

## TransForce Inc. delivered solid results in 2008, increasing revenues across all operating segments and improving earnings.

While carefully managing our operations every day, we also took steps to secure our future by completing 12 strategic acquisitions and the conversion back to a corporate structure.

Like the rest of the Canadian transportation and logistics sector, the fortunes of TransForce are tied to overall economic activity. However, while the economy declined in the second half of 2008, and we certainly felt the effects, we were able to continue our track record of growth. Our ability to weather the storm is the result of four factors: first, the skills and experience of our dedicated people; second, the strategic diversification of our operations across industry segments, client, and geography; third, our emphasis on operating our businesses efficiently; and, fourth, our adherence to the core principles that guide our actions and keep us focused on our goals.

One of those core principles is our commitment to Strategic Thinking, which demands that we continue to pursue long-term value for shareholders while maximizing results today.

Focusing on our long-term goals meant that, despite the uncertain economy, we continued to grow our existing businesses and made acquisitions that meet our disciplined criteria. We look for well-managed companies that are leaders in their market. They must increase our geographic reach, provide complementary services, or improve market penetration. Acquisitions must also be accretive to shareholders in the near term.

In 2008, we saw the early benefits of our acquisition of ICS Courier, which was completed late the previous year. We also strengthened Matrec, our waste management division, with the acquisition of Roland Thibault Inc., a Quebec-based company that specializes in non-hazardous waste and that has permits to expand its landfill site. In addition, we increased our ownership to 50% of Laflèche Environmental Inc.'s landfill and environmental complex, and completed the acquisition of Parc Environnemental's AES landfill site.

Focusing on our long-term goals and our commitment to shareholder value, also resulted in our conversion from an income fund to a corporation, which was completed in May. After reviewing a number of alternatives following the Federal government's announcement of planned changes to the tax treatment of income trusts, the Board determined that the best route to continue to create value for our investors was to convert to a corporation. It also determined that it was best not to wait until the new tax rules come into effect in 2011.

The common shares of TransForce Inc. began trading on the Toronto Stock Exchange on May 20, 2008. TransForce will continue to provide investors with cash – now by way of a very attractive \$0.10 per share regular quarterly dividend. The Company will also retain a greater portion of free cash flow, allowing it to reduce debt while continuing to support and fund its disciplined acquisition program and other growth opportunities on behalf of shareholders.



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ALAIN BÉDARD  
CHAIRMAN OF THE BOARD  
PRESIDENT AND CHIEF  
EXECUTIVE OFFICER

### Financial Results

As a result of these steps – large and small – TransForce posted steady growth in revenues and earnings for 2008, despite the slowing of the business environment. Revenues for the year were \$2.3 billion compared with \$1.9 billion in 2007. Of this increase, \$160.6 million is attributable to significant acquisitions, with the balance coming from organic growth.

By the end of the year, TransForce had reorganized its segments and now reports revenues from its four segments: Less Than Truckload, Package & Courier, Specialized Services, and Truckload, which now includes the former Specialized Truckload segment.

Using the new segmented organization, Less Than Truckload recorded revenues of \$645.2 million, or 29% of total revenues. This compares with revenues of \$533.8 million and a 27% contribution in 2007, with most of the growth coming from existing operations. The Package & Courier segment contributed revenues of \$296.5 million compared with \$198.9 million for the previous year. The ICS acquisition accounted for \$87.6 million of the gain. The segment con-

tributed 13% of total revenues compared with 10% a year prior. Specialized Services accounted for \$521.8 million, or 23% of total revenues. In 2007, this segment recorded \$421.5 million in revenues, or 22% of the total. The increase came from both internal growth and acquisitions in the waste management division. The Truckload segment had revenues of \$798.5 million, or 35% of the Company’s total revenues, compared with \$785.9 million, or 41% of total revenues in 2007.

TransForce increased EBITDA by 15% to \$280 million in 2008 from \$243 million the previous year. Earnings before income taxes were \$99.2 million, up from \$48.4 million in 2007, when TransForce reported a goodwill impairment of \$56 million.

Earnings per share for the year were \$0.92 compared with \$0.52 for 2007.

We are proud of our accomplishments and our financial results for 2008. They are evidence of the skills we have developed in managing through difficult times. However, while we can be pleased as we look back, we must be realistic as we look ahead.

### Outlook

The past two years have been challenging, but it is increasingly clear that they were only the beginning of a situation that will test TransForce – and most North American businesses – like we have never been tested before. As we enter 2009, opinions vary about how long the current economic environment will persist and how bad it may get. But there is a remarkable consensus that the problems in the economy are massive and unprecedented in their depth and breadth. Their effects are unpredictable and far-reaching. Large and small companies have moved quickly from being concerned about slowing growth rates to fighting for survival.

In this environment, TransForce is endeavoring to emerge from the economic slowdown in the same position we were in when it began – as the clear leader in Canada's transportation and logistics industry, growth oriented and value driven. To achieve that, we must manage our way through this difficult period and remain focused on our strategic goals.

Some of the factors in the current economy would have been welcome at any other time. A lower Canadian dollar compared with the United States currency would always be beneficial to our clients and to TransForce. The sharp decline in fuel costs in 2008 would also normally help the bottom line. But, the impact of these changes is significantly reduced in an economy where there is less activity.

We cannot influence the economy or our clients' businesses, but we believe that it is important to control what we can. We are always conscious of costs and took specific action to respond to industry trends when we froze executive salaries in 2007. Last year, we were

even more demanding about our operating expenses. We froze all salaries and implemented a hiring freeze across the TransForce group of companies. We made significant cuts to capital spending budgets and those expenditures will decline from \$102.6 million in 2008 to approximately \$50 million in 2009. We also intend to reduce debt this year. All of these controls and initiatives will remain in place until we see signs of improvement in the economy.

In addition, we have asked our very enterprising, creative managers to find more ways to reduce discretionary spending across the whole organization. We will not jeopardize our ability to serve our clients, but we know from experience that small savings, when implemented on a large scale, can have a substantial effect. We have every confidence that our managers will extract significant savings and reduce our cost base.

### The People of TransForce

In good times and bad, we have always counted on the people of this Company to deliver value for our investors. They have never let us down. At TransForce, we have always maintained that our people are the best in the business, and that they are responsible for our success. It is their professionalism and their dedication to the details of our day-to-day operations that let us keep our focus on the long-term strategic goals of TransForce.



**Alain Bédard**

Chairman of the Board  
President and Chief Executive Officer