	10.5	1.7	7.5
Operating supplies	**20.3**	**8.9**	15.8	7.3	4.5	28.5
Other	**6.6**	**2.9**	6.1	2.9	0.5	8.2
	164.2	**71.9**	156.3	72.4	7.9	5.1
Contractors	**68.3**	**77.0**	77.0	75.3	(8.7)	(11.3)
Total	**232.5**	**73.1**	233.3	73.0	(0.8)	(0.3)

**as a percentage of respective Consolidated revenue*

DOE were $232.5 million in the first quarter as compared to $233.3 million in 2019. This decrease of $0.8 million, or 0.3 percent, was in line with the $1.4 million, or 0.4 percent, decrease in consolidated revenue.

DOE associated with Company Equipment increased to $164.2 million as compared to $156.3 million in 2019. This increase of $7.9 million, or 5.1 percent, was attributable to the $12.4 million, or 5.7 percent, increase in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses decreased by 0.5 percent to 71.9 percent as compared to 72.4 percent in 2019 due to decreased fuel expenses and cost control initiatives being offset by slightly higher operating supplies expense.

Contractors expense in the first quarter decreased to $68.3 million as compared to $77.0 million in 2019. This $8.7 million, or 11.3 percent, decrease was generally in line with the $13.6 million, or 13.3 percent, decline in Contractors revenue. As a percentage of revenue, Contractors expense increased by 1.7 percent to 77.0 percent as compared to 75.3 percent in 2019 and was primarily attributable to higher costs experienced by the Specialized & Industrial Services segment 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

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

Q1 Consolidated Selling and Administrative Expenses

(unaudited) ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**25.4**	**8.0**	25.4	7.9	—	—
Communications, utilities and general supplies	**12.0**	**3.8**	12.2	3.8	(0.2)	(1.6)
Profit share	**3.1**	**1.0**	2.6	0.8	0.5	19.2
Foreign exchange	**(2.2)**	**(0.7)**	0.2	0.1	(2.4)	(1,200.0)
Stock-based compensation	**0.3**	**0.1**	0.4	0.1	(0.1)	(25.0)
Rent and other	**1.9**	**0.5**	1.5	0.5	0.4	26.7
Total	**40.5**	**12.7**	42.3	13.2	(1.8)	(4.3)

**as a percentage of total Consolidated revenue*

S&A expenses for the period declined by $1.8 million to $40.5 million as compared to $42.3 million in 2019. This was largely due to the $2.4 million positive variance in foreign exchange expense that related to the year over year change in the Canadian dollar relative to the U.S. dollar being partially offset by the $0.7 million of incremental S&A expenses associated with acquisitions.

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.*

Q1 Consolidated Operating Income Before Depreciation and Amortization

(unaudited) ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Less-Than-Truckload	**13.3**	**29.4**	15.2	34.5	(1.9)	(12.5)
Logistics & Warehousing	**16.4**	**36.3**	14.6	33.2	1.8	12.3
Specialized & Industrial Services	**17.4**	**38.5**	16.4	37.3	1.0	6.1
Corporate	**(1.9)**	**(4.2)**	(2.2)	(5.0)	0.3	(13.6)
Total	**45.2**	**100.0**	44.0	100.0	1.2	2.7

OIBDA for the period was $45.2 million, or 14.2 percent of revenue, as compared to $44.0 million, or 13.8 percent, in 2019. The $1.2 million increase represents a year over year increase of 2.7 percent and was due to a $1.8 million increase in OIBDA in the Logistics & Warehousing segment, the $1.0 million increase in the Specialized & Industrial Services segment and the $0.3 million reduction in Corporate costs being partially offset by the $1.9 million decline in the Less-Than-Truckload segment.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $17.5 million in the first quarter as compared to $17.4 million in 2019. This increase of $0.1 million was mainly attributable to a greater amount of depreciation 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 and the Corporate Office remained consistent on a year over year basis. Depreciation in the Less-Than-Truckload segment increased by $0.5 million due to a greater amount of capital expenditures being made within this segment and from the acquisition of Argus and Inter-Urban. Depreciation in the Specialized & Industrial Services segment decreased by $0.4 million and was mainly 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 of Right-of-Use Assets

Depreciation of right-of-use assets was $2.9 million in the first 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. This increase of $0.1 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 both the Specialized & Industrial Services segment and the Logistics & Warehousing segment. Depreciation in the Less-Than-Truckload segment increased by $0.4 million, which was mainly due to the incremental real property leases acquired in the acquisition of Argus and Inter-Urban. Depreciation in the Specialized & Industrial Services segment and the Logistics & Warehousing segment decreased by $0.3 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

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 $5.0 million in the first quarter as compared to $4.4 million in 2019. This increase mainly resulted from the additional amortization recorded on the intangible assets associated with the acquisition of Argus and Inter-Urban. These increases were somewhat offset by certain intangible assets becoming fully amortized.

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 Pacific Coast Express Limited and Thrive Management Group Ltd. and from cash and cash equivalents.

Finance costs were $7.2 million in the first quarter as compared to $4.9 million in 2019. The increase of $2.3 million was mainly attributable to the $2.4 million of 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 and from a greater amount of interest income being earned on cash held in the first quarter of 2020.

Net Foreign Exchange Loss (Gain)

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 loss was $2.8 million in the first quarter of 2020 as compared to a net foreign exchange gain of $1.1 million in 2019. The net foreign exchange loss of $2.8 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 loss 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 $3.9 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 loss (gain) are as follows:

Net Foreign Exchange Loss (Gain)	**Three month periods ended March 31**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2020**	**2019**
Foreign exchange loss (gain) on U.S. $ debt	**27.5**	(6.4)
Foreign exchange (gain) loss on Cross-Currency Swaps	**(24.7)**	5.3
Net foreign exchange loss (gain)	**2.8**	(1.1)

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

We recorded a foreign exchange loss of $27.5 million related to our U.S. dollar debt due to the $0.1199 weakening of the Canadian dollar relative to the U.S. dollar during the first quarter of 2020. For the same period in 2019, we recorded a foreign exchange gain of $6.4 million due to the strengthening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange loss (gain) on the U.S. dollar debt are summarized in the following table:

Foreign Exchange Loss (Gain) on U.S. $ Debt	**Three month periods ended March 31**					
	2020			**2019**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – March 31	**229.0**	**1.4187**	**325.0**	229.0	1.3363	306.0
Beginning – January 1	**229.0**	**1.2988**	**297.5**	229.0	1.3642	312.4
Foreign exchange loss (gain) on U.S. $ debt			**27.5**			(6.4)

Foreign Exchange (Gain) Loss 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 loss (gain) 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 gain on Cross-Currency Swaps of $24.7 million in the first quarter of 2020 as compared to a $5.3 million loss 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	**Three month periods ended March 31**			
	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**	**(12.9)**	117.0	2.7
Cross-Currency Swap maturing October 22, 2026	**112.0**	**(11.8)**	112.0	2.6
Foreign exchange (gain) loss on Cross-Currency Swaps		**(24.7)**		5.3

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 and earnings from equity investments. Other expense in the first quarter was $1.3 million, a $1.4 million negative variance as compared to the $0.1 million of other income recorded in 2019. The $1.4 million negative variance was due to the factors set forth below:

<u>Change in Fair Value of Investments (negative variance of $1.6 million)</u>. We periodically invest in certain public corporations. We recorded a decrease in the fair value of investments of $1.5 million in the first quarter as compared to a $0.1 million increase in 2019. There were no investments purchased or sold in either the first quarter of 2020 or 2019.

<u>Loss on Sale of Property, Plant and Equipment (positive variance of $0.6 million)</u>. We recognized a nominal loss on sale of property, plant and equipment on total consolidated proceeds on sale of $1.0 million in the first quarter as compared to a $0.6 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $1.4 million in 2019. The nominal loss on sale of property, plant and equipment in 2020 mainly resulted from the sale of older equipment in the Less-Than-Truckload segment and the Logistics & Warehousing segment, which was somewhat offset by a $0.2 million gain on sale being recognized within the Specialized & Industrial Services segment. The $0.6 million loss on sale of property, plant and equipment in 2019 related to slight losses on sale of older equipment in all our operating segments.

<u>Earnings from Equity Investments (negative variance of $0.4 million)</u>. We recognized $0.2 million of earnings from equity investments in the first quarter as compared to earnings of $0.6 million in 2019. The $0.4 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, 2018
Pacific Coast Express Limited	August 1, 2018

Income Taxes

(unaudited) *($ millions)*	Three month periods ended March 31	
	2020	**2019**
Income before income taxes	**$ 8.5**	$ 15.7
Combined statutory tax rate	**26%**	27%
Expected income tax	**2.2**	4.2
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange loss (gain)	**0.3**	(0.2)
Non-deductible (taxable) portion of the change in fair value of investments	**0.2**	—
Stock-based compensation expense	**0.1**	0.1
Changes in unrecognized deferred tax asset	**—**	(0.2)
Other	**1.0**	0.2
Income tax expense	**$ 3.8**	$ 4.1

Income tax expense was $3.8 million in the first quarter of 2020 as compared to $4.1 million in 2019. The decrease of $0.3 million was mainly attributable to the lower amount of earnings generated in 2020 as compared to the prior year.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended March 31		
	2020	**2019**	**% Change**
Net income	**$ 4.7**	$ 11.6	(59.5)
Weighted average number of Common Shares outstanding	**104,670,985**	104,824,973	(0.1)
Earnings per share – basic	**$ 0.04**	$ 0.11	(63.6)

Net income decreased to $4.7 million in the first quarter as compared to $11.6 million in 2019. The factors contributing to the decrease in net income include:

- 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;
- a $0.6 million increase in amortization of intangible assets;
- a $0.4 million decrease in earnings from equity investments;
- a $0.1 million increase in depreciation of right-of-use assets; and
- a $0.1 million increase in depreciation of property, plant and equipment.

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

- 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.

Basic earnings per share decreased to $0.04 in 2020 as compared to $0.11 in 2019. This decrease resulted from the effect of the $6.9 million decrease in net income. The weighted average number of Common Shares outstanding decreased from 104,824,973 to 104,670,985, which was due to the repurchase and cancellation of 1,000,920 Common Shares under the NCIB in the first quarter of 2020.

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 and the change in fair value of investments. 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 March 31**			
		2020		**2019**
Income before income taxes	**$**	**8.5**	$	15.7
Add (deduct):				
Net foreign exchange loss (gain)		**2.8**		(1.1)
Change in fair value of investments		**1.5**		(0.1)
Income before income taxes – adjusted		**12.8**		14.5
Income tax rate		**26%**		27%
Computed expected income tax expense		**(3.3)**		(3.9)
Net income – adjusted[(1)]		**9.5**		10.6
Weighted average number of Common Shares outstanding – basic		**104,670,985**		104,824,973
Earnings per share – adjusted[(1)]	**$**	**0.09**	$	0.10

[(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 MARCH 31, 2020

Three month period ended March 31, 2020 *(unaudited)* *($ millions)*	Less-Than -Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate and intersegment eliminations	Total
	$	**$**	**$**	**$**	**$**
Revenue	**112.9**	**96.2**	**111.3**	**(2.2)**	**318.2**
Direct operating expenses	**83.8**	**69.6**	**82.0**	**(2.9)**	**232.5**
Selling and administrative expenses	**15.8**	**10.2**	**11.9**	**2.6**[(1)]	**40.5**
Operating income before depreciation and amortization	**13.3**	**16.4**	**17.4**	**(1.9)**	**45.2**
Net capital expenditures[(2)]	**6.7**	**2.2**	**4.4**	**1.6**	**14.9**

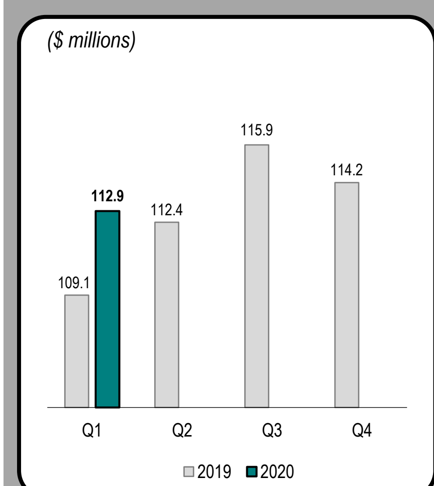
Three month period ended March 31, 2019 *(unaudited)* *($ millions)*	Less-Than-Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate and intersegment eliminations	Total
	$	$	$	$	$
Revenue	109.1	101.7	109.7	(0.9)	319.6
Direct operating expenses	79.5	75.4	80.5	(2.1)	233.3
Selling and administrative expenses	14.4	11.7	12.8	3.4[(3)]	42.3
Operating income before depreciation and amortization	15.2	14.6	16.4	(2.2)	44.0
Net capital expenditures[(2)]	3.8	4.3	4.8	1.6	14.5

[(1)] *Includes a $1.0 million foreign exchange gain.*
[(2)] *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".*
[(3)] *Includes a $0.1 million foreign exchange loss.*

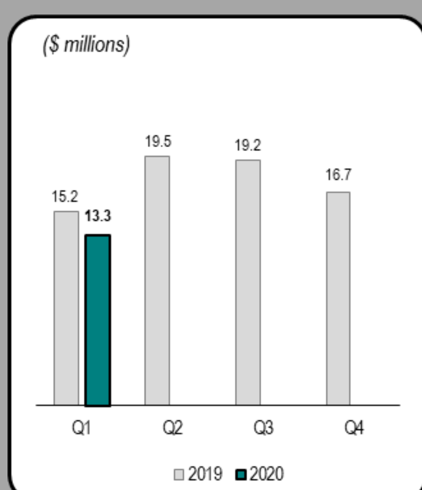
LESS-THAN-TRUCKLOAD SEGMENT

Summary – Trailing Five Quarters

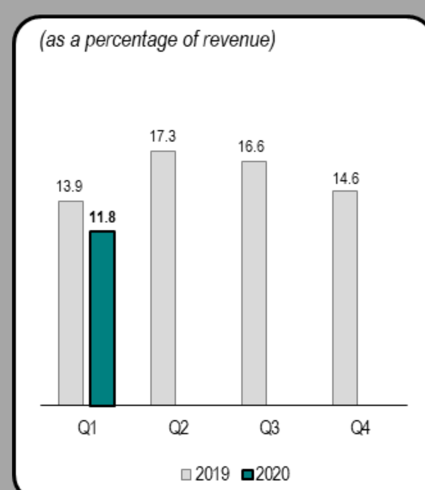
Revenue



OIBDA



Operating Margin[1]



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

Revenue

Q1 Revenue – Less-Than-Truckload *(unaudited)* *($ millions)*	2020		2019		Change	
	$	**%**	**$**	**%**	**$**	**%**
Company	**107.2**	**95.0**	101.0	92.6	6.2	6.1
Contractors	**5.6**	**5.0**	8.0	7.3	(2.4)	(30.0)
Other	**0.1**	**—**	0.1	0.1	—	—
Total	**112.9**	**100.0**	109.1	100.0	3.8	3.5

Segment revenue increased by $3.8 million, or 3.5 percent, to $112.9 million as compared to $109.1 million in 2019 and represented 35.2 percent of pre-consolidated revenue as compared to 34.0 percent in 2019. This increase in revenue was mainly attributable to the acquisitions of Argus and Inter-Urban. Specific factors affecting segment revenue were:

- a $6.0 million increase in revenue generated from the acquisitions of Argus and Inter-Urban;
- a $1.5 million increase in revenue generated by Gardewine due to market share gains in Manitoba and northern Ontario, which was partially offset by a one-time $0.9 million payment in 2019 on a take-or-pay contract with volume commitments and by declines in certain regional bulk haul contracts in northern Ontario;
- a decrease of $0.4 million in fuel surcharge revenue to $13.5 million, from the $13.9 million generated in 2019 resulting from the decline in diesel fuel prices; and
- declines in demand in the Alberta market.

Generally speaking, the demand for LTL services remained resilient during the quarter, meeting our expectations, despite the slowdown in many parts of the Canadian economy. This reflects both the strong regional brands we operate along with the service nature of the LTL business, which is required to meet consumer needs.

Direct Operating Expenses

Q1 Direct Operating Expenses – Less-Than-Truckload *(unaudited)* *($ millions)*	2020		2019		Change	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**29.7**	**27.7**	27.3	27.0	2.4	8.8
Fuel	**11.6**	**10.8**	12.1	12.0	(0.5)	(4.1)
Repairs and maintenance	**11.6**	**10.8**	10.3	10.2	1.3	12.6
Purchased transportation	**22.8**	**21.3**	21.1	20.9	1.7	8.1
Operating supplies	**1.7**	**1.6**	1.6	1.6	0.1	6.2
Other	**3.4**	**3.2**	2.7	2.7	0.7	25.9
	80.8	**75.4**	75.1	74.4	5.7	7.6
Contractors	**3.0**	**53.6**	4.4	55.0	(1.4)	(31.8)
Total	**83.8**	**74.2**	79.5	72.9	4.3	5.4

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

These expenses increased by $4.3 million, or 5.4 percent, to $83.8 million as compared to $79.5 million in 2019. The majority of the increase is directly related to the $3.8 million, or 3.5 percent, increase in segment revenue and higher costs at Grimshaw Trucking due to one-time labour costs and higher costs associated with its winter ice road project. As a percentage of revenue these expenses increased by 1.3 percent to 74.2 percent as compared to 72.9 percent in 2019. Generally speaking, our Business Units were successful at mitigating higher wages and cost pressures by focusing on controlling other variable costs.

DOE associated with Company Equipment increased by $5.7 million, or 7.6 percent, to $80.8 million as compared to $75.1 million in 2019. This increase was directly related to the $6.2 million, or 6.1 percent, increase in Company revenue. As a percentage of Company revenue these expenses increased by 1.0 percent to 75.4 percent as compared to 74.4 percent in 2019, primarily due to higher wages, repairs and maintenance and purchased transportation expenses being somewhat offset by lower fuel costs.

Contractors expense decreased by $1.4 million to $3.0 million as compared to $4.4 million in 2019. This decrease was directly related to the $2.4 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased to 53.6 percent as compared to 55.0 percent due to the availability of subcontractors.

Selling and Administrative Expenses

Q1 Selling and Administrative Expenses – Less-Than-Truckload

(unaudited) ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**9.8**	**8.7**	8.9	8.2	0.9	10.1
Communications, utilities and general supplies	**4.8**	**4.3**	4.6	4.2	0.2	4.3
Profit share	**0.7**	**0.6**	0.7	0.6	—	—
Foreign exchange	**(0.1)**	**(0.1)**	—	—	(0.1)	—
Rent and other	**0.6**	**0.5**	0.2	0.2	0.4	200.0
Total	**15.8**	**14.0**	14.4	13.2	1.4	9.7

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

S&A expenses increased by $1.4 million to $15.8 million as compared to $14.4 million in 2019 primarily due to the $0.7 million of incremental S&A expenses associated with the acquisitions of Argus and Inter-Urban. S&A expenses as a percentage of segment revenue increased by 0.8 percent to 14.0 percent as compared to 13.2 percent in 2019.

Operating Income Before Depreciation and Amortization

OIBDA decreased by $1.9 million, or 12.5 percent, to $13.3 million as compared to $15.2 million in 2019. The decrease in OIBDA was due to lower OIBDA generated by Grimshaw Trucking due to a weakened Alberta market and from lower margins recognized on the winter ice road project in Canada's far north. These decreases were somewhat offset by a $0.9 million increase from the incremental OIBDA generated from the acquisitions of Argus and Inter-Urban. Operating margin[1] decreased to 11.8 percent as compared to 13.9 percent in 2019. This margin decline was due to the lower margins achieved at Grimshaw Trucking and from the one-time retroactive payment received by Gardewine in 2019 that increased margin in the comparative period. In the absence of these non-recurring factors, we estimate the operating margin[1] was 12.5 percent as compared to 13.1 percent in 2019.

Capital Expenditures

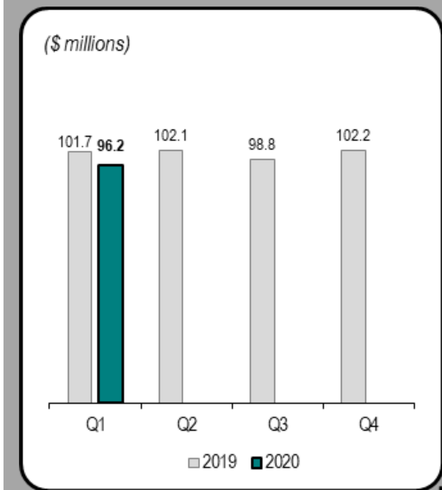
Net capital expenditures[1] were $6.7 million in the first quarter, an increase of $2.9 million as compared to $3.8 million in 2019. The Less-Than-Truckload segment had gross capital expenditures of $6.9 million and dispositions of $0.2 million for net capital expenditures[1] of $6.7 million in 2020. The majority of the capital invested was to purchase trucks and trailers to support growth opportunities as well as replace some older less efficient equipment. In 2019 gross capital expenditures were $4.2 million and dispositions were $0.4 million for net capital expenditures[1] of $3.8 million.

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

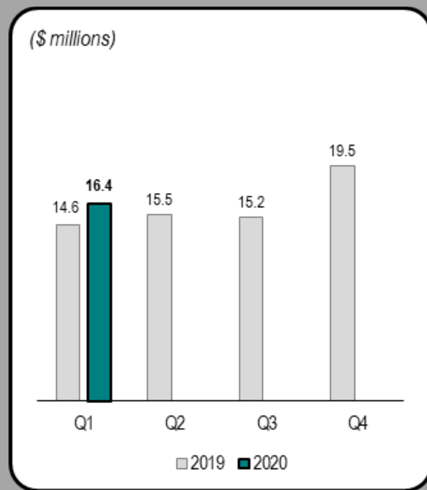
LOGISTICS & WAREHOUSING SEGMENT

Summary – Trailing Five Quarters

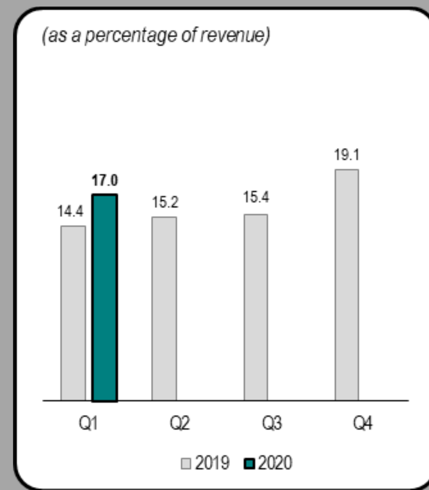
Revenue



OIBDA



Operating Margin[1]



Revenue

Q1 Revenue – Logistics & Warehousing ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**38.1**	**39.6**	34.8	34.2	3.3	9.5
Contractors	**57.9**	**60.2**	66.6	65.5	(8.7)	(13.1)
Other	**0.2**	**0.2**	0.3	0.3	(0.1)	(33.3)
Total	**96.2**	**100.0**	101.7	100.0	(5.5)	(5.4)

Segment revenue fell by $5.5 million, or 5.4 percent, to $96.2 million as compared to $101.7 million in 2019 and represented 30.0 percent of pre-consolidated revenue as compared to 31.7 percent in 2019. The revenue declines can be attributed to the 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 events negatively impacted both freight volumes as well as pricing, especially on the spot market. Fuel surcharge revenue was down by only $0.1 million to $6.6 million. Offsetting these negative factors was the continued strong performance by Kleysen Group, which continued to generate solid results from transload operations and a seasonal increase in industrial salt sales.

Revenue related to Company Equipment increased by $3.3 million, or 9.5 percent, to $38.1 million as compared to $34.8 million in 2019 and represented 39.6 percent of segment revenue in the current period as compared to 34.2 percent in 2019. Revenue related to Contractors decreased by $8.7 million, or 13.1 percent, to $57.9 million as compared to $66.6 million in 2019 and represented 60.2 percent of segment revenue in the current period as compared to 65.5 percent in 2019.

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

Direct Operating Expenses

Q1 Direct Operating Expenses – Logistics & Warehousing ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**8.4**	**22.0**	8.8	25.3	(0.4)	(4.5)
Fuel	**2.9**	**7.6**	3.3	9.5	(0.4)	(12.1)
Repairs and maintenance	**4.7**	**12.3**	4.7	13.5	—	—
Purchased transportation	**1.0**	**2.6**	1.1	3.2	(0.1)	(9.1)
Operating supplies	**7.7**	**20.2**	5.8	16.7	1.9	32.8
Other	**1.1**	**3.0**	1.3	3.6	(0.2)	(15.4)
	25.8	**67.7**	25.0	71.8	0.8	3.2
Contractors	**43.8**	**75.6**	50.4	75.7	(6.6)	(13.1)
Total	**69.6**	**72.3**	75.4	74.1	(5.8)	(7.7)

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

DOE expressed as a percentage of revenue decreased by 1.8 percent to 72.3 percent as compared to 74.1 percent in 2019 due to lower fuel costs and operational efficiencies. Total DOE were $69.6 million as compared to $75.4 million in 2019. The decrease of $5.8 million, or 7.7 percent, was generally in line with the $5.5 million, or 5.4 percent, decrease in segment revenue.

DOE related to Company Equipment increased by $0.8 million, or 3.2 percent, to $25.8 million as compared to $25.0 million in 2019. This increase was generally in proportion to the $3.3 million increase in Company revenue. In terms of a percentage of revenue, Company expenses decreased by 4.1 percent to 67.7 percent as compared to 71.8 percent in 2019. This decrease was primarily due to lower wages and benefits expense as well as decreased fuel costs associated with the year over year decline in diesel prices.

Contractors expense decreased by $6.6 million to $43.8 million as compared to $50.4 million in 2019. This decrease was generally in line with the $8.7 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased by 0.1 percent to 75.6 percent as compared to 75.7 percent in 2019.

Selling and Administrative Expenses

Q1 Selling and Administrative Expenses – Logistics & Warehousing ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**7.0**	**7.3**	7.3	7.2	(0.3)	(4.1)
Communications, utilities and general supplies	**2.9**	**3.0**	3.0	2.9	(0.1)	(3.3)
Profit share	**1.1**	**1.1**	0.9	0.9	0.2	22.2
Foreign Exchange	**(1.2)**	**(1.2)**	0.1	0.1	(1.3)	(1,300.0)
Rent and other	**0.4**	**0.4**	0.4	0.4	—	—
Total	**10.2**	**10.6**	11.7	11.5	(1.5)	(12.8)

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

S&A expenses were $10.2 million as compared to $11.7 million in 2019. The decrease of $1.5 million was primarily due to the $1.3 million positive variance in foreign exchange. S&A expenses as a percentage of segment revenue declined by 0.9 percent to 10.6 percent as compared to 11.5 percent in 2019. Excluding the effects of foreign exchange, S&A expenses as a percentage of segment revenue increased to 11.8 percent as compared to 11.4 percent in 2019.

Operating Income Before Depreciation and Amortization

OIBDA increased by $1.8 million, or 12.3 percent, to $16.4 million as compared to $14.6 million generated in 2019. The majority of this rise in OIBDA was due to lower DOE related to Company Equipment and the positive variance in foreign exchange. Operating margin[1] increased by 2.6 percent to 17.0 percent as compared to 14.4 percent in 2019, primarily due to the strong performance by Kleysen Group and the beneficial effect of a weaker Canadian dollar and lower diesel prices.

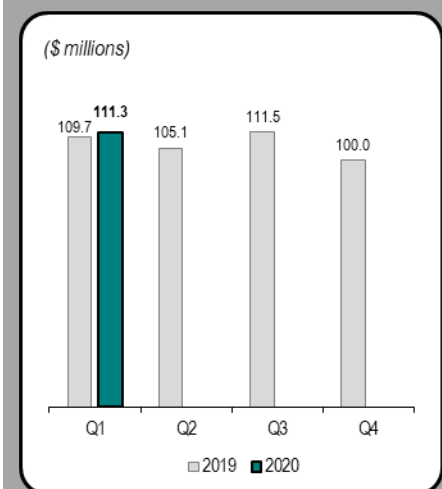
Capital Expenditures

Net capital expenditures[1] were $2.2 million in the first quarter of 2020, a decrease of $2.1 million as compared to $4.3 million in 2019. The Logistics & Warehousing segment had gross capital expenditures of $2.4 million and dispositions of $0.2 million for net capital expenditures[1] of $2.2 million in 2020. The majority of the capital invested consisted of growth capital to expand our service offerings and rail capacity at our Edmonton, Alberta distribution center as well as purchase various pieces of operating equipment. In 2019 gross capital expenditures were $4.5 million and dispositions were $0.2 million for net capital expenditures[1] of $4.3 million.

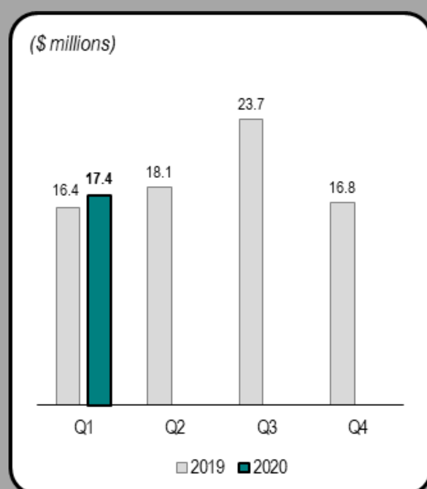
SPECIALIZED & INDUSTRIAL SERVICES SEGMENT

Summary – Trailing Five Quarters

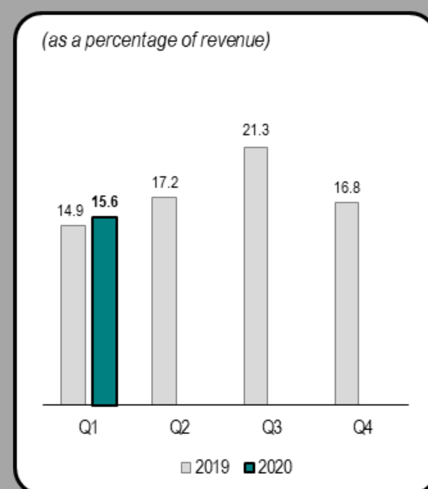
Revenue



OIBDA



Operating Margin[1]



Revenue

Q1 Revenue – Specialized & Industrial Services *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**83.0**	**74.6**	80.2	73.1	2.8	3.5
Contractors	**28.1**	**25.2**	29.2	26.6	(1.1)	(3.8)
Other	**0.2**	**0.2**	0.3	0.3	(0.1)	(33.3)
Total	**111.3**	**100.0**	109.7	100.0	1.6	1.5

Segment revenue increased by $1.6 million, or 1.5 percent, to $111.3 million as compared to $109.7 million in 2019 and represented 34.8 percent of pre-consolidated revenue as compared to 34.3 percent of pre-consolidated

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

revenue in 2019. This increase in revenue was mainly attributable to the rise in demand for large diameter pipeline hauling and stringing services. Specific factors affecting the segment revenue were:

- A $15.9 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 $14.2 million increase in pipeline hauling and stringing services revenue as well as an increase in demand for civil construction services at Smook and pumps and water management services at Canadian Dewatering. These increases were partially offset by lower demand for heavy haul transportation and hydrovac services.

- A $10.2 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 the oil price collapse that fell dramatically during March.

- A $4.1 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 around mid-March as drilling activity in the WCSB fell from 237 active rigs to 29 at the end of the month.

Direct Operating Expenses

Q1 Direct Operating Expenses – Specialized & Industrial Services

(unaudited) ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**23.8**	**28.7**	23.3	29.1	0.5	2.1
Fuel	**7.0**	**8.4**	7.8	9.7	(0.8)	(10.3)
Repairs and maintenance	**13.4**	**16.1**	14.2	17.7	(0.8)	(5.6)
Purchased transportation	**0.5**	**0.6**	0.5	0.6	—	—
Operating supplies	**10.8**	**13.0**	8.4	10.5	2.4	28.6
Other	**2.3**	**2.8**	2.5	3.1	(0.2)	(8.0)
	57.8	**69.6**	56.7	70.7	1.1	1.9
Contractors	**24.2**	**86.1**	23.8	81.5	0.4	1.7
Total	**82.0**	**73.7**	80.5	73.4	1.5	1.9

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

DOE were $82.0 million as compared to $80.5 million in 2019. The increase of $1.5 million, or 1.9 percent, was directly related to the $1.6 million, or 1.5 percent, increase in segment revenue. As a percentage of revenue these expenses increased by 0.3 percent to 73.7 percent compared to 73.4 percent in 2019, largely as a result of the change in revenue mix and inflationary cost pressures.

DOE associated with Company Equipment increased by $1.1 million, or 1.9 percent, to $57.8 million as compared to $56.7 million in 2019. This increase was directly related to the $2.8 million, or 3.5 percent, increase in Company revenue. As a percentage of Company revenue these expenses decreased by 1.1 percent to 69.6 percent as compared to 70.7 percent in 2019, primarily due to cost controls, lower fuel costs as well as lower repairs and maintenance expense being partially offset a $2.4 million increase in operating supplies expense mainly due to the increase in Canadian Dewatering's product sales as well as costs related to Premay Pipeline's operations.

Contractors expense increased by $0.4 million to $24.2 million as compared to $23.8 million in 2019. As a percentage of Contractors revenue, Contractors expense increased to 86.1 percent as compared to 81.5 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

Q1 Selling and Administrative Expenses – Specialized & Industrial Services *(unaudited)* *($ millions)*	2020		2019		Change	
	$	%*	$	%*	$	%
Wages and benefits	**6.5**	**5.8**	7.5	6.8	(1.0)	(13.3)
Communications, utilities and general supplies	**3.5**	**3.1**	3.9	3.6	(0.4)	(10.3)
Profit share	**1.3**	**1.2**	1.0	0.9	0.3	30.0
Foreign exchange	**—**	**—**	—	—	—	—
Rent and other	**0.6**	**0.6**	0.4	0.4	0.2	50.0
Total	**11.9**	**10.7**	12.8	11.7	(0.9)	(7.0)

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

S&A expenses decreased by $0.9 million to $11.9 million as compared to $12.8 million in 2019 primarily due to the reduction in wages and benefits expense and other cost control initiatives. As a result of this focus on cost controls, S&A expenses as a percentage of segment revenue declined by 1.0 percent to 10.7 percent as compared to 11.7 percent in 2019.

Operating Income Before Depreciation and Amortization

OIBDA increased by $1.0 million, or 6.1 percent, to $17.4 million as compared to $16.4 million in 2019. Operating margin[1] increased to 15.6 percent as compared to 14.9 percent in 2019. 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 tied to drilling related activity. Specifically, the $1.0 million year over year increase in OIBDA can be attributed to the following:

- a $3.8 million increase relating to those Business Units providing specialized services including pipeline stockpiling and stringing services;
- a $2.1 million decrease in those Business Units involved in the transportation of fluids and servicing of wells; and
- a $0.7 million decrease from those Business Units tied to drilling and drilling related activity.

Capital Expenditures

Net capital expenditures[1] were $4.4 million in the first quarter, a decrease of $0.4 million as compared to $4.8 million in 2019. The Specialized & Industrial Services segment had gross capital expenditures of $5.1 million and dispositions of $0.7 million for net capital expenditures[1] of $4.4 million in 2020. The majority of the capital invested consisted of various pieces of operating equipment to support strong demand at Premay Pipeline and to replace older less efficient equipment at Smook and Cascade Energy Services L.P. In 2019 gross capital expenditures were $7.7 million and dispositions were $2.9 million for net capital expenditures[1] of $4.8 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 $1.9 million in the first quarter of 2020 as compared to a loss of $2.2 million in 2019. The $0.3 million decrease in loss was mainly attributable to a $1.1 million positive variance in foreign exchange. In the first quarter of 2020, the Corporate Office recorded a foreign exchange gain of $1.0 million as compared to a foreign exchange loss of $0.1 million in 2019. Excluding the impact of foreign exchange, Corporate Office costs increased by $0.8 million which was mainly attributable to higher salaries from adding some employees and from a lower amount of costs recovered from our Business Units.

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CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

(unaudited) *($ millions)*	Three month periods ended March 31	
	2020	**2019**
Net cash from operating activities	**$ 40.2**	$ 24.2
Net cash used in financing activities	**(22.9)**	(13.2)
Net cash used in investing activities	**(13.3)**	(12.2)
Change in cash and cash equivalents	**4.0**	(1.2)
Effect of exchange rate fluctuations on cash held	**1.7**	(0.2)
Cash and cash equivalents, beginning of period	**79.0**	3.9
Cash and cash equivalents, end of period	**$ 84.7**	$ 2.5

Sources and Uses of Cash

Mullen Group continues to generate cash in excess of its operating needs by generating $40.2 million of cash from operating activities in the first three months of 2020 as compared to $24.2 million in 2019. Net cash used in financing activities in 2020 was $22.9 million as compared to $13.2 million in 2019. The $9.7 million increase in cash used was mainly due to using $5.2 million to repurchase and cancel 1,000,920 Common Shares under the NCIB. Net cash used in investing activities increased by $1.1 million due to a greater amount of cash used in 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 $40.2 million in the first three months of 2020 as compared to $24.2 million in 2019. The increase of $16.0 million, was mainly due to a $6.4 million decrease in cash used in non-cash working capital items and from a $10.3 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)*	Three month periods ended March 31		
	2020	**2019**	**Variance**
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**(1.0)**	1.3	(2.3)
Inventory	**1.5**	—	1.5
Prepaid expenses	**0.1**	(3.5)	3.6
Accounts payable and accrued liabilities	**(0.3)**	(3.9)	3.6
Total sources (uses) of cash from non-cash working capital items	**0.3**	(6.1)	6.4

In the first three months of 2020 we generated $0.3 million of cash from changes in non-cash working capital items from operating activities as compared to using $6.1 million of cash in 2019. This $6.4 million variance was mainly due to the following factors.

- 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 in 2019.

- An additional $3.6 million of cash was generated from prepaid expenses that resulted from the combined effect of a $0.1 million source of cash in 2020 as compared to a $3.5 million use of cash in 2019.

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

- An additional $3.6 million of cash was generated from accounts payable and accrued liabilities that resulted from the combined effect of a $0.3 million use of cash in 2020 as compared to a $3.9 million use of cash in 2019.

Somewhat offsetting these items was the following:

- An additional $2.3 million of cash was used from trade and other receivables that resulted from the combined effect of a $1.0 million use of cash in 2020 as compared to a $1.3 million source of cash in 2019.

Cash Used In Financing Activities

Net cash used in financing activities was $22.9 million in 2020 as compared to using $13.2 million in 2019. This $9.7 million variance was mainly due to the factors set forth below.

- A $5.2 million increase in cash used in 2020 by repurchasing and cancelling 1,000,920 Common Shares under the NCIB.

- A $5.3 million increase in cash used resulting from borrowings on the Bank Credit Facility in 2019.

Somewhat offsetting these items were the following:

- A $0.1 million decrease in the repayment of lease liabilities in 2020.

- A $0.3 million decrease in interest paid in 2020.

Cash Used In Investing Activities

Net cash used in investing activities increased to $13.3 million in 2020 as compared to $12.2 million in 2019. This $1.1 million increase was mainly due to the factors set forth below.

- A $1.1 million variance in changes in non-cash working capital items from investing activities.

- A $0.4 million increase in net capital expenditures[1]. In 2020 net capital expenditures[1] were $14.9 million as compared to $14.5 million in 2019.

Somewhat offsetting these items were the following:

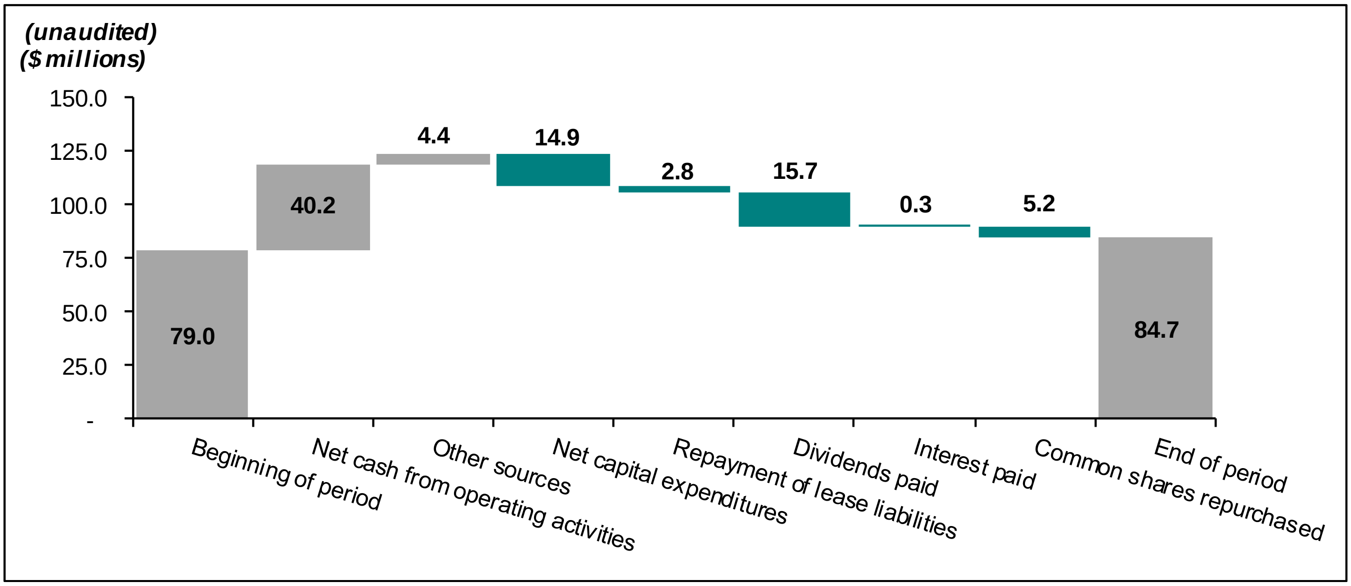
- A $0.2 million change in net investment in finance leases.

- A $0.2 million increase in interest received from cash and cash equivalents.

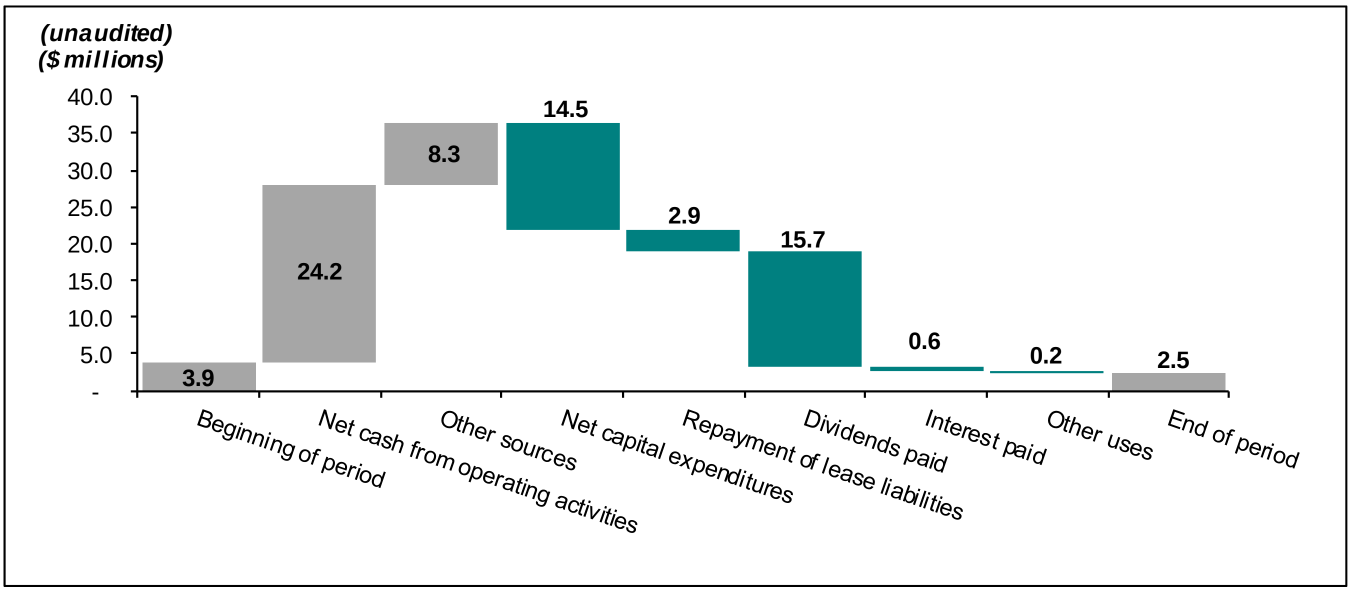
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

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

Three month period ended March 31, 2020



Three month period ended March 31, 2019



In addition to the $40.2 million (2019 – $24.2 million) of net cash from operating activities, we also received $4.4 million (2019 – $8.3 million) from other sources, which mainly consisted of changes in non-cash working capital items from financing and investing activities, cash received from net investment in finance leases and from interest income generated on cash and cash equivalents. Cash was used to repurchase and cancel 1,000,920 Common Shares for $5.2 million, repay lease liabilities of $2.8 million (2019 – $2.9 million), pay dividends totalling $15.7 million (2019 – $15.7 million), incur net capital expenditures[1] of $14.9 million (2019 – $14.5 million) and pay interest obligations of $0.3 million (2019 – $0.6 million).

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

Working Capital

At March 31, 2020, we had $238.7 million (December 31, 2019 – $243.3 million) of working capital, which included $84.7 million of cash and cash equivalents, of which $15.8 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 $10.8 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, our NCIB, as well as various special projects and acquisition opportunities.

Debt

As at March 31, 2020, we had net debt[1] outstanding of $394.9 million, (December 31, 2019 – $362.8 million), which consisted of total debt of $644.4 million (December 31, 2019 – $616.8 million) less working capital (excluding the current portion of lease liabilities) of $249.5 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 March 31, 2020, and December 31, 2019:

		March 31, 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	$ 166.0	$ 117.0	$ 151.9	**$ 14.1**
Series H - matures October 22, 2026	3.94%	112.0	159.0	112.0	145.5	**13.5**
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		—	(1.0)	—	(1.0)	**—**
Long-term debt (including the current portion)		229.0	495.0	229.0	467.4	**27.6**
Debentures – debt component	5.75%	—	109.3	—	108.7	**0.6**
Lease liabilities (including the current portion)	3.20%	—	40.1	—	40.7	**(0.6)**
Total debt		$ 229.0	$ 644.4	$ 229.0	$ 616.8	**$ 27.6**
Less:						
Working capital (excluding the Bank Credit Facility and the current portion of leases)			249.5		254.0	**(4.5)**
Net debt(2)			$ 394.9		$ 362.8	**$ 32.1**

(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 including the Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit, 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. 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

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

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 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		**March 31 2020**		**December 31 2019**
Total net debt(1)	$	472.9	$	470.6
Operating cash flow	$	206.1	$	204.7
Total net debt(1) to operating cash flow		2.29:1		2.30:1

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

Total Earnings Available for Fixed Charges to Total Fixed Charges. 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		**March 31 2020**		**December 31 2019**
Total earnings available for fixed charges	$	208.8	$	207.2
Total fixed charges	$	23.5	$	23.2
Total earnings available for fixed charges to total fixed charges		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**	**March 31 2020**	**December 31 2019**
Private Placement Debt Covenants			
(a) Total net debt(1) to operating cash flow cannot exceed	3.50:1	2.29:1	2.30:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	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 2.29:1 at March 31, 2020. Assuming the $472.9 million of total net debt[1] remains constant, we would need to generate approximately $135.1 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 March 31, 2020, the priority debt was $0.7 million or an insignificant percentage of total assets.

Our debt-to-equity ratio was 0.71:1 at March 31, 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 $27.5 million increase in total debt (including the current

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

portion) and a $15.9 million decrease in equity as compared to December 31, 2019. The $27.5 million increase in total debt was due to the $27.5 million foreign exchange loss on the Corporation's U.S. dollar debt. The $15.9 million decrease in equity mainly resulted from the $15.7 million of dividends declared to shareholders in the first quarter and the 1,000,920 Common Shares repurchased and cancelled for $5.2 million in March 2020. These items were somewhat offset by the $4.7 million of net income being recognized in the first quarter 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 March 31, 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	(1,000,920)		(9.7)
Balance at March 31, 2020	**103,824,053**	**$**	**937.2**

At March 31, 2020, there were 103,824,053 Common Shares outstanding representing $937.2 million in share capital. In the first quarter of 2020, we repurchased and cancelled 1,000,920 Common Shares under the NCIB program.

Stock Option Plan

	Options		**Weighted average exercise price**
Outstanding – December 31, 2019	3,280,000	$	19.22
Forfeited	(127,500)		(16.33)
Outstanding – March 31, 2020	**3,152,500**		**19.33**
Exercisable – March 31, 2020	**2,667,481**		**19.82**

In the first three months of 2020, there were no stock options granted, no stock options exercised and 127,500 stock options forfeited. As at March 31, 2020, Mullen Group had 3,152,500 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 75.0 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)		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
($ millions, except per share amounts)	$	$	$	$	$	$	$	$	$
Revenue	**1,277.1**	318.2	**314.6**	**325.3**	**319.0**	**319.6**	333.3	339.7	295.7
Operating income before depreciation and amortization	**202.1**	45.2	**49.9**	**55.6**	**51.4**	**44.0**	51.7	55.1	44.3
Net income (loss)	**65.3**	4.7	**8.4**	**20.5**	**31.7**	**11.6**	(81.1)	21.9	13.9
Earnings (loss) per share									
Basic	**0.62**	0.04	**0.08**	**0.20**	**0.30**	**0.11**	(0.77)	0.21	0.13
Diluted	**0.62**	0.04	**0.08**	**0.20**	**0.30**	**0.11**	(0.77)	0.21	0.13
Other Information									
Net foreign exchange (gain) loss	**(10.2)**	2.8	**(2.3)**	**(3.9)**	**(6.8)**	**(1.1)**	2.2	(1.8)	1.9
Decrease (increase) in fair value of investments	**1.6**	1.5	**(0.3)**	**0.3**	**0.1**	**(0.1)**	1.7	0.3	(0.4)

(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 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 Group, 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 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.

Consolidated revenue in the third quarter of 2019 decreased by $14.4 million to $325.3 million as compared to $339.7 million in 2018. Revenue generated by the Logistics & Warehousing segment decreased by $12.2 million and is mainly attributable to a decrease in demand for services resulting from lower GDP growth, a lack of project work associated with capital investments and a reduction in fuel surcharge revenue. Revenue generated by the Specialized & Industrial Services segment decreased by $10.7 million and is mainly attributable to lower revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to intense competition and pricing pressure and from the Alberta Government's mandated crude oil curtailments. The significant decline in drilling activity in the WCSB also had a negative impact on those Business Units most directly tied to oil and natural gas drilling activity. These decreases were somewhat offset by a $7.6 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 in the third quarter of 2019 was $20.5 million, a decrease of $1.4 million from the $21.9 million of net income generated in 2018. The $1.4 million decrease in net income was mainly attributable to a $2.8 million increase in depreciation of right-of-use assets, a $2.2 million increase in finance costs, and a $1.2 million increase in amortization of intangible assets. These decreases were partially offset by a $2.1 million positive variance in net foreign exchange, a $1.9 million decrease in income tax expense and a $0.5 million increase in OIBDA. As a result, basic earnings per share in the third quarter of 2019 was $0.20, a decrease of $0.01, from the $0.21 of earnings per share generated in 2018.

Consolidated revenue in the second quarter of 2019 increased by $23.3 million to $319.0 million as compared to $295.7 million in 2018 with acquisitions accounting for $28.4 million of incremental revenue. Revenue generated by the Specialized & Industrial Services segment increased by $23.4 million and is mainly attributable to $25.8 million of incremental revenue related to the acquisitions of Canadian Hydrovac Ltd. and the assets of AECOM's Canadian Industrial Services Division and improved revenue generated by Premay Pipeline. These increases were partially offset by a decline in drilling activity in the WCSB. Revenue generated by the Less-Than-Truckload segment increased by $3.2 million and is mainly attributable to $2.6 million of incremental revenue from acquisitions. These increases were somewhat offset by a $3.3 million decrease in revenue generated by the Logistics & Warehousing segment due to a decrease in freight volumes. Net income in the second quarter of 2019 was $31.7 million, an increase of $17.8 million from the $13.9 million of net income generated in 2018. The $17.8 million increase in net income was mainly attributable to a $9.4 million decrease in income tax expense, an $8.7 million positive variance in net foreign exchange and a $7.1 million increase in OIBDA. These increases were partially offset by a $2.8 million increase in depreciation of right-of-use assets, a $1.9 million increase in loss on disposal of property, plant and equipment, a $0.8 million increase in depreciation of property, plant and equipment and a $0.8 million increase in amortization of intangible assets. As a result, basic earnings per share in the second quarter of 2019 was $0.30, an increase of $0.17, from the $0.13 of earnings 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 March 31, 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 March 31, 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 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 March 31, 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

There have been no changes to our accounting policies in 2020 as compared to those disclosed in our 2019 MD&A.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at March 31, 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 March 31, 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 March 31, 2020.

Based on this evaluation, the CEO and CFO concluded that as at March 31, 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 March 31, 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 comments that business will be negatively impacted in the short-term, the duration to be determined by a virus known as COVID-19 and by governments. We will see business decline, perhaps quite significantly in the short-term, however, we believe we will weather this crisis and come out of it stronger, as referred to in the Executive Summary section beginning on page 4. These forward-looking statements are based on the assumption that we have a strong cash position and well-structured balance sheet providing ample liquidity to withstand a slowdown. Furthermore, our diversified business model and leverage to many sectors of the economy that will continue to be in demand is an important differentiator, and once the economy starts to recover we will be well positioned to take advantage of the inevitable opportunities that arise during challenging times.

- Mullen Group's comments that the next few months and perhaps quarters will be difficult and that it will come as no surprise to anyone that the economic and financial impact of the recent government mandated decision, due to the outbreak of the COVID-19 virus, will be substantial, at least in the short-term, as referred to in the Outlook section beginning on page 4. These forward-looking statements are based on the assumption that in the absence of any information as to when the orders to "shut down and shelter in place" will be lifted we cannot offer any meaningful guidance or outlook to our shareholders at this time. In other words, economic activity and demand will be determined by the actions and policies of governments.

- Mullen Group's comment that we believe we are positioned to manage through these challenging times, as referred to in the Outlook section beginning on page 4. This forward-looking statement is based on the assumption that the nature of our diversified business model, multiple service offerings accompanied by the need for basic services including trucking and logistics, services deemed by various government bodies to be essential services must be maintained to ensure communities have the goods needed during this health crisis. Furthermore, the structure of our balance sheet, strong working capital position and cash of $84.7 million, provide our company with the liquidity that will be required until economic activity can be restored.

- Mullen Group's announcement of a 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 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 any purchases of Common Shares under the NCIB.

- Mullen Group's intention to pay annual dividends of $0.60 per Common Share ($0.05 per Common Share on a monthly basis) for 2020, which will be temporarily suspended for three months, effective April 1, 2020, 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, our NCIB, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 31. 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, the risks associated with the service and energy industry in general; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory, securityholder and other approvals as may be required from time to time; and changes in legislation, including but not limited to tax laws and environmental regulations. 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 March 31	
	2020	**2019**
Operating income before depreciation and amortization	**$ 45.2**	$ 44.0
Revenue	**$ 318.2**	$ 319.6
Operating margin	**14.2%**	13.8%

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 page 21 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 March 31	
	2020	**2019**
Purchase of property, plant and equipment	**$ 15.9**	$ 15.9
Proceeds on sale of property, plant and equipment	**(1.0)**	(1.4)
Net capital expenditures	**$ 14.9**	$ 14.5

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)*		March 31, 2020		December 31, 2019
Long-term debt	**$**	**495.0**	$	467.4
Convertible debentures - debt component		**109.3**		108.7
Lease liabilities (non-current portion)		**29.3**		30.0
Total debt		**633.6**		606.1
Less working capital:				
Current assets		**353.2**		349.3
Current liabilities		**(114.5)**		(106.0)
Total working capital		**238.7**		243.3
Net debt	**$**	**394.9**	$	362.8

Total Net Debt

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. Management calculates total net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

(unaudited) *($ millions)*		March 31, 2020
Private Placement Debt	**$**	**495.0**
Lease liabilities (including the current portion)		**40.1**
Letters of credit		**3.9**
Total debt		**539.0**
Less: unrealized gain on Cross-Currency Swaps		**(66.1)**
Add: unrealized loss on Cross-Currency Swaps		—
Total net debt	**$**	**472.9**

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 March 31			
(unaudited) *($ millions, except share and per share amounts)*		2020		2019
Net cash from operating activities	**$**	**40.2**	$	24.2
Weighted average number of Common Shares outstanding		**104,670,985**		104,824,973
Cash flow per share	**$**	**0.38**	$	0.23

Mullen Group Ltd.

MARCH 31, 2020

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited) ***(thousands)***	**Note**		**March 31 2020**		**December 31 2019**
Assets					
Current assets:					
Cash and cash equivalents		**$**	**84,670**	$	79,023
Trade and other receivables	**5**		**212,612**		211,209
Inventory			**31,531**		33,015
Prepaid expenses			**15,328**		15,461
Current tax receivable			**9,104**		10,623
			353,245		349,331
Non-current assets:					
Property, plant and equipment			**951,940**		954,604
Right-of-use assets			**36,281**		36,799
Goodwill	**8**		**268,707**		268,707
Intangible assets			**43,426**		48,456
Investments			**37,198**		38,491
Deferred tax assets			**8,320**		8,070
Derivative financial instruments	**6**		**66,092**		41,375
Other assets	**7**		**2,723**		3,459
			1,414,687		1,399,961
Total Assets		**$**	**1,767,932**	$	1,749,292
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities		**$**	**98,442**	$	90,028
Dividends payable	**9**		**5,191**		5,241
Current tax payable			**109**		44
Lease liabilities – current portion			**10,755**		10,711
			114,497		106,024
Non-current liabilities:					
Convertible debentures – debt component			**109,350**		108,764
Long-term debt	**11**		**494,895**		467,392
Lease liabilities			**29,352**		29,975
Asset retirement obligations			**1,653**		1,647
Deferred tax liabilities			**116,176**		117,569
			751,426		725,347
Equity:					
Share capital	**12**		**937,215**		946,910
Convertible debentures – equity component			**9,116**		9,116
Contributed surplus			**21,655**		16,860
Deficit			**(65,977)**		(54,965)
			902,009		917,921
Subsequent event	**20**				
Total Liabilities and Equity		**$**	**1,767,932**	$	1,749,292

The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors on April 22, 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 March 31** **2020**	**2019**
Revenue	**15**	**$ 318,234**	$ 319,562
Direct operating expenses		**232,414**	233,350
Selling and administrative expenses		**40,610**	42,242
Operating income before depreciation and amortization		**45,210**	43,970
Depreciation of property, plant and equipment		**17,536**	17,375
Depreciation of right-of-use assets		**2,892**	2,790
Amortization of intangible assets		**5,030**	4,426
Finance costs		**7,209**	4,907
Net foreign exchange loss (gain)	**6**	**2,740**	(1,121)
Other (income) expense	**16**	**1,316**	(41)
Income before income taxes		**8,487**	15,634
Income tax expense	**10**	**3,825**	4,059
Net income and total comprehensive income		**$ 4,662**	$ 11,575
Earnings per share:	**13**		
Basic		**$ 0.04**	$ 0.11
Diluted		**$ 0.04**	$ 0.11
Weighted average number of Common Shares outstanding:	**13**		
Basic		**104,671**	104,825
Diluted		**104,671**	104,825

The notes which begin on page 49 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		**—**	**—**	**—**	**4,662**	**4,662**
Common Shares repurchased	**12**	**(9,695)**	**—**	**4,447**	**—**	**(5,248)**
Stock-based compensation expense		**—**	**—**	**348**	**—**	**348**
Dividends declared to common shareholders	**9**	**—**	**—**	**—**	**(15,674)**	**(15,674)**
Balance at March 31, 2020		**$ 937,215**	**$ 9,116**	**$ 21,655**	**$ (65,977)**	**$ 902,009**

(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		—	—	—	11,575	11,575
Stock-based compensation expense		—	—	357	—	357
Dividends declared to common shareholders	9	—	—	—	(15,724)	(15,724)
Balance at March 31, 2019		$ 946,910	$ —	$ 15,834	$ (68,460)	$ 894,284

The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(thousands)*	**Note**	**Three month periods ended March 31** **2020**	**2019**
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 4,662**	$ 11,575
Adjustments for:			
Depreciation and amortization		**25,458**	24,591
Finance costs		**7,209**	4,907
Stock-based compensation expense		**348**	357
Foreign exchange (gain) loss on cross-currency swaps	**6**	**(24,717)**	5,268
Foreign exchange loss (gain)		**25,728**	(6,195)
Change in fair value of investments	**16**	**1,452**	(121)
Loss on sale of property, plant and equipment	**16**	**17**	628
Earnings from equity investments	**16**	**(159)**	(552)
Accretion on asset retirement obligations	**16**	**6**	4
Income tax expense	**10**	**3,825**	4,059
Cash flows from operating activities before non-cash working capital items		**43,829**	44,521
Changes in non-cash working capital items from operating activities	**17**	**270**	(6,097)
Cash generated from operating activities		**44,099**	38,424
Income tax paid		**(3,884)**	(14,222)
Net cash from operating activities		**40,215**	24,202
Cash flows from financing activities:			
Cash dividends paid to common shareholders		**(15,724)**	(15,724)
Repurchase of Common Shares	**12**	**(5,248)**	—
Interest paid		**(343)**	(654)
Proceeds from bank credit facility		**—**	5,300
Repayment of lease liabilities		**(2,846)**	(2,883)
Changes in non-cash working capital items from financing activities	**17**	**1,137**	701
Net cash used in financing activities		**(23,024)**	(13,260)
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(15,926)**	(15,868)
Proceeds on sale of property, plant and equipment		**1,037**	1,372
Net investment in finance leases		**278**	144
Interest received		**634**	428
Other assets		**(8)**	41
Changes in non-cash working capital items from investing activities	**17**	**712**	1,758
Net cash used in investing activities		**(13,273)**	(12,125)
Change in cash and cash equivalents		**3,918**	(1,183)
Cash and cash equivalents at January 1		**79,023**	3,916
Effect of exchange rate fluctuations on cash held		**1,729**	(194)
Cash and cash equivalents at March 31		**$ 84,670**	$ 2,539

The notes which begin on page 49 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.

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.

March 31, 2020 **Financial Instrument**	**Fair Value Hierarchy**		**Carrying Amount**		**Fair Value**
Investments (excluding investments accounted for by using the equity method)	Level 1	$	702	$	702
Derivative Financial Instruments	Level 2	$	66,092	$	66,092
Private Placement Debt	Level 2	$	494,895	$	451,408
Convertible Debentures – debt component	Level 2	$	109,350	$	106,869

5. Trade and Other Receivables

		March 31 2020		**December 31 2019**
Trade receivables	**$**	**185,824**	$	182,023
Other receivables		**24,736**		26,907
Net investment in finance leases		**1,147**		788
Contract assets		**905**		1,491
	$	**212,612**	$	211,209

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

6. 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.

For the three month period ended March 31, 2020, Mullen Group has recorded a net foreign exchange loss (gain) of $2.7 million (2019 – $(1.1) 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 Loss (Gain)	Three month periods ended March 31			
	CDN. $ Equivalent			
		2020		**2019**
Foreign exchange loss (gain) on U.S. $ debt	**$**	**27,457**	$	(6,389)
Foreign exchange (gain) loss on Cross-Currency Swaps		**(24,717)**		5,268
Net foreign exchange loss (gain)	**$**	**2,740**	$	(1,121)

For the three month period ended March 31, 2020, Mullen Group recorded a foreign exchange loss (gain) on U.S. dollar debt of $27.5 million (2019 - $(6.4) million) as summarized in the table below:

Foreign Exchange Loss (Gain) on U.S. $ Debt	Three month periods ended March 31					
	2020			**2019**		
($ thousands, except exchange rate amounts)	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – March 31	**229,000**	**1.4187**	324,883	229,000	1.3363	306,013
Beginning – January 1	**229,000**	**1.2988**	297,426	229,000	1.3642	312,402
Foreign exchange loss (gain) on U.S. $ debt			27,457			(6,389)

For the three month period ended March 31, 2020, Mullen Group recorded a foreign exchange (gain) loss on its Cross-Currency Swaps of $(24.7) million (2019 – $5.3 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	Three month periods ended March 31			
	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**	(12,880)	117,000	2,699
Cross-Currency Swap maturing October 22, 2026	**112,000**	(11,837)	112,000	2,569
Foreign exchange (gain) loss on Cross-Currency Swaps		(24,717)		5,268

7. Other Assets

		March 31 2020		**December 31 2019**
Promissory notes	**$**	**753**	$	767
Net investment in finance leases		**1,540**		2,284
Other		**430**		408
	$	**2,723**	$	3,459

8. 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 second quarter and the assumptions used for such impairment tests.

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

9. Dividends Payable

For the three month period ended March 31, 2020, Mullen Group declared monthly dividends of $0.05 per Common Share totalling $0.15 per Common Share (2019 – $0.15 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. At March 31, 2020, Mullen Group had 103,824,053 Common Shares outstanding and a dividend payable of $5.2 million (December 31, 2019 – $5.2 million), which was paid on April 15, 2020. On March 20, 2020, Mullen Group announced that it temporarily suspended the monthly dividend of $0.05 per Common Share for three months, effective April 1, 2020.

10. 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 March 31	
	2020	**2019**
Income before income taxes	**$ 8,487**	$ 15,634
Combined statutory tax rate	**26%**	27%
Expected income tax	**2,207**	4,221
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange (gain) loss	**342**	(151)
Non-deductible (taxable) portion of the change in fair value of investments	**182**	(16)
Stock-based compensation expense	**87**	96
Changes in unrecognized deferred tax asset	**—**	(151)
Other	**1,007**	60
Income tax expense	**$ 3,825**	$ 4,059

11. 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 March 31, 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 $1.0 million related to its Private Placement Debt have been netted against its carrying value at March 31, 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 6**.

The following table summarizes the Corporation's total debt:

		March 31, 2020		December 31, 2019
Current liabilities:				
Private Placement Debt	**$**	**—**	$	—
Lease liabilities – current portion		**10,755**		10,711
Bank Credit Facility		**—**		—
		10,755		10,711
Non-current liabilities:				
Private Placement Debt		**494,895**		467,392
Lease liabilities		**29,352**		29,975
		524,247		497,367
	$	**535,002**	$	508,078

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

			March 31, 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%	**43,396**	**40,107**	43,754	40,686
Private Placement Debt	2024-2026	3.84% - 4.07%	**495,882**	**494,895**	468,425	467,392
			539,278	**535,002**	512,179	508,078

12. 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	**(1,000,920)**	—
Issued Common Shares at March 31	**103,824,053**	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 March 31, 2020, Mullen Group had purchased and cancelled 1,000,920 Common Shares for $5.2 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)

13. 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 month period ended March 31, 2020, was $4.7 million (2019 – $11.6 million). The weighted average number of Common Shares outstanding for the three month periods ended March 31, 2020 and 2019 was calculated as follows:

		Three month periods ended March 31	
	Note	2020	2019
Issued Common Shares at beginning of period	12	**104,824,973**	104,824,973
Effect of Common Shares repurchased and cancelled	12	**(153,988)**	—
Weighted average number of Common Shares at end of period – basic		**104,670,985**	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 March 31			
		2020		2019
Net income	**$**	**4,662**	$	11,575
Effect on finance costs from conversion of Debentures (net of tax)		**—**		—
Net income – adjusted	**$**	**4,662**	$	11,575

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

	Three month periods ended March 31			
		2020		2019
Weighted average number of Common Shares – basic	**$**	**104,670,985**	$	104,824,973
Effect of "in the money" stock options		**—**		—
Effect of the Debentures		**—**		—
Weighted average number of Common Shares at end of period – diluted	**$**	**104,670,985**	$	104,824,973

For the three month period ended March 31, 2020, 3,152,500 stock options (2019 – 3,422,500) 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 March 31, 2020 and 2019. For the three month period ended March 31, 2020, 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.

14. 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.

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

15. 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. This is the first quarter whereby Mullen Group has commenced reporting financial results in the new segments. ▶ **For more information, refer to Note 19.**

At March 31, 2020, the Less-Than-Truckload segment consisted of 8 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 March 31, 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 March 31, 2020, the Specialized & Industrial Services segment consisted of 17 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.

Disaggregation of revenue:

The following tables detail 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:

Three month period ended March 31, 2020	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate**	**Intersegment eliminations**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue by service line						
Transportation	**105,963**	**52,414**	**64,700**	**—**	**—**	**223,077**
Logistics	**7,442**	**21,665**	**1,897**	**—**	**—**	**31,004**
Other[(1)]	**1,086**	**23,439**	**45,553**	**667**	**—**	**70,745**
Eliminations	**(1,623)**	**(1,273)**	**(864)**	**—**	**(2,832)**	**(6,592)**
	112,868	**96,245**	**111,286**	**667**	**(2,832)**	**318,234**
Timing of revenue recognition						
Over time	**106,022**	**53,798**	**81,825**	**654**	**—**	**242,299**
Point in time	**8,469**	**43,720**	**30,325**	**13**	**—**	**82,527**
Eliminations	**(1,623)**	**(1,273)**	**(864)**	**—**	**(2,832)**	**(6,592)**
	112,868	**96,245**	**111,286**	**667**	**(2,832)**	**318,234**

(1) Included within other revenue is $7.9 million of rental revenue comprised of $0.1 million, $1.4 million $5.8 million and $0.6 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)

Three month period ended March 31, 2019	Less-than-Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate	Intersegment eliminations	Total
	$	$	$	$	$	$
Revenue by service line						
Transportation	100,098	58,280	61,933	—	—	220,311
Logistics	9,075	24,913	1,695	—	—	35,683
Other[1]	1,176	19,333	46,935	650	—	68,094
Eliminations	(1,281)	(860)	(874)	—	(1,511)	(4,526)
	109,068	101,666	109,689	650	(1,511)	319,562
Timing of revenue recognition						
Over time	100,126	59,436	77,100	638	—	237,300
Point in time	10,223	43,090	33,463	12	—	86,788
Eliminations	(1,281)	(860)	(874)	—	(1,511)	(4,526)
	109,068	101,666	109,689	650	(1,511)	319,562

[1] *Included within other revenue is $8.5 million of rental revenue comprised of nil, $1.2 million, $6.7 million and $0.6 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment and Corporate, respectively.*

16. Other (Income) Expense

	Three month periods ended March 31	
	2020	**2019**
Change in fair value of investments	**$ 1,452**	$ (121)
Loss on sale of property, plant and equipment	**17**	628
Earnings from equity investments	**(159)**	(552)
Accretion on asset retirement obligations	**6**	4
Other (income) expense	**$ 1,316**	$ (41)

17. Changes in non-cash working capital

	Three month periods ended March 31	
	2020	**2019**
Trade and other receivables	**$ (1,044)**	$ 1,302
Inventory	**1,484**	(3)
Prepaid expenses	**133**	(3,526)
Accounts payable and accrued liabilities	**1,546**	(1,411)
	$ 2,119	$ (3,638)

	Three month periods ended March 31	
	2020	**2019**
Changes in non-cash working capital items from:		
Operating activities	**$ 270**	$ (6,097)
Financing activities	**1,137**	701
Investing activities	**712**	1,758
	$ 2,119	$ (3,638)

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

18. Subsidiaries

The tables set forth below provide information relative to Mullen Group's significant subsidiaries and its Business Units, including each entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by Mullen Group, a brief description of the entity, and the market areas served, if applicable. The percentages of ownership set forth below include the approximate one percent interest owned by the general partner of each limited partnership.

Significant Subsidiaries:

Company (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (directly / indirectly)	Overview	Primary Market Area
MT Investments Inc. (Alberta)	100%	Wholly-owned subsidiary of Mullen Group Ltd. It was formed on July 1, 2005, when Mullen Transportation Inc. was amalgamated with certain other corporations pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) to form a corporation known as MT Investments Inc.	N/A
MGL Holding Co. Ltd. (Alberta)	100%	Wholly-owned subsidiary of MT Investments Inc., which was incorporated in Alberta on December 22, 2016. It is the limited partner of various Business Units.	N/A

Less-Than-Truckload Segment:

Business Unit (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (indirectly)	Primary Market Area
Argus Carriers Ltd.(1) (British Columbia)	100%	British Columbia and U.S.
Courtesy Freight Systems Ltd. (Ontario)	100%	Northwestern Ontario
Gardewine Group Limited Partnership (Manitoba)	100%	Manitoba and Ontario
Grimshaw Trucking L.P. (Alberta)	100%	Western Canada
Hi-Way 9 Express Ltd. (2) (3) (4) (Alberta)	100%	Western Canada
Inter-Urban Delivery Service Ltd.(1) (British Columbia)	100%	Lower Mainland British Columbia
Jay's Transportation Group Ltd. (Saskatchewan)	100%	Saskatchewan
Number 8 Freight Ltd. (British Columbia)	100%	Lower Mainland British Columbia

(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.*

Logistics & Warehousing Segment:

Business Unit (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (indirectly)	Primary Market Area
24/7 The Storehouse (2015) Ltd. (British Columbia)	100%	British Columbia
Caneda Transport Ltd. (Alberta)	100%	Canada and U.S.
Cascade Carriers L.P. (Alberta)	100%	Western Canada
DWS Logistics Inc. (Ontario)	100%	Ontario

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

Logistics & Warehousing Segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
Kleysen Group Ltd. (Alberta)	100%	Western Canada
Mullen Trucking Corp. (Alberta)	100%	Canada and U.S.
Payne Transportation Ltd. (Alberta)	100%	Canada and U.S.
RDK Transportation Co. Inc. (Saskatchewan)	100%	Canada and U.S.
Tenold Transportation Ltd. (Alberta)	100%	Canada and U.S.

Specialized & Industrial Services Segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
Canadian Dewatering L.P. (Alberta)	100%	Western Canada
Cascade Energy Services L.P. (Alberta)	100%	Western Canada
Canadian Hydrovac Ltd. (Alberta)	100%	Western Canada
E-Can Oilfield Services L.P. (Alberta)	100%	Western Canada
Envolve Energy Services Corp. (Alberta)	100%	Western Canada
Formula Powell L.P. (Alberta)	100%	Western Canada
Heavy Crude Hauling L.P. (Alberta)	100%	Western Canada
Mullen Oilfield Services L.P. (1) (Alberta)	100%	Western Canada
OK Drilling Services L.P. (Alberta)	100%	Western Canada
Pe Ben Oilfield Services L.P. (Alberta)	100%	Western Canada
Premay Equipment L.P. (Alberta)	100%	Western Canada
Premay Pipeline Hauling L.P. (Alberta)	100%	Western Canada
R. E. Line Trucking (Coleville) Ltd. (Saskatchewan)	100%	Western Canada
Recon Utility Search L.P. (Alberta)	100%	Western Canada
Smook Contractors Ltd. (Manitoba)	100%	Northern Manitoba
Spearing Service L.P. (Alberta)	100%	Western Canada
TREO Drilling Services L.P. (Alberta)	100%	Western Canada

(1) *On January 1, 2020, the operations of Withers L.P. were combined into Mullen Oilfield Services L.P.*

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

19. Operating Segments

This is the first quarter whereby Mullen Group has commenced reporting financial results in three new segments: Less-Than-Truckload; Logistics & Warehousing; and Specialized & Industrial Services. The change in segment reporting structure more accurately reflects the business of the Corporation today and is aligned with how financial information is regularly reviewed internally for the purposes of decision making, capital allocation and accessing performance.

Mullen Group has three 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 15 and 18**.

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

Three month period ended March 31, 2020	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate**	**Intersegment eliminations** Less-than-Truckload	**Intersegment eliminations** Logistics & Warehousing	**Intersegment eliminations** Specialized & Industrial Services	**Total**
	$	$	$	$	$	$	$	$
Revenue	**112,868**	**96,245**	**111,286**	**667**	**(152)**	**(2,369)**	**(311)**	**318,234**
Income (loss) before income taxes	**2,344**	**9,051**	**2,844**	**(5,752)**	**—**	**—**	**—**	**8,487**
Depreciation of property, plant and equipment	**3,467**	**2,745**	**9,843**	**1,481**	**—**	**—**	**—**	**17,536**
Amortization of intangible assets	**2,641**	**1,524**	**865**	**—**	**—**	**—**	**—**	**5,030**
Capital expenditures[(1)]	**6,921**	**2,371**	**5,099**	**1,629**	**—**	**(34)**	**(60)**	**15,926**
Total assets at March 31, 2020	**361,549**	**256,614**	**471,522**	**678,247**	**—**	**—**	**—**	**1,767,932**

[(1)] *Excludes business acquisitions*

Three month period ended March 31, 2019	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate**	**Intersegment eliminations** Less-than-Truckload	**Intersegment eliminations** Logistics & Warehousing	**Intersegment eliminations** Specialized & Industrial Services	**Total**
	$	$	$	$	$	$	$	$
Revenue	109,068	101,666	109,689	650	(93)	(931)	(487)	319,562
Income before income taxes	6,254	7,074	775	1,531	—	—	—	15,634
Depreciation of property, plant and equipment	2,923	2,710	10,226	1,516	—	—	—	17,375
Amortization of intangible assets	1,877	1,523	1,026	—	—	—	—	4,426
Capital expenditures[(1)]	4,227	4,512	7,715	1,575	—	(86)	(2,075)	15,868
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 March 31, 2020, until the date of this report, the Corporation repurchased 934,192 Common Shares at a total cost of $4.3 million.

CORPORATE INFORMATION

DIRECTORS | OFFICERS

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

Sonia Tibbatts, MBA
Lead Director

Greg Bay, CFA
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

CORPORATE OFFICE

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STOCK EXCHANGE

Toronto Stock Exchange
Trading Symbol: MTL

TRANSFER AGENT AND REGISTRAR

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ONLINE INFORMATION

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