

# LESS-THAN-TRUCKLOAD (LTL)

The Less-Than-Truckload segment is a major contributor to TransForce's operations. It accounted for 28% of our overall revenues in 2009, down slightly from last year's figure of 29%.

Total combined segment revenues for the year were \$524.0 million, compared with \$646.7 million in 2008, a decline of almost 19%. LTL was particularly hard-hit by the overall depressed economic conditions in North America, which have had a significant negative impact on both shipments and tonnage, a key driver of revenue. Western Canada LTL operations were most affected. Volumes declined as softening oil prices produced a slowdown in the regional economy. The manufacturing sector in Ontario and Quebec also suffered considerable declines, resulting in excess capacity that has continued the downward pressure on pricing that began in 2008.

To address this, TransForce companies continued the efforts to reduce costs they began in the latter part of 2007 when the first warnings of a downturn were apparent to us. LTL has more fixed costs than some

other business since it requires more infrastructure such as terminals. However, TransForce consolidated terminals as well as reducing staff levels during the year. Operating expenses were cut by more than \$72 million in the segment in 2009, while fixed costs and general and administrative costs were reduced by \$18.3 million.

EBITDA for the segment was \$50.4 million, compared with \$82.5 million last year. As a percentage of revenue, however, EBITDA was 9.6%, compared with 12.8% in 2008.

Since we cannot influence volumes or pricing in a market that is still coping with overcapacity, we will continue to focus our efforts during 2010 on managing our costs, retaining our customers and ensuring we are prepared to take advantage of more favourable economic conditions.

## Less-Than-Truckload

Byers Transport  
Canadian Freightways  
Click Express  
Epic Express  
Kingsway  
La Crete Transport  
Select Daily  
Thibodeau  
TST Overland Express



28%

Revenue  
Contribution

Less-Than-Truckload reduced its costs in line with revenue declines brought on by the weak economy – and used the opportunity to rationalize its infrastructure for the longer term.

# PACKAGE AND COURIER

For most of 2009, the Package and Courier segment comprised two companies, Canpar and ICS Courier, but these were augmented later in the year by the acquisition of ATS Andlauer Retail Solutions Division.

The segment accounted for 15% of total revenue in 2009, up from 13% the previous year. This reflects both the acquisition, which added \$23.2 million to segment revenues, as well as the disciplined and focused management of our operations, which helped the segment withstand the economic downturn better.

Total combined revenues for Package and Courier were \$294.9 million, essentially even with 2008. EBITDA was \$47.7 million, an increase from \$45.8 million in 2008. As a percentage of revenue, EBITDA was just over 16% compared with 15.4% in the previous year. Careful management of our resources and strict control of costs were key to this performance. We navigated through a difficult environment of lower demand by concentrating on service and developing our relationships with customers.

We invested in new technology for the ICS operations to bring them into line with Canpar's and to provide a higher level of service and efficiency. Many companies avoid this kind of investment in a weak economic climate. TransForce invested because our focus is not the short term, but the long term. We knew that delaying our investment simply to buffer the bottom-line effects of the downturn would prevent us from strengthening client relationships and achieving efficiencies that will benefit shareholders for many more years. While the immediate outlook for Package and Courier is only somewhat more positive than in 2009, we expect to see improved results over the next few years as this segment benefits from a stronger economic environment, better technology, and streamlined operations.

## Package and Courier

ATS Retail Solutions  
Canpar  
ICS Courier



*In the fourth quarter of 2009, TransForce acquired the Retail Solutions Division of ATS Andlauer, which generates approximately \$120 million in annual revenue and has more than 400 employees as well as 165 owner-operators.*



15%

Revenue  
Contribution

With careful management and the addition of a new division, Package and Courier increased its share of total revenue, reduced costs, and increased EBITDA.

# SPECIALIZED SERVICES

Our Specialized Services segment is highly diversified and includes logistics, personnel services; waste management; and oilfield and oilsand services.

The diversification of Specialized Services meant its operations faced different challenges in the general economic downturn. For example, falling energy prices pushed demand for oilfield and oilsand services much lower, drastically reducing revenues and profitability. On the other hand, the market for the services provided by Matrec and the rest of waste management services remained relatively strong and they performed well.

The diversified operations in the segment help to stabilize its results, overall this could not entirely protect the segment from drastic slow-down across the economy. Combined revenues for this segment were \$438.1 million, compared with \$541.7 million in 2008, and amounted to 23% of total TransForce revenues for 2009, unchanged from the year before.

EBITDA was \$60.8 million for 2009, a decline from the \$90.1 million

recorded in 2008. But while this represented a 32.5% drop, EBITDA as a percentage of revenue remained at approximately 14%, compared to 16.6% in 2008. This performance reflected aggressive steps to control costs throughout the year that were able to minimize the effect of falling revenues on operating income. Overall operating and fixed costs and general and administrative expenses were cut by more than \$74 million.

Like other segments, Specialized Services is now more efficient and better positioned to derive greater profits from an upturn in the economy. Waste management remains a stable and profitable business now and for the long term. The energy sector has experienced considerable volatility over the past few years and, while its recent performance has been adversely affected by a decline in prices, its long-term outlook is positive.

## Specialized Services

### Logistics Services

CK Logistics  
E&L Logistics  
Kobelt Transportation  
Patriot Freight Services  
St-Lambert  
Stream Logistics  
Trans4 Logistics  
Transterm / N.A.T.  
TST Load Brokerage  
Universal Contract Logistics

### Fleet Management & Personnel Services

Beaudry Personnel Services & Associates  
TLS Trailer Leasing Services  
Unique Personnel Services

### Oilfield & Oilsand Services

Hemphill Trucking  
Howard's Transport Services  
Kos Oilfield Transportation  
McMurray Serv-U Expediting  
Rebel Transport  
Winalta  
Westfreight Systems

### Waste Management Services

Lafèche Environmental  
Matrec  
Malex  
Thibault



23%

Revenue  
Contribution

The most diversified segment kept its contribution to total revenue steady in 2009. It benefited from strong waste management operations but was negatively affected by lower energy sector activity.

# TRUCKLOAD

The Truckload segment is TransForce's largest, and in 2009 accounted for 34% of our revenue, down slightly from the year before.

Total combined revenues for this segment were \$639.2, a significant decline from \$839.8 million in 2008. EBITDA also declined, from \$86.7 million in 2008, to \$59.7 million in 2009. However, EBITDA as a percentage of revenue held at 9.3%, compared to 10.3% in 2008.

This segment is largely dependent on Canadian manufacturing and retailing and therefore suffered from overall weak economic conditions. This was exacerbated by the appreciation of the Canadian dollar, which climbed steadily through the latter half of the year and once again came close to parity with the U.S. currency. A stronger Canadian dollar dampens exports to the United States which, in turn, lowers shipping volumes and increases competitive pricing pressure. Changes in the relative value of the Canadian dollar helped some of our Truckload operations by encouraging manufacturing in the first part

of the year, but hurt in the latter half. However, there was some improvement in auto manufacturing in the last two quarters of year.

TransForce responded to the decline in volume and competitive pricing by removing trucks from the road, and as Canada's leading transportation and logistics company can maintain its market position in the face of declining prices better than most. We expect the long-term pressure on the entire Truckload industry to continue and TransForce's operations will be no exception. However, the operating discipline and ability of our people will keep TransForce the strongest competitor in Truckload. The worst of the recession appears to be over, but it will still take some time for conditions to improve. When they do, we will be well positioned.

## Truckload

A & M International  
Bergeron  
Besner  
Couture  
D. Donnelly  
Durocher International  
Excellent Specialized  
Ganeca  
GHL Transport  
Golden International  
Grégoire  
Highland  
Highland Intermodal  
JC Germain  
Kingsway Bulk  
Lacaille International  
Landry  
Lapalme  
Legal Freight Services  
Martrans  
McArthur Express  
McGill Air  
Mirabel Logistic  
Nordique  
P & W Intermodal & MTMX  
Papineau International  
Trans4 Dedicated Services  
TST Expedited and TST Air  
TST Truckload  
UTL Transportation Services  
Watson



34%

Revenue  
Contribution

The segment responded appropriately to the downturn in both Eastern and Western Canada. It remained close to its previous revenue contribution and continued to operate profitably.