MESSAGE TO SHAREHOLDERS

In 2009, TransForce not only survived the worst operating environment in decades, it emerged in a stronger position to create shareholder value. When the economy recovers, we are ready to prosper as never before.

In last year's annual report, I predicted that 2009 would "test TransForce – and most North American businesses – like we have never been tested before."

That prediction was all too accurate. Last year brought the most difficult business conditions we have ever faced. However, 2009 also proved that the people of TransForce were ready for the test.

Just as steel is made stronger and harder by being tempered in fire, TransForce is in many ways a better company after 2009. We are more efficient, more focused and more financially flexible. We remain the industry leader and are very well-positioned for growth as the economy begins to recover.

Our business is directly tied to economic activity in North America and the downturn that began in our industry in 2007 continued to affect our revenues throughout 2009. Despite an 18% decline in total revenues from the previous year, we remained just as profitable for every dollar of revenue. Our key measure, EBITDA, declined as well, but as a percentage of revenue it held steady at about 12.3%.

That performance was the result of extraordinary efforts by people at all levels of TransForce to adjust the Company's cost base. Year over year, we reduced operating expenses as well as fixed costs and general and administrative expenses by $354 million – in line with the decline in revenues.

While the discipline and innovation of our people were vital, we did more than reduce costs during the year. We continued to pursue our strategy of growth through acquisition with the addition of the Retail Solutions Division of ATS Andlauer, which generates approximately $120 million in annual revenues and is now part of our Package and Courier segment.

This acquisition adds long-term value for shareholders and the same is true of our commitment to reduce debt. In 2009, we met our target of lowering long-term debt by $100 million. This not only increases our financial flexibility in future years, it reduced interest expense and increased the enterprise value of the Company significantly – by an estimated $1 per share.

Financial Results

TransForce is a well-diversified company – by industry segment, geography and client – but even our diversification could not protect us from the powerful forces that buffeted the entire economy in 2009. Industries across North America suffered revenue declines and ours was no exception.

The Company's total revenues for the year were pushed from $2.3 billion in 2008 to $1.8 billion in 2009.

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

Our largest segment, Truckload, is largely dependent on manufacturing volumes which were seriously affected by the recession. It had combined revenues of $639.2 million in 2009, down 24% from the previous year. Its share of total TransForce revenues fell one percentage point to 34%.

The Less-Than-Truckload segment also declined with lower shipment volumes and weights as a result of the slower economy in Western Canada and weaker manufacturing activity in Ontario and Quebec. Its revenues were $524.0 million compared with $646.7 million in 2008 and accounted for 28% of total Company revenues.

In Specialized Services, the strong performance of our waste management operations was more than offset by the effect of lower energy prices on our oilfield and oilsands services group. Segment revenue declined by 19% to $438.1 million and contributed 23% of overall revenues.

The exception to the general decline was our Package and Courier segment which, through enhanced customer service and the addition of the ATS Andlauer division, increased revenue before fuel surcharge to $275.8 million from $263.3 million in 2008. With significantly lower fuel surcharges in 2009, combined revenues for the segment were down slightly to $294.9 million from $296.6 million a year earlier and accounted for 15% of total TransForce revenues.

We pursued new sources of revenue during the year but, in the face of the unprecedented economic slow-down, our priority was seeking lower costs and greater efficiency. We engaged in aggressive, well-targeted cost reduction across all segments of the Company. Our significant cuts in operating costs and other expenses maintained our operating profitability at a level very close to the previous year – a proud achievement. Operating income for 2009 was $226.5 million, compared with $280.0 million the previous year.

During the final quarter of 2009, TransForce recognized a goodwill impairment in the oilfield and oilsands group and took a $45 million non-cash write down.

Net income before the charge was $55.9 million or $0.62 per share, compared with $79.7 million or $0.92 per share in 2008. After the charge, net income for 2009 was $10.9 million or $0.12 per share.

Cash flow from operations, before net changes in non-cash operating working capital, was $191.2 million, compared with $218.7 million in 2008.

This relatively strong cash flow contributed to the achievement of our debt reduction target of $100 million. As a result, debt as a percentage of total capitalization was 57% on December 31, 2009, down from 61% at the end of 2008. This reduction in debt gives us greater financial flexibility to pursue growth in the coming years.

Our cash generation also combined with our prudent financial management to allow us to make our promised dividend payments at $0.40 per share for the year. We view this as fulfilling a key commitment to our shareholders in 2009 despite the exceptionally difficult economic climate.

Outlook

While we anticipate some improvement in the transportation and logistics sector later in 2010, we expect this will be another challenging year for the industry.

We are also confident in our ability to meet the challenge. As sweeping and successful as our cost reduction efforts were in 2009, we believe there is still more we can do in 2010. We intend to invest in our people and our technology and improve productivity and to continue our highly disciplined approach to our business. We expect to become even more efficient so that we will be in a very strong position to benefit from any upturn in volumes and revenues.

In effect, we are highly leveraged to revenue growth: a far greater proportion of increases in revenues will flow directly to our earnings in the future because of the improvements we have made to our operations.

We intend to strengthen our balance sheet further in 2010 and have set a target of another $100 million in debt reduction for the year.

At the core of our strategy is growth through the acquisition of companies that meet our standards. In 2009, we completed several smaller strategic transactions. Our strategy will not change but, despite our growing financial strength, we will continue to exercise discipline and restraint until economic conditions improve.

The People of TransForce

It is the difficult times that show the strength of any organization. The skilled and experienced people of TransForce have shown that strength in 2009. I am sure they will continue to work hard on behalf of shareholders in 2010 and the years ahead. On behalf of the Board of Directors and all shareholders, I thank them for their ideas, commitment and execution. It is through their efforts we can ensure that, when economic recovery comes, TransForce is ready.

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