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## REPORT TO SHAREHOLDERS

for the three-month period  
ended June 30, 2008



## CORPORATE PROFILE

TransForce Inc. ([www.transforce.ca](http://www.transforce.ca)) is the leader in Canada's transportation and logistics industry. Headquartered in Montreal, Quebec, TransForce creates value for shareholders through managing and investing in a growing network of wholly-owned operating subsidiaries.

TransForce provides a comprehensive and unique combination of capabilities, resources and geographical coverage in both domestic and trans-border markets.

Its companies currently operate in five well-defined business segments :

Less Than Truckload;  
Package and Courier;  
Specialized Services, which includes its ancillary transportation services such as logistics, warehousing & dedicated services, fleet management & personnel services; oilfield & oilsand services, and; waste management;  
Specialized Truckload; and  
Truckload.

TransForce's shares (TFI-T) are listed on the Toronto Stock Exchange.

The following is TransForce Inc.'s management discussion and analysis (MD&A). Throughout this MD&A, the term "Company" shall mean TransForce Inc., and shall include its independent operating subsidiaries.

This MD&A provides a comparison of the Company's performance for its three and six month periods ended June 30, 2008 with the three and six month periods ended June 30, 2007 and it reviews the Company's financial position as at June 30, 2008. It also includes discussion of the Company's affairs up to July 29, 2008. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes. All amounts disclosed are in Canadian dollars.

Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints of maintaining the confidentiality of certain information that, if published, would probably have an adverse impact on the competitive position of the Company.

Additional information relating to the Company can be found on its website at [www.transforce.ca](http://www.transforce.ca). The Company's continuous disclosure materials, including its annual and quarterly MD&A, annual and quarterly financial statements, its 2007 Annual Report, Annual Information Form, Management Proxy Circular, Material Change Reports and the various press releases issued by the Company are also available on its website or directly through the SEDAR system at [www.sedar.com](http://www.sedar.com).

## Forward-looking statements

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

The Company wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. The following important factors could cause the Company's actual financial performance to differ materially from that expressed in any forward-looking statement:

- (1) The highly competitive conditions that currently exist in the Company's market and the Company's ability to compete
- (2) The Company's ability to recruit, train and retain qualified drivers
- (3) Increases in fuel prices, and the Company's ability to recover these costs from its customers
- (4) Foreign currency fluctuations
- (5) The impact of environmental standards and regulations
- (6) Changes in governmental regulations applicable to the Company's operations
- (7) Adverse weather conditions
- (8) Accidents
- (9) The market for used revenue equipment
- (10) Changes in interest rates
- (11) Cost of liability insurance coverage
- (12) Downturns in general economic conditions affecting the Company and its customers

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

## Our business

### Description

The Company is Canada's pre-eminent transportation and logistics services provider. Its operations extend throughout Canada, and it directly serves more urban centers than any other Canadian transport and logistics services provider.

### Human resources

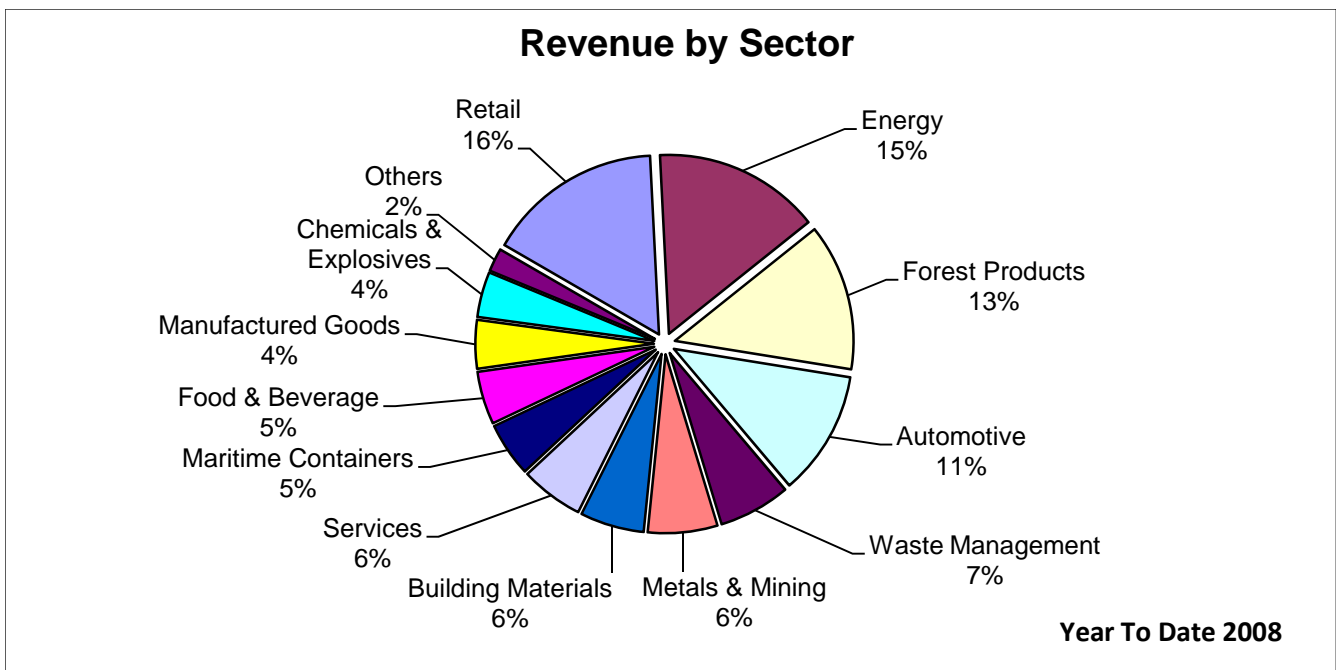
Including the Company's recent acquisitions, the Company has approximately 15,860 employees including 1,850 owner operators and 2,000 employees in the Company's Personnel Services divisions working all across Canada in its different business segments. A number of these employees are subject to collective agreements. The Company considers that it has a very low turnover rate among its employees compared to industry standards, and that employee relations are good.

### Facilities

The Company's head office is situated in Montréal, Québec. As at June 30, 2008 the Company has approximately 275 terminals, with 70 in Ontario, 95 in Western Canada, 86 in Québec and 20 in the Atlantic Provinces. The Company also has 4 terminals in the United States.

### Customers

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



## **Equipment**

The Company has the largest trucking fleet in Canada, with approximately 7,340 power units (including 1,850 owner operators) and 13,640 trailers as at June 30, 2008. This includes approximately 1,075 trailers operated by the Company's Fleet Management Services.

## **Seasonality of operations**

The activities conducted by the Company are subject to general demand for freight transportation. Historically, demand has been relatively stable with the first quarter being generally the weakest in terms of demand, both the second and third quarters being stronger and the fourth quarter being the strongest. This is with the exception of the Company's Oilfield Services where the first and fourth quarters are the strongest and the second and third quarters are the weakest. The Oilfield Services thus provide a natural counterbalance to the Company's transportation cycles. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

## **Services**

TransForce provides a comprehensive and unique combination of capabilities, resources and geographical coverage in both domestic and transborder markets. Its companies operate in five well-defined business segments:

- Less Than Truckload
- Package and Courier
- Specialized Services, which includes its Waste Management divisions, its Oilfield Services divisions, Logistics and Dedicated Fleet divisions as well as Fleet Management and Personnel Services divisions.
- Specialized Truckload
- Truckload

In each of these business segments, the Company's independent subsidiaries are recognized for their professional expertise. Transforce offers Package and Courier service across Canada and Less than Truckload service across Canada and into the United States through its exclusive partnerships. Specialized Services includes Logistics Services, Warehousing & Dedicated Services, Fleet Management & Personnel Services, Oilfield & Oilsand Services and Waste Management Services. Truckload and Specialized Truckload service includes both the domestic and transborder markets.

## **Critical accounting policies and estimates**

The Company considers its purchase price allocation, goodwill and intangible asset valuation estimates as being critical and that if changed, could materially affect the Company's overall financial condition or results of operations.

## **Approval of the financial statements**

The Company's interim financial statements have been approved by its Board of Directors upon recommendation of its audit committee prior to release.

## **Changes in the design of Internal Control over Financial Reporting**

There were no changes in the design of internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Changes in accounting policies**

On April 2, 2008, the CICA issued EIC – 170, "conversion of an unincorporated entity to an incorporated entity". The EIC clarified certain accounting issues related to conversions, when there is no change in control. In particular, it specifies that such a transaction should be treated as a change in business form and should be accounted for as a continuity of interests; transaction costs should be treated as an expense in the period in which they are incurred; comparative information should be that of the pre-conversion entity, as previously reported; and changes in tax balances would be included in tax expense. The Company applied this EIC to account for its conversion and as the basis of presentation for these interim financial statements.

The CICA has issued CICA Handbook Section 3862, Financial Instruments – Disclosures ("HB-3862") and Section 3863, Financial Instruments – Presentation ("HB-3863"). These new standards establish standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments and for presentation of financial instruments and non-financial derivatives. These new standards supersede Handbook Section 3861. This new standard relates to disclosure only and will not impact the financial results of the Company. Both sections are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company adopted these standards on January 1, 2008.

The CICA has issued CICA Handbook Section 1535, Capital Disclosures ("HB-1535"). This standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. This Section is applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. This new standard relates to disclosure only and will not impact the financial results of the Company. The Company adopted this standard on January 1, 2008.

In June 2007, the CICA issued Section 3031, Inventories, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards ("IFRS"). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements beginning on or after January 1, 2008. Given the immaterial amounts of inventory held by the Company and that the Company does not manufacture any inventory, the Company has determined that the adoption of this standard did not have any material impact on its consolidated financial statements.

## Consolidated highlights

### Financial Results

(unaudited)

	Three months ended		Three months ended	
<i>(in thousands of dollars, except per share amounts)</i>	June 30, 2008		June 30, 2007	
Revenue	595,641	100.0%	495,652	100.0%
Earnings before interest, income taxes, depreciation and amortization (EBITDA) <sup>Note (1)</sup>	66,897	11.2%	64,119	12.9%
Depreciation and amortization expense	30,673	5.1%	27,483	5.5%
Interest expense	11,765	2.0%	8,644	1.7%
Gain on disposal of fixed assets	(477)	(0.1%)	(673)	(0.1)%
Income before income taxes	24,936	4.2%	28,665	5.8%
Income taxes	5,652	0.9%	2,364	0.5%
Net income	19,284	3.3%	26,301	5.3%
Earnings per share				
Basic	0.22		0.31	
Diluted	0.22		0.31	
EBITDA / Revenue ratio	11.2%		12.9%	

(Note 1: Please refer to the EBITDA section for a definition of this non-GAAP measure.)

	Six months ended		Six months ended	
<i>(in thousands of dollars, except per share amounts)</i>	June 30, 2008		June 30, 2007	
Revenue	1,121,899	100.0%	960,410	100.0%
Earnings before interest, income taxes, depreciation and amortization (EBITDA) <sup>Note (1)</sup>	123,776	11.0%	116,807	12.2%
Depreciation and amortization expense	59,747	5.3%	52,914	5.5%
Interest expense	23,205	2.1%	15,726	1.6%
Gain on disposal of fixed assets	(1,528)	(0.2%)	(1,241)	(0.1)%
Income before income taxes	42,352	3.8%	49,408	5.2%
Income taxes	3,974	0.4%	2,244	0.2%
Net income	38,378	3.4%	47,164	5.0%
Earnings per share				
Basic	0.45		0.55	
Diluted	0.45		0.55	
EBITDA / Revenue ratio	11.0%		12.2%	

(Note 1: Please refer to the EBITDA section for a definition of this non-GAAP measure.)

## CONSOLIDATED FINANCIAL RESULTS

Three months ended June 30, 2008

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The financial highlights for the second quarter of 2008 are as follows:

- Increased revenues 20% to \$595.6 million
- Increased EBITDA<sup>(1)</sup> by 18% to \$75.6 million before non-recurring items
- Increased pre-tax earnings 17% to \$33.7 million before non-recurring items
- Increased earnings after tax 11% to \$29.2 million before non-recurring items

As previously announced, the Company converted from its previous Income Trust structure to a corporate structure effective May 14, 2008. As a result, certain non-recurring expenses were incurred as follows;

Cdn \$ M	Impact on earnings		Impact on earnings after tax
	before tax	Income tax	
Incentive plan expense	5.9	(1.4)	4.5
Conversion costs *	2.8	(0.9)	1.9
Future Income Tax	-	3.5	3.5
Total	8.7	1.2	9.9
Impact on earnings per share			0.11

\* Recorded as part of Fixed, General and Administrative expenses

For purposes of the Q2 2008 section of the MD&A, significant acquisitions will be defined as acquisitions concluded in or after Q2 2007 and in 2008 and will include ICS and Thibodeau.

The increase in revenue year over year for the second quarter of 2008 is primarily due to significant acquisitions. These acquisitions account for \$48.3 million additional revenue over Q2 2007.

The Company's EBITDA<sup>(1)</sup> increased 4% to \$66.9 million in Q2 2008 compared to Q2 2007. Significant acquisitions contributed \$8.0 million of EBITDA in Q2 2008. Excluding the non-recurring conversion charges of \$8.7 million, the Company's EBITDA<sup>(1)</sup> increased 18% to \$75.6 million in Q2 2008 compared to Q2 2007.

*Note 1: Please refer to the EBITDA section for a definition of this non-GAAP measure*

## Segmented results

### Revenue by segment (unaudited)

<i>(in thousands of dollars)</i>	Three months ended		Three months ended		Variance	
	June 30, 2008		June 30, 2007			
<b>Revenue</b>						
Less than Truckload	<b>173,255</b>	<b>29%</b>	140,243	29%	33,012	24%
Package and Courier	<b>76,575</b>	<b>13%</b>	44,715	9%	31,860	71%
Specialized Services	<b>152,568</b>	<b>26%</b>	122,575	25%	29,993	24%
Specialized Truckload	<b>86,000</b>	<b>14%</b>	91,651	18%	(5,651)	(6%)
Truckload	<b>107,243</b>	<b>18%</b>	96,468	19%	10,775	11%
<b>Total</b>	<b>595,641</b>	<b>100%</b>	495,652	100%	99,989	20%

### Less than Truckload

Revenue from Less than Truckload activities remained the greatest component of the Company's revenue, at 29% of total revenue. This segment's revenue for Q2 2008 totaled \$173.3 million, compared to \$140.2 million for Q2 2007. This increase is primarily due to significant acquisitions. The Thibodeau acquisition contributed \$21.1 million to revenue in Q2 2008.

### Package and Courier

Revenue from Package and Courier activities for Q2 2008 totaled \$76.6 million, compared to \$44.7 million for Q2 2007. Excluding the ICS acquisition, Q2 2008 Package and Courier revenue increased 10.6% from Q2 2007. This was driven by an increase in the package volume per day of 7.3% and by an increase in the revenue per package of 1.5%. Revenue per hundredweight excluding fuel surcharges decreased 0.9% over Q2 2007. The ICS acquisition contributed \$27.2 million to revenue in Q2 2008.

### Specialized Services

Revenue from the Specialized Services division rose to \$152.6 million for Q2 2008 from \$122.6 million in Q2 2007. Organic growth as well as small acquisitions concluded in 2007 and 2008 account for most of this growth.

### Specialized Truckload

Revenue for Specialized Truckload decreased to \$86.0 million for Q2 2008 from \$91.7 million for Q2 2007.

### Truckload

This segment's revenue for Q2 2008 totaled \$107.2 million, compared to \$96.5 million for Q2 2007.

## Consolidated expenses

### Operating expenses

<i>(in thousands of dollars)</i>	Three months ended June 30, 2008	Three months ended June 30, 2007	Variance	
Operating expenses	432,511	353,567	78,944	22%
Percentage of revenue	73%	71%		

The Company's operating expenses are primarily composed of costs related to employees and sub-contractors, vehicle operation, insurance, road taxes and operating permits.

The operating expenses for the second quarter of 2008 were \$432.5 million, compared to \$353.6 million in Q2 2007. Significant acquisitions added \$29.4 million. The Company's operating expenses as a percentage of revenue increased two percentage points versus the quarter last year. The spiking cost of fuel accounts for most of the year over year increase along with other small acquisitions concluded in 2007 and 2008.

### Fixed costs and general and administrative expenses

<i>(in thousands of dollars)</i>	Three months ended June 30, 2008	Three months ended June 30, 2007	Variance	
Fixed costs and general and administrative expenses	88,795	75,470	13,325	18%
Percentage of revenue	15%	15%		

The Company's fixed costs and general and administrative expenses (FCGA) are primarily composed of costs related to employee salaries, rent, telecommunications, maintenance, security and other general expenses.

FCGA expenses for the second quarter of 2008 totaled \$88.8 million, increasing by \$13.3 million over Q2 2007. Significant acquisitions added \$10.9 million to the Company's expenses in Q2 2008. Excluding the non-recurring conversion charges of \$2.8 million, the Company's FCGA expenses for the second quarter of 2008 totaled \$86.0 million. Year over year costs in this area are steady.

## Operating ratio

The operating ratio (OR) is a non-GAAP financial measure which does not have any standardized meaning prescribed by GAAP. It is the sum of operating expenses, fixed costs, general and administrative expenses, long term incentive plan expense, depreciation and amortization less the gain or plus the loss on disposal of fixed assets divided by revenue. Although OR is not a recognized financial measure defined by GAAP, it is a widely recognized measure in the transportation industry, which we believe provides a comparable benchmark for evaluating the Company's performance. Investors should also note that our presentation of OR may not be comparable to similarly titled measures by other companies.

<b>(unaudited)</b>	<b>Three months ended June 30, 2008</b>	<b>Three months ended June 30, 2007</b>
<i>(in thousands of dollars)</i>		
Operating expenses	432,511	353,567
Fixed costs, general and administrative expenses	88,795	75,470
Incentive plan expense	7,438	2,496
Depreciation and amortization	30,673	27,483
Gain on disposal of fixed assets	(477)	(673)
	<b>558,940</b>	<b>458,343</b>
Revenue	595,641	495,652
Operating ratio	<b>93.8%</b>	<b>92.5%</b>

For the second quarter of 2008, the operating ratio stood at 93.8% versus the 92.5% in Q2 2007. Excluding the non-recurring conversion charges of \$8.7 million, the Company's Q2 08 operating ratio stood at 92.4%.

## EBITDA

While EBITDA (Earnings before interest, income taxes, depreciation and amortization) is not a recognized measure under Canadian generally acceptable accounting principles (GAAP), management believes it to be a useful supplemental measure. It is provided to assist in determining the ability of the Company to generate cash from its operations. Investors should also note that our presentation of EBITDA may not be comparable to similarly titled measures by other companies.

### Reconciliation of Net Income to EBITDA

<b>(unaudited)</b>	<b>Three months ended June 30, 2008</b>	<b>Three months ended June 30, 2007</b>
<i>(in thousands of dollars)</i>		
Net Income	19,284	26,301
Depreciation and amortization	30,673	27,483
Interest on long-term debt	11,765	8,644
Gain on disposal of fixed assets	(477)	(673)
Income taxes	5,652	2,364
EBITDA	<b>66,897</b>	<b>64,119</b>

EBITDA amounted to \$66.9 million or 11.2% of revenue for Q2 2008, compared to \$64.1 million or 12.9% of revenue in Q2 2007. Excluding the non-recurring conversion charges of \$8.7 million, the Company's Q2 08 EBITDA amounted to \$75.6 million or 12.7% of revenue.

## **Depreciation and amortization**

Depreciation of fixed assets rose to \$26.8 million in Q2 2008 from \$24.6 million in Q2 2007. The increase of \$2.2 million is mainly attributable to acquisitions. The Company also amortized \$3.9 million of intangible assets in Q2 2008 versus \$2.8 million in 2007.

## **Interest expense**

Interest expense increased to \$11.8 million in Q2 2008 from \$8.6 million in Q2 2007. This increase is primarily due to the financing of significant acquisitions.

## **Income taxes**

The income tax expense increased to \$5.7 million in Q2 2008 from \$2.4 million in Q2 2007. This is primarily due to the recording of future tax expense of \$3.5 million due to the conversion to a corporation. The additional income tax expense post conversion to a corporation was offset by a reduction in future income tax expense due to lower statutory rates.

## **Net Income**

The Company's net income for Q2 2008 decreased to \$19.3 million, compared to \$26.3 million in Q2 2007. Excluding the after tax non-recurring conversion charges of \$9.9 million, the Company's Q2 08 net income is \$29.2 million or \$0.34 per share compared to \$0.31 per share in Q2 07.

## **CONSOLIDATED FINANCIAL RESULTS**

### **Six months ended June 30, 2008**

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For purposes of the six month period ended June 30, 2008 section of the MD&A, significant acquisitions will be defined as acquisitions concluded in or after Q2 2007 and in 2008 and will include ICS and Thibodeau.

The increase in revenue year over year revenue for the six month period ended June 30, 2008 is primarily due to significant acquisitions. These acquisitions account for \$89.2 million additional revenue over the same period in 2007.

The Company's EBITDA<sup>(1)</sup> increased 6% to \$123.8 million in the six month period ended June 30, 2008 compared to the same period in 2007. Significant acquisitions contributed \$12.9 million of EBITDA in the six month period ended June 30, 2008. Excluding the non-recurring conversion charges of \$8.7 million, the Company's EBITDA<sup>(1)</sup> increased 13% to \$132.5 million in the six month period ended June 30, 2008 compared to the same period in 2007.

*Note 1: Please refer to the EBITDA section for a definition of this non-GAAP measure*

## Segmented results

### Revenue by segment (unaudited)

<i>(in thousands of dollars)</i>	<b>Six months ended</b>		Six months ended		<b>Variance</b>	
	<b>June 30, 2008</b>		June 30, 2007			
<b>Revenue</b>						
Less than Truckload	<b>320,311</b>	<b>29%</b>	270,631	28%	49,680	18%
Package and Courier	<b>145,412</b>	<b>13%</b>	86,941	9%	58,471	67%
Specialized Services	<b>296,036</b>	<b>26%</b>	249,826	26%	46,210	18%
Specialized Truckload	<b>155,627</b>	<b>14%</b>	164,547	17%	(8,920)	(5%)
Truckload	<b>204,513</b>	<b>18%</b>	188,465	20%	16,048	9%
<b>Total</b>	<b>1,121,899</b>	<b>100%</b>	960,410	100%	161,489	17%

### Less than Truckload

Revenue from Less than Truckload activities remained the greatest component of the Company's revenue, at 29% of total revenue. This segment's revenue for the six month period ended June 30, 2008 totaled \$320.3 million, compared to \$270.6 million for the same period in 2007. This increase is primarily due to significant acquisitions. The Thibodeau acquisition contributed \$37.0 million to revenue in the six month period ended June 30, 2008.

### Package and Courier

Revenue from Package and Courier activities for the six month period ended June 30, 2008 totaled \$145.4 million, compared to \$86.9 million for the same period in 2007. Excluding the ICS acquisition, Package and Courier revenue for the six month period ended June 30, 2008 increased 7.3% from the same period in 2007. This was driven by an increase in the package volume per day of 8.0% and an increase in the revenue per package of 0.2%. Revenue per hundredweight excluding fuel surcharges decreased 2.1% over Q2 2007. The ICS acquisition contributed \$52.2 million to revenue in the six month period ended June 30, 2008.

## Specialized Services

Revenue from the Specialized Services division rose to \$296.0 million for the six month period ended June 30, 2008 from \$249.8 million in for the same period in 2007. Organic growth as well as small acquisitions concluded in 2007 and 2008 account for most of this growth.

## Specialized Truckload

Revenue for Specialized Truckload decreased to \$155.6 million for the six month period ended June 30, 2008 from \$164.5 million for the same period in 2007.

## Truckload

This segment's revenue for the six month period ended June 30, 2008 totaled \$204.5 million, compared to \$188.5 million for the same period in 2007.

## Consolidated expenses

### Operating expenses

<i>(in thousands of dollars)</i>	Six months ended June 30, 2008	Six months ended June 30, 2007	Variance	
Operating expenses	819,198	686,388	132,810	19%
Percentage of revenue	73%	71%		

The Company's operating expenses are primarily composed of costs related to employees and sub-contractors, vehicle operation, insurance, road taxes and operating permits.

The operating expenses for the six month period ended June 30, 2008 were \$819.2 million, compared to \$686.4 million in the same period in 2007. Significant acquisitions added \$54.7 million. The Company's operating expenses as a percentage of revenue increased two percentage points versus the quarter last year. The spiking cost of fuel accounts for most of the year over year increase along with other small acquisitions concluded in 2007 and 2008.

## Fixed costs and general and administrative expenses

<i>(in thousands of dollars)</i>	Six months ended June 30, 2008	Six months ended June 30, 2007	Variance	
Fixed costs and general and administrative expenses	<b>170,040</b>	152,223	17,817	12%
Percentage of revenue	<b>15%</b>	16%		

The Company's fixed costs and general and administrative expenses (FCGA) are primarily composed of costs related to employee salaries, rent, telecommunications, maintenance, security and other general expenses.

FCGA expenses for the six month period ended June 30, 2008 totaled \$170.0 million, increasing by \$17.8 million over the same period in 2007. Significant acquisitions added \$21.5 million to the Company's expenses in the six month period ended June 30, 2008. Excluding the non-recurring conversion charges of \$2.8 million, the Company's FCGA expenses for the six month period ended June 30, 2008 totaled \$167.2 million. Year over year costs in this area are steady.

During Q1 08, the Company received a favorable judgement in a class-action settlement originating from prior years which was confirmed by the Supreme Court of Canada. As a result, the Company recorded a \$4.5 million amount receivable and a corresponding reduction to Fixed, general and administrative expenses.

## Operating ratio

The operating ratio (OR) is a non-GAAP financial measure which does not have any standardized meaning prescribed by GAAP. It is the sum of operating expenses, fixed costs, general and administrative expenses, long term incentive plan expense, depreciation and amortization less the gain or plus the loss on disposal of fixed assets divided by revenue. Although OR is not a recognized financial measure defined by GAAP, it is a widely recognized measure in the transportation industry, which we believe provides a comparable benchmark for evaluating the Company's performance. Investors should also note that our presentation of OR may not be comparable to similarly titled measures by other companies.

<b>(unaudited)</b>	<b>Six months ended June 30, 2008</b>	<b>Six months ended June 30, 2007</b>
<i>(in thousands of dollars)</i>		
Operating expenses	<b>819,198</b>	686,388
Fixed costs, general and administrative expenses	<b>170,040</b>	152,223
Incentive plan expense	<b>8,885</b>	4,992
Depreciation and amortization	<b>59,747</b>	52,914
Gain on disposal of fixed assets	<b>(1,528)</b>	(1,241)
	<b>1,056,342</b>	895,276
Revenue	<b>1,121,899</b>	960,410
Operating ratio	<b>94.2%</b>	93.2%

For the six month period ended June 30, 2008, the operating ratio stood at 94.2% versus the 93.2% in the same period in 2007. Excluding the non-recurring conversion charges of \$8.7 million, the Company's operating ratio for the six month period ended June 30, 2008 stood at 93.4%.

## EBITDA

While EBITDA (Earnings before interest, income taxes, depreciation and amortization) is not a recognized measure under Canadian generally acceptable accounting principles (GAAP), management believes it to be a useful supplemental measure. It is provided to assist in determining the ability of the Company to generate cash from its operations. Investors should also note that our presentation of EBITDA may not be comparable to similarly titled measures by other companies.

### Reconciliation of Net Income to EBITDA

<b>(unaudited)</b>	<b>Six months ended June 30, 2008</b>	<b>Six months ended June 30, 2007</b>
<i>(in thousands of dollars)</i>		
Net Income	<b>38,378</b>	47 164
Depreciation and amortization	<b>59,747</b>	52 914
Interest on long-term debt	<b>23,205</b>	15 726
Gain on disposal of fixed assets	<b>(1,528)</b>	(1 241)
Income taxes	<b>3,974</b>	2 244
EBITDA	<b>123,776</b>	116 807

EBITDA amounted to \$123.8 million or 11.0% of revenue for the six month period ended June 30, 2008, compared to \$116.8 million or 12.2% of revenue in the same period in 2007. Excluding the non-recurring conversion charges of \$8.7 million, the Company's EBITDA for the six month period ended June 30, 2008 amounted to \$132.5 million or 11.8% of revenue.

## **Depreciation and amortization**

Depreciation of fixed assets rose to \$51.8 million in the six month period ended June 30, 2008 from \$47.5 million in the same period in 2007. The increase of \$4.3 million is mainly attributable to acquisitions. The Company also amortized \$7.9 million of intangible assets in the six month period ended June 30, 2008 versus \$5.5 million in 2007.

## **Interest expense**

Interest expense increased to \$23.2 million in the six month period ended June 30, 2008 from \$15.7 million in the same period in 2007. This increase is primarily due to the financing of significant acquisitions.

## **Income taxes**

The income tax expense rose to \$4.0 million in the six month period ended June 30, 2008 from \$2.2 million in the same period in 2007. This is primarily due to the recording of future tax expense of \$3.5 million as a result of the conversion to a corporation. The additional income tax expense post conversion to a corporation was offset by a reduction in future income tax expense due to lower statutory rates.

## **Net Income**

The Company's net income for the six month period ended June 30, 2008 decreased by 19% to \$38.4 million, compared to \$47.2 million in the same period in 2007. Excluding the after tax non-recurring conversion charges of \$9.9 million, the Company's net income for the six month period ended June 30, 2008 is \$48.3 million or \$0.56 per share compared to \$0.55 per share in 2007.

## **Liquidity and capital resources**

### **Cash flow from operating activities**

Cash flow from operating activities before the net change in non-cash balances increased 15% from Q2 2007. It amounted to \$60.0 million for Q2 2008, compared to \$52.2 million in Q2 2007. Cash flow from operating activities before the net change in non-cash balances for the six month period ended June 30, 2008 increased 9% over 2007. It amounted to \$105.8 million compared to \$97.3 million in Q2 2007.

### **Debt as at June 30, 2008**

As at June 30, 2008, the Company's long-term debt of \$808.7 million (including the short term portion) is composed of \$160.0 million 7-year term loan, \$393.9 million 4-year revolving facility, \$100.0 million FSTQ junior loan, \$40.9 million in capital leases, \$84.3 million in conditional sales contracts and other debt and \$29.6 million for the CIT real estate related term loan.

During Q2 08, the Company concluded its \$100M subordinated loan with the FSTQ. The loan is completely drawn as at June 30, 2008 and its proceeds were used to repay the Company's 4-year revolving facility.

The Company also had approximately \$8.4 million in letters of credit outstanding against the 4-year revolving facility. As such, approximately \$112.7 million was available to be drawn under this facility at June 30, 2008.

## Investing activities

Capital expenditures for the second quarter of 2008 amounted to \$22.5 million and includes \$15.6 million for rolling stock, \$2.3 million for land and buildings and \$4.6 million for technology. The proceeds from the disposal of fixed assets generated \$3.7 million in Q2 2008; \$3.4 million of rolling stock and \$0.3 million of other assets. The Company invests in new equipment in order to ensure its quality of service while keeping maintenance costs low.

Business acquisitions in Q2 2008 totaled \$10.8 million compared to \$35.7 million in 2007.

The Company's investing activities therefore used total cash flow of \$29.9 million in Q2 2008 compared to \$49.1 million in Q2 2007.

## Financial position

### Highlights

<i>(in thousands of dollars)</i>	June 30 2008	December 31 2007	% change
Total assets	<b>1,592,753</b>	1,442,541	10.4%
Total long-term debt (including the current portion of long-term debt)	<b>808,666</b>	686,639	17.8%
Shareholders' equity	<b>490,248</b>	492,507	-0.5%
Long-Term Debt to equity ratio	<b>164.95%</b>	139.42%	
Long-Term Debt to Total Capitalization	<b>62.26%</b>	58.23%	

The Company's long-term debt to equity and long-term debt to capitalization ratios have increased and reflect the capital expenditures and business acquisitions concluded in the three and six month periods ended June 30, 2008.

## Incentive plan

During Q2 2008, 53,547 units (229,647 in Q2 2007) were purchased on the open market to be granted in 2008 for the January 1, 2008 to December 31, 2008 reference period. The average cost per unit of the units purchased was \$7.47 (\$14.45 in Q2 2007) for a total cost of \$0.4 million (\$3.3 million in Q2 2007).

During the six month period ended June 30, 2008, 53,547 units (279,647 in 2007) were purchased on the open market to be granted in 2008 for the January 1, 2008 to December 31, 2008 reference period. The average cost per unit of the units purchased was \$7.47 (\$14.30 in Q2 2007) for a total cost of \$0.4 million (\$4.0 million in Q2 2007).

As a result of the Company's conversion to a corporate structure effective May 14, 2008, the incentive plan was terminated and all unvested units as at May 14, 2008 became vested with plan participants. As such, 899,511 units vested with plan participants in Q2 08 at an average fair value at the date of granting of \$9.88 per unit resulting in the recognition of an \$8.9 million expense for the six month period ended June 30, 2008 (\$5.0 million in 2007). Consequently, the Company recorded a compensation expense of \$7.4 million in Q2 2008 (\$2.5 million in Q2 2007) of which \$5.9 million was due to the acceleration of vesting.

## Retained earnings

Retained earnings decreased by \$14.0 million in the six month period ended June 30, 2008 compared to December 31, 2007 as stated in the consolidated balance sheet. The net income for the six month period ended June 30, 2008 is \$38.4 million, the declared distributions including dividends on Tracking Share Units were \$49.1 million and the deficit related to the Company's units held for granting purposes totaled \$3.3 million.

## Outstanding share data

On June 30, 2008 a total of 86,790,097 shares were outstanding, compared to 86,790,097 Units and Tracking Share Units as at December 31, 2007. The following table provides the details:

	Number	\$
<b>Shares of the Company:</b>		
Balance as at December 31, 2007	-	-
Conversion of Trust Units into Shares	73,024,381	499,340
Conversion of Tracking Share Units of TFI Holdings Inc. into Shares	13,765,716	20,064
Balance as at June 30, 2008	<u>86,790,097</u>	<u>519,404</u>
<b>Units of the Income Trust:</b>		
Balance as at December 31, 2007	73,024,381	499,340
Conversion of Trust Units into Shares	(73,024,381)	(499,340)
Balance as at June 30, 2008	<u>-</u>	<u>-</u>
<b>Tracking Shares of TFI Holdings Inc.:</b>		
Balance as at December 31, 2007	13,765,716	20,064
Conversion of Tracking Share Units into Shares	(13,765,716)	(20,064)
Balance as at June 30, 2008	<u>-</u>	<u>-</u>
<b>Balance as at June 30, 2008</b>	<b><u>86,790,097</u></b>	<b><u>519,404</u></b>

## Contractual obligations

<i>(in thousands of dollars)</i>	<i>Payments Due by Period</i>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Bank 4 year revolving facility	393,934	-	393,934	-	-
Bank 7 year facility	160,000	-	-	-	160,000
Subordinated Debt	100,000				100,000
Capital Lease Obligations	40,929	19,700	20,394	835	-
Other Long Term Obligations	113,803	36,083	64,057	7,746	5,917
<b>Total Contractual Obligations</b>	<b>808,666</b>	<b>55,783</b>	<b>478,385</b>	<b>8,581</b>	<b>265,917</b>

## Commitments and off-balance sheet arrangements

<i>(in thousands of dollars)</i>	<i>Payments Due by Period</i>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Operating Leases – Rolling Stock	<b>60,545</b>	30,907	26,804	2,730	104
Operating Leases – Real Estate & Others	<b>102,842</b>	19,626	27,919	17,745	37,552
<b>Total Off-balance sheet Obligations</b>	<b>163,387</b>	<b>50,533</b>	<b>54,723</b>	<b>20,475</b>	<b>37,656</b>

## Legal proceedings

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

## Summary of eight most recently completed consolidated quarterly results

<i>(\$ million except per share amounts)</i>	<b>Q2 08</b>	<b>Q1 08</b>	<b>Q4 07</b>	<b>Q3 07</b>	<b>Q2 07</b>	<b>Q1 07</b>	<b>Q4 06</b>	<b>Q3 06</b>
Revenue	595.6	526.3	493.5	486.2	495.7	464.8	456.8	448.7
EBITDA <sup>Note (1)</sup>	66.9	56.9	61.1	65.1	64.1	52.7	65.8	65.2
Net income	19.3	19.1	(30.9)	28.5	26.3	20.9	55.1	38.9
Earnings per share								
Basic	0.22	0.22	(0.36)	0.33	0.31	0.24	0.64	0.45
Diluted	0.22	0.22	(0.36)	0.33	0.31	0.24	0.64	0.45

**Note 1:** Please refer to the EBITDA section for a definition of this non-GAAP measure

## **Financial instruments**

The Company has entered into foreign exchange forward contracts, average rate forward exchange contracts and foreign exchange collars for the sale of US dollars in exchange for Canadian dollars that expire on various dates through June 2009. As at June 30, 2008, the notional amount of these contracts was US\$18,109,000 (December 2007 - US\$28,000,000), and the average exchange rate of the contracts was C\$1.0054 (December 2007 - C\$0.9976).

The fair value of the foreign exchange contracts generally reflects the estimated amount that the Company would receive from settlements of favorable contracts, or which it would be required to pay to cancel unfavorable contracts at the balance sheet date. As at June 30, 2008, the fair market value of the foreign exchange contracts was approximately \$100,000 (December 2007 - negative \$58,000).

The Company has also entered into interest rate swap contracts in order to hedge its variable rate debt. As at June 30, 2008, the Company had interest rate swap contracts on the notional amount of \$185,000,000 of debt at an average rate contracted Banker's Acceptance rate of 3.73% that expire through various dates through May 2013. As at June 30, 2008, the fair market value of the interest rate swap contracts was approximately negative \$125,000 (December 2007 - nil).

## **Risks and uncertainties**

### **Economic conditions**

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

### **Competition**

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

### **Regulation**

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

### **General operating environment**

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

## **Fuel prices**

The Company is exposed to variations in the price of fuel. The Company is generally able to recover the majority of added fuel costs through surcharges to its customers. It also strives to ensure the fuel consumption of its fleet is as efficient as possible. The cost of fuel ranges from 6% to 40% depending on the operating segment's total revenue.

## **Currency fluctuations**

In the normal course of business the Company is subject to fluctuations in the value of the US dollar. The Company manages this risk through the use of foreign exchange forward contracts. Please refer to the *Financial Instruments* section for more details on the currency fluctuation.

The Company estimates its annual net US denominated cash flow at approximately \$130 million (before hedges) at June 30, 2008. A change of 1 cent in the exchange rate would impact the Company's earnings before taxes by approximately \$1.3 million on an annual basis (before hedges).

## **Interest rates fluctuations**

The Company is subject to fluctuations in interest rates. The Company had \$387.7 million of long-term debt at variable rates as at June 30, 2008 (net of \$185 million of interest rate swap contracts). A 1% change in interest rates would impact the Company's annual earnings before taxes by approximately \$3.9 million.

## **Credit**

The Company sells services to clients primarily in Canada and the United States. The concentration of credit risk to which the Company is exposed is limited due to the significant number of customers that make up its client base and their distribution across different geographic areas. As at June 30, 2008 no client accounted for more than 10% of total accounts receivable.

## **Loan default**

The Company's current credit facilities and financing agreement impose certain covenant requirements. There is a risk that such loans may go into default if there is a breach in complying with such covenants and obligations which could result in the Company being unable to pay dividends to Shareholders and the lenders realizing on their security and causing the Company to lose some or all of its investment. As at June 30, 2008, the Company is in compliance with all of its debt covenants and obligations.

## **Key personnel**

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

## **Regulations**

The Company has procedures in place and is constantly adjusting its transportation operations to comply with all regulations in force in Canada and the United States. The compliance and safety of its operations includes but is not limited to hours of work of its drivers, maintenance and inspection of its vehicles, vehicle allowable load and size limits and the securing of loads.

**CONSOLIDATED STATEMENTS  
OF INCOME  
(unaudited)  
(In thousands of dollars, except  
per share or share amounts)**

	Three months ended	Three months ended	Six months ended	Six months ended
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue	514,081	450,125	983,591	877,122
Fuel surcharge revenue	81,560	45,527	138,308	83,288
<b>Total revenue</b>	<b>595,641</b>	<b>495,652</b>	<b>1,121,899</b>	<b>960,410</b>
<b>Expenses</b>				
Operating expenses	432,511	353,567	819,198	686,388
Fixed costs, general and administrative expenses (note 16)	88,795	75,470	170,040	152,223
Incentive plan (note 13)	7,438	2,496	8,885	4,992
Operating income before the following:	66,897	64,119	123,776	116,807
Depreciation of fixed assets	26,767	24,642	51,820	47,455
Amortization of intangible assets	3,906	2,841	7,927	5,459
Interest on long-term debt	11,765	8,644	23,205	15,726
Gain on disposal of fixed assets	(477)	(673)	(1,528)	(1,241)
Income before provision for income taxes	24,936	28,665	42,352	49,408
Provision for income taxes (note 15)				
Current	2,544	2,806	4,354	5,326
Future	3,108	(442)	(380)	(3,082)
	5,652	2,364	3,974	2,244
<b>Net income</b>	<b>19,284</b>	<b>26,301</b>	<b>38,378</b>	<b>47,164</b>
<b>Earnings per share</b>				
Basic	0.22	0.31	0.45	0.55
Diluted	0.22	0.31	0.45	0.55
<b>Outstanding weighted average number of</b>				
Shares	40,056,967	-	20,139,139	-
Units	38,864,714	72,174,911	55,429,540	72,251,410
Tracking shares	7,412,309	13,765,854	10,571,461	13,766,084
<b>Total</b>	<b>86,333,990</b>	<b>85,940,765</b>	<b>86,140,140</b>	<b>86,017,494</b>
<b>Shares outstanding</b>				
Number of shares	86,790,097	-	86,790,097	-
Number of trust units of the Fund	-	73,024,381	-	73,024,381
Number of tracking shares	-	13,765,716	-	13,765,716
<b>Total</b>	<b>86,790,097</b>	<b>86,790,097</b>	<b>86,790,097</b>	<b>86,790,097</b>

**CONSOLIDATED BALANCE SHEETS**  
(in thousands of dollars)

As at  
June 30, 2008  
(unaudited)

As at  
December 31, 2007  
(audited)

	As at June 30, 2008 (unaudited)	As at December 31, 2007 (audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Accounts receivable	347,100	288,126
Inventories	10,804	9,970
Prepaid expenses	20,480	11,872
	<b>378,384</b>	<b>309,968</b>
Fixed assets	690,971	649,348
Goodwill	428,685	399,828
Intangible assets	79,673	68,619
Other assets	6,500	6,238
Future income taxes	8,540	8,540
	<b>1,592,753</b>	<b>1,442,541</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank indebtedness	19,564	9,081
Accounts payable and accrued liabilities	227,640	204,907
Cash distributions payable to unitholders	-	9,675
Dividends payable on Tracking Shares of TFI Holdings Inc.	571	2,191
Income taxes payable	5,168	5,721
Current portion of long-term debt	55,783	35,003
	<b>308,726</b>	<b>266,578</b>
Long-term debt	752,883	651,636
Non-controlling interest	-	2,562
Asset retirement obligations	6,372	5,521
Future income taxes	34,524	23,737
<b>Equity</b>		
Share Capital	519,404	-
Capital contributions and Tracking Shares	-	519,404
Units held by the fund for long-term incentive plan	-	(11,751)
Deficit	(29,156)	(15,146)
	<b>490,248</b>	<b>492,507</b>
	<b>1,592,753</b>	<b>1,442,541</b>

**CONSOLIDATED STATEMENTS  
OF RETAINED EARNINGS  
(DEFICIT)  
(unaudited)  
(in thousands of dollars)**

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Retained earnings, beginning of period	(29,245)	59,677	(15,146)	70,646
Net income for the period	19,284	26,301	38,378	47,164
Distributions to unitholders	(14,514)	(29,027)	(43,541)	(57,324)
Dividends on Tracking Share Units of TFI Holdings Inc.	(1,860)	(3,626)	(5,581)	(7,161)
Incentive plan contribution	(2,821)	-	(3,266)	-
Retained earnings (Deficit), end of period	(29,156)	53,325	(29,156)	53,325

**CONSOLIDATED STATEMENTS  
OF CASH FLOWS  
(unaudited)  
(in thousands of dollars)**

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period	19,284	26,301	38,378	47,164
Non-cash items:				
Depreciation of fixed assets	26,767	24,642	51,820	47,455
Amortization of intangible assets	3,906	2,841	7,927	5,459
Incentive plan expense	7,438	2,496	8,885	4,992
Purchase of units held by the entity for the Incentive plan	(400)	(3,319)	(400)	(3,998)
Deferred financing charges	330	160	564	310
Future income taxes	3,108	(442)	(380)	(3,082)
Gain on disposal of fixed assets	(477)	(673)	(1,528)	(1,241)
Other	77	160	516	240
	60,033	52,166	105,782	97,299
Net change in non-cash working capital balances related to operations	(10,571)	(2,749)	(46,827)	(12,949)
	49,462	49,417	58,955	84,350
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase (decrease) in bank advances and overdraft	4,377	(8,736)	10,483	(8,285)
Increase in long-term debt	97,928	0	97,928	556
Repayment of long-term debt	(12,841)	(22,082)	(38,187)	(30,885)
Increase (decrease) in long term revolver facility	(82,016)	62,900	9,833	153,400
Cash distributions paid to unitholders	(24,189)	(29,027)	(53,216)	(56,959)
Distributions paid on Tracking Share Units	(2,798)	(3,358)	(7,201)	(7,640)
	(19,539)	(303)	19,640	50,187
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Additions to fixed assets	(22,546)	(18,793)	(35,676)	(78,868)
Proceeds from disposal of fixed assets	3,659	5,064	11,139	9,988
Business acquisitions (including bank advances net of cash)	(10,840)	(35,709)	(53,989)	(66,635)
Other assets, net	(196)	324	(69)	978
	(29,923)	(49,114)	(78,595)	(134,537)
Net change in cash and cash equivalent during the period	-	-	-	-
Cash and cash equivalent, beginning of the period	-	-	-	-
Cash and cash equivalent, end of the period	-	-	-	-

Supplemental cash flow  
information:

Cash paid during the period for:

Interest	11,157	8,555	22,601	15,610
Income taxes	-	2,534	4,022	5,926

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## **TransForce Inc.**

### **Notes to unaudited Interim Financial Statements**

For the three and six month periods ended June 30, 2008

(unaudited)

*All tabular amounts are expressed in thousands of dollars, except per share amounts*

#### **1. ORGANIZATION**

The Company, through its independent operating subsidiaries (the "Company"), operates in five well-defined business segments: Less than Truckload (LTL) and Package and Courier, Specialized Services, Truckload (TL) and Specialized Truckload..

#### **2. BASIS OF PRESENTATION**

These unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and contain the financial position, results of operations and cash flows of the Company. The same accounting policies used in the last annual report have been applied in the unaudited interim consolidated financial statements except for changes described in note 3. The unaudited interim consolidated financial statements do not include all the information and notes required according to generally accepted accounting principles for annual financial statements, and should therefore be read in conjunction with the audited consolidated financial statements of the Company in the annual report for the fiscal period ended December 31, 2007.

The activities conducted by the Company are subject to general demand for freight transportation. Historically, demand has been rather stable with the exception of the winter months, in which demand slightly decreases (with the exception of the Company's Oilfield Services), and the fall months, in which demand increases. Consequently, the Company's activities in its second, third and fourth quarters are usually stronger than the first quarter. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

### **3. CHANGES IN ACCOUNTING POLICIES**

On April 2, 2008, the CICA issued EIC – 170, "conversion of an unincorporated entity to an incorporated entity". The EIC clarified certain accounting issues related to conversions, when there is no change in control. In particular, it specifies that such a transaction should be treated as a change in business form and should be accounted for as a continuity of interests; transaction costs should be treated as an expense in the period in which they are incurred; comparative information should be that of the pre-conversion entity, as previously reported; and changes in tax balances would be included in tax expense. The Company applied this EIC to account for its conversion and as the basis of presentation for these interim financial statements.

The CICA has issued CICA Handbook Section 3862, Financial Instruments – Disclosures ("HB-3862") and Section 3863, Financial Instruments – Presentation ("HB-3863"). These new standards establish standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments and for presentation of financial instruments and non-financial derivatives. These new standards supersede Handbook Section 3861. This new standard relates to disclosure only and does not impact the financial results of the Company. Both sections are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company adopted these standards on January 1, 2008.

The CICA has issued CICA Handbook Section 1535, Capital Disclosures ("HB-1535"). This standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. This Section is applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. This new standard relates to disclosure only and does not impact the financial results of the Company. The Company adopted this standard on January 1, 2008.

In June 2007, the CICA issued Section 3031, Inventories, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards ("IFRS"). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. This Section applies to interim and annual financial statements beginning on or after January 1, 2008. Given the immaterial amounts of inventory held by the Company and that the Company does not manufacture any inventory, The Company has determined that the adoption of this standard did not have any material impact on its consolidated financial statements.

### **4. ACCOUNTS RECEIVABLE**

The Company grants credit to its customers under the ordinary course of business. Management believes that the credit risk of accounts receivables is limited due to the following reasons:

- There is a broad base of customers with dispersion across different market segments,
- No single customer accounts for more than 10% of the Company's total revenue,

- Approximately 90% of the Company's trade Accounts Receivable are less than 60 days old,
- Bad debt write-offs to total revenue has been approximately 0.1% of consolidated revenues for the last 3 years. In light of the above, the allowance for doubtful accounts at June 30, 2008 was \$7.0 million and was \$6.7 million at June 30, 2007. All bad debt write-offs are charged to fixed, general and administration expenses.

## 5. BUSINESS ACQUISITIONS

During the three and six month periods ended June 30, 2008, the Company acquired all of the voting shares of 10 businesses the largest of which is Transport Thibodeau on January 14.

These acquisitions were recorded under the purchase method and the earnings of the companies acquired were consolidated from the date of their acquisition. None of the 2008 purchase price allocations have been finalized at June 30, 2008 but will be finalized by the end of 2008. The purchase price allocations break down as follows:

	Six months ended June 30, 2008
<hr/>	
Assets	
Cash	3,292
Fixed assets	67,378
Other assets	192
Intangible assets	18,981
Goodwill	28,857
	<hr/>
	118,700
	<hr/>
Liabilities	
Bank advances and overdraft	3,912
Non-cash working capital	591
Long-term debt	46,389
Asset retirement obligation	412
Future income tax liabilities	11,167
Non controlling interest	(2,640)
	<hr/>
	59,381
	<hr/>
Net assets	58,869
	<hr/>
Consideration	
Cash	53,369
Balance of sale	5,500
	<hr/>
	58,869
	<hr/>

Of the goodwill and intangible assets acquired in 2008, \$0.5 million is deductible for tax purposes.

## 6. FINANCIAL INSTRUMENTS

Foreign exchange contracts:

The Company's activities which result in exposure to fluctuations in foreign currency exchange rates consist of the selling of transportation services which will be paid in US \$. The Company estimates its annual net US denominated cash flow at approximately \$130.0 million dollars. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which the Company has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than two years and relate exclusively to U.S. currency. The counterparty to these contracts is a major Canadian financial institution. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties. The Company's foreign currency forward contracts at June 30, 2008 and 2007 are as follows:

Sales - US dollars	2008		2007	
	Forward notional amount	Fair Value	Forward notional amount	Fair Value
	US \$	CDN \$	US \$	CDN \$
Less than 1 year	18,109	18,207	14,000	15,000
Total	18,109	18,207	14,000	15,000

## Risks:

The Company, through its financial assets and liabilities is exposed to various risks. The following analysis will provide a measurement of risks as at June 30, 2008.

### a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company believes it has limited credit risk other than those explained in note 4 - Accounts receivable

### b) Foreign exchange risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Company's activities which result in exposure to fluctuations in foreign currency exchange rates consist of the selling of transportation services which will be paid in US \$. The Company estimates its annual net US denominated cash flow at approximately \$130.0 million dollars. Of this amount, \$31 million was hedged at the beginning of 2008. This cash flow is earned evenly throughout the year. The Company mitigates its exposure to foreign currency by entering into forward exchange contracts (see table above).

At June 30, 2008, the US/Can. rate was \$1.0186. Based on the above cash flow exposure and for the three and six month periods ended June 30, 2008, a 1-cent increase in the Canadian dollar would result in a decrease in earnings before taxes of approximately \$0.2 and \$0.5 million respectively, while a 1-cent decrease would result in an increase of approximately \$0.2 and \$0.5 million respectively in earnings before taxes.

### c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company had \$387.7 million of long-term debt at variable rates as at June 30, 2008 (net of \$185 million of interest rate swap contracts). All other debts of the Company, being \$236.0 million of capital leases, conditional sales type leases, mortgages and other loans, have fixed interest rates and are therefore not exposed to cash flow interest rate risk. For the three and six month periods ended June 30, 2008, had interest rates been 100-basis points higher, earnings before taxes would have been approximately \$1.2 and \$2.7 million respectively lower. Had interest rates been 100-basis point lower, earnings before taxes would have been approximately \$1.2 and \$2.7 million respectively higher.

### d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities at June 30, 2008:

\$'000	Carrying Amount	Less than a year	1 to 3 years	4 to 5 years	More than 5 years
Financial liabilities :					
Bank Indebtedness	19,564	19,564	-	-	-
Long-term debt	808,666	55,783	478,385	8,581	265,917
Accounts payable and accrued liabilities	227,640	227,640	-	-	-
Total	1,055,870	302,987	478,385	8,581	265,917

It is the Company's intention to either renew the long-term debts coming due in the next 12 months at similar terms and conditions or to repay them. All other financial liabilities would be financed through the collection of accounts receivable and cash flow generated from the business.

In addition, the Company has \$112.7 million available on its revolving line of credit that was not drawn at June 30, 2008

## 7. FIXED ASSETS

	As at June 30, 2008		As at December 31, 2007	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	106,290	-	95,438	-
Buildings	165,151	28,697	146,427	22,100
Rolling stock	616,349	251,868	549,957	200,758
Furniture, machinery and hardware/software	136,232	65,367	126,549	56,586
Leasehold improvements	24,609	11,728	19,085	8,664
	<b>1,048,631</b>	<b>357,660</b>	937,456	288,108
Accumulated depreciation	<b>(357,660)</b>		(288,108)	
Net carrying value	<b>690,971</b>		649,348	

During both the three and six month periods ended June 30, 2008, the Company acquired fixed assets in the amount of \$nil million under capital leases and conditional sales contracts (2007 – \$16.0 million and \$16.4 million respectively).

## 8. GOODWILL

	Less than Truckload	Package and Courier	Truckload	Specialized Truckload	Specialized Services	Total
Balance as at December 31, 2007	100,827	99,433	31,803	45,689	122,076	399,828
Business acquisitions during the period	13,692	(2,523)	1,855	955	14,878	28,857
Balance as at June 30, 2008	114,519	96,910	33,658	46,644	136,954	428,685

## 9. INTANGIBLE ASSETS

	As at June 30, 2008		As at December 31, 2007	
	Cost	Accumulated amortization	Cost	Accumulated Amortization
Customer relationships	67,326	16,749	60,430	11,405
Customer contracts	12,348	7,419	10,438	6,786
Non-competition agreements, licenses and permits	22,384	3,690	14,328	2,315
Trade marks	6,397	1,924	5,268	1,339
	109,455	29,782	90,464	21,845
Accumulated amortization	(29,782)		(21,845)	
<b>Net carrying value</b>	<b>79,673</b>		<b>68,619</b>	

## 10. SEGMENTED INFORMATION

The Company operates within the trucking and logistics industry in Canada and the United States in the following five reportable segments: Less than truckload, Package and Courier, Specialized Services, Truckload and Specialized Truckload.. The Company's revenue in each of these segments was as follows:

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Less than Truckload	173,255	140,243	320,311	270,631
Package and Courier	76,575	44,715	145,412	86,941
Specialized Services	152,568	122,575	296,036	249,826
Specialized Truckload	86,000	91,651	155,627	164,547
Truckload	107,243	96,468	204,513	188,465
Revenue Total	595,641	495,652	1,121,899	960,410

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company measures the performance of each segment by relying on revenue by segment and through the use of key operational performance indicators.

The principal assets of the Company are used in the current operations of the five above-mentioned segments. For this reason, segmented asset information is not presented.

The Company's revenue by geographic segment is as follows:

	<b>Three months ended June 30, 2008</b>	Three months ended June 30, 2007	<b>Six months ended June 30, 2008</b>	Six months ended June 30, 2007
Canada	<b>396,627</b>	319,056	<b>749,948</b>	624,493
United States	<b>199,014</b>	176,596	<b>371,951</b>	335,917
Revenue Total	<b>595,641</b>	495,652	<b>1,121,899</b>	960,410

Revenue allocated to the United States includes transborder revenue between Canada and the United States. Fixed assets and goodwill are mostly located in Canada.

## 11. EARNINGS PER SHARE

Periods ended June 30	Three months 2008	Three months 2007	Six months 2008	Six months 2007
<b>BASIC EARNINGS PER SHARE</b>				
Net Income	<b>\$ 19,284</b>	\$ 26,301	<b>\$ 38,378</b>	\$ 47,164
Weighted average number of shares outstanding	<b>79,377,788</b>	73,024,243	<b>76,218,636</b>	73,024,013
Trust shares held for long term incentive plan	<b>(456,107)</b>	(849,332)	<b>(649,957)</b>	(772,603)
Adjusted weighted average number of shares outstanding	<b>78,921,681</b>	72,174,911	<b>75,568,679</b>	72,251,410
Weighted average number of Tracking Shares outstanding	<b>7,412,309</b>	13,765,854	<b>10,571,461</b>	13,766,084
Adjusted weighted average number of shares outstanding	<b>86,333,990</b>	85,940,765	<b>86,140,140</b>	86,017,494
Basic earnings per share	<b>\$ 0.22</b>	\$ 0.31	<b>\$ 0.45</b>	\$ 0.55
<b>DILUTED EARNINGS PER SHARE</b>				
Net Income	<b>\$ 19,284</b>	\$ 26,301	<b>\$ 38,378</b>	\$ 47,164
	<b>\$ 19,284</b>	\$ 26,301	<b>\$ 38,378</b>	\$ 47,164
Adjusted weighted average number of shares outstanding	<b>86,333,990</b>	85,940,765	<b>86,140,140</b>	86,017,494
Potential dilutive impact of long-term incentive plan	-	17,975	-	5,683
Adjusted weighted average number of shares outstanding	<b>86,333,990</b>	85,958,740	<b>86,140,140</b>	86,023,177
Diluted earnings per share	<b>\$ 0.22</b>	\$ 0.31	<b>\$ 0.45</b>	\$ 0.55

## 12. EMPLOYEE PENSION PLANS

The Company provides defined benefit plans to a small number of eligible employees. Pension obligations are affected by factors such as interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. The costs are based on a measurement of the pension plan obligations and the pension Company assets.

Total defined benefit pension expense for the three and six month periods ended June 30, 2008 is as follows:

	<b>Three months ended June 30, 2008</b>	Three months ended June 30, 2007	<b>Six months ended June 30, 2008</b>	Six months ended June 30, 2007
Pension expense	<b>254</b>	353	<b>508</b>	706

## 13. LONG TERM INCENTIVE PLAN

During Q2 2008, 53,547 units (229,647 in Q2 2007) were purchased on the open market to be granted in 2008 for the January 1, 2008 to December 31, 2008 reference period. The average cost per unit of the units purchased was \$7.47 (\$14.45 in Q2 2007) for a total cost of \$0.4 million (\$3.3 million in Q2 2007).

During the six month period ended June 30, 2008, 53,547 units (279,647 in 2007) were purchased on the open market to be granted in 2008 for the January 1, 2008 to December 31, 2008 reference period. The average cost per unit of the units purchased was \$7.47 (\$14.30 in Q2 2007) for a total cost of \$0.4 million (\$4.0 million in Q2 2007).

As a result of the Company's conversion to a corporate structure in Q2 08, all unvested units as at May 12, 2008 became vested with plan participants. As such, 899,511 units vested with plan participants in Q2 08 at an average fair value at the date of granting of \$9.88 per unit resulting in the recognition of an \$8.9 million expense for the six month period ended June 30, 2008 (\$5.0 million in 2007). Consequently, the Company recorded a compensation expense of \$7.4 million in Q2 2008 (\$2.5 million in Q2 2007) of which \$5.9 million was due to the acceleration of vesting.

## 14. SHARE CAPITAL, CAPITAL CONTRIBUTIONS AND TRACKING SHARE UNITS

On June 30, 2008 a total of 86,790,097 shares were outstanding, compared to 86,790,097 Units and Tracking Share Units as at December 31, 2007. The following table provides the split:

	Number	\$
<b>Shares of the Company:</b>		
Balance as at December 31, 2007	-	-
Conversion of Trust Units into Shares	73,024,381	499,340
Conversion of Tracking Share Units of TFI Holdings Inc. into Shares	13,765,716	20,064
Balance as at June 30, 2008	<u>86,790,097</u>	<u>519,404</u>
<b>Units of the Income Trust:</b>		
Balance as at December 31, 2007	73,024,381	499,340
Conversion of Trust Units into Shares	(73,024,381)	(499,340)
Balance as at June 30, 2008	<u>-</u>	<u>-</u>
<b>Tracking Shares of TFI Holdings Inc.:</b>		
Balance as at December 31, 2007	13,765,716	20,064
Conversion of Tracking Share Units into Shares	(13,765,716)	(20,064)
Balance as at June 30, 2008	<u>-</u>	<u>-</u>
<b>Balance as at June 30, 2008</b>	<b><u>86,790,097</u></b>	<b><u>519,404</u></b>

### Capital management:

The Company's objectives when managing capital are:

- To ensure proper capital investment is done in order to provide stability and competitiveness to its operations.
- To ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions.
- To maintain an appropriate debt level so that there are no financial constraints on the use of capital.

On a quarterly basis, the Company monitors its adjusted debt to earnings before interest, income taxes, depreciation and amortization and rent expense ("EBITDAR") ratio. Today this ratio is measured on a consolidated last twelve month basis and must be kept below a certain threshold so as to not breach a covenant in the Company's syndicated bank agreement. At June 30, 2008 the Company respected this covenant.

On a quarterly basis, the Company also monitors its fixed costs (interest and rent expenses) to earnings before interest, income taxes, depreciation and amortization and rent expense ("EBITDAR") ratio. Today this ratio is measured on a consolidated last twelve month basis and must be kept above a certain threshold so as to not breach a covenant in the Company's syndicated bank agreement. At June 30, 2008 the Company respected this covenant.

The Company has sufficient liquidity to continue both its operations as well as its acquisition strategy.

Upon maturity of the Company's long term debt, the Company's Management and its Board of Directors will assess if the debt should be renewed at its original value,

increased or decreased based on the then required capital need, credit availability and future interest rates.

## 15. INCOME TAXES

	<b>Three months ended June 30, 2008</b>	Three months ended June 30, 2007	<b>Six months ended June 30, 2008</b>	Six months ended June 30, 2007
Net Income	<b>24,936</b>	28,665	<b>42,352</b>	49,408
Portion attributable to unitholders	<b>(11,963)</b>	(25,859)	<b>(33,584)</b>	(47,965)
Portion subject to corporate income tax	<b>12,973</b>	2,806	<b>8,768</b>	1,443
Canadian statutory income tax rate	<b>31,03%</b>	33,75%	<b>30,16%</b>	29,66%
Income tax calculated at statutory rate	<b>4,025</b>	947	<b>2,644</b>	428
Increase (decrease) resulting from:				
Future income tax benefit following a change in statutory rates	<b>(3,179)</b>	193	<b>(3,179)</b>	103
Future income tax related to SIFT Rules	-	1,450	-	1,450
Future income tax related to the conversion to a corporation	<b>3,532</b>	-	<b>3,532</b>	-
Future income tax related to Incentive plan expense	<b>696</b>	-	<b>696</b>	-
Other	<b>578</b>	(226)	<b>281</b>	263
Income tax per financial statements	<b>5,652</b>	2,364	<b>3,974</b>	2,244

During Q2 08, as a result of the Company's conversion to a corporate structure, future income tax relating to the excess carrying value of fixed assets and intangible assets over their tax basis for previously non-taxable entities was recorded. This resulted in a non-cash future income tax expense of \$3.5 million.

## **16. FIXED, GENERAL AND ADMINISTRATIVE EXPENSES**

During Q1 08, the Company received a favorable judgement in a class-action settlement originating from prior years which was confirmed by the Supreme Court of Canada. As a result, the Company recorded a \$4.5 million amount receivable and a corresponding reduction to Fixed, general and administrative expenses.

## **17. COMPARATIVE FIGURES**

Certain comparative figures for the three and six month periods ended June 30, 2007 have been reclassified to conform to the financial statement presentation adopted in the current period.

## Certification of Interim Filings

I, Salvatore Vitale, Chief Financial Officer of TransForce Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of TransForce Inc. (the Issuer), for the three and six month periods ending June 30, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - a. designed such disclosure controls and procedures or caused them to be designed under our supervision to provide reasonable assurance that material information relating to the issuer including its consolidated subsidiaries is made known to us by others within those entities particularly during the period in which the interim filings are being prepared; and
  - b. designed such internal control over financial reporting or caused it to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

July 29, 2008



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Salvatore Vitale, CA  
Chief Financial Officer

## Certification of Interim Filings

I, Alain Bédard, Chairman of the Board, President and Chief Executive Officer of TransForce Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of TransForce Inc. (the Issuer), for the three and six month periods ending June 30, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - a. designed such disclosure controls and procedures or caused them to be designed under our supervision to provide reasonable assurance that material information relating to the issuer including its consolidated subsidiaries is made known to us by others within those entities particularly during the period in which the interim filings are being prepared; and
  - b. designed such internal control over financial reporting or caused it to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

July 29, 2008



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Alain Bédard, CA, CMA  
Chairman of the Board  
President and Chief Executive Officer

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The Bank of Nova Scotia  
Caisse de dépôt et placement  
du Québec  
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Abn Amro Bank N.V.  
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STOCK EXCHANGE LISTING

The shares of TransForce Inc.  
are listed on the  
Toronto Stock Exchange  
(Symbol: TFI-T)

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