

Strategic thinking is about looking ahead and making the right decisions, not just the easy decisions. Not just for now, but for the long term.

Maintaining a strategic view can be difficult in the current business environment, but it is vital that TransForce keep looking ahead even as it responds to operating challenges every day.

This means the Company can make decisions when they need to be made, not when they are obvious – but possibly too late to maximize the long-term benefit to shareholders.

For example, TransForce converted from an income fund to a corporation in May 2008. The Federal government's planned changes to the tax treatment of income trusts will not come into effect until 2011 and other income trusts have deferred their decision on their response. However, the TransForce Board determined that it was in the best interests of its investors to convert to a corporation for both strategic and tax purposes. After reviewing the timing of the changes and the options available, the Board also decided that it was best to act immediately.

Industry conditions made it a good time for TransForce to convert. While we changed our corporate structure, we did not change our focus on growth or our role as the leader in the consolidation of our industry. We are in a good position to continue with our acquisition strategy, and converting to a corporate structure provided us with the financial flexibility by allowing greater use of debt, equity and free cash flow. This translates into a lower cost of capital as we pursue future acquisitions.

Early in the year, before credit markets effectively shut down, TransForce also secured a \$100 million loan from Solidarity Fund QFL to fund the acquisition strategy.

While TransForce continued to perform comparatively well during 2008, long-term thinking also led us to initiate cost-saving measures during the year and early in 2009. The decline and continuing instability of the economy did affect our operations, and we responded early to minimize its impact.

Despite its size – TransForce has more than 60 operating companies across Canada and 15,000 employees – a strong reporting structure and a culture of accountability ensured that head office was aware of potential areas of concern as they emerged. Carefully considered but prompt intervention resulted in cost cutting steps early in the downturn in the economy. By taking swift action, our aim is to preserve our most valuable resource – our people – for the future and protect long-term value for our shareholders.



Boom and bust cycles are an unfortunate reality of free market economies. TransForce management is taking action today to preserve capital and prepare the Company for tomorrow.



Quarterly dividend (per share)

\$0.10

TransForce's disciplined approach to acquisitions is central to our strategic vision of building long-term value for shareholders through growth. During the past six years, the Company has made more than 87 acquisitions, and increased revenues 408 %.

Whatever the business environment, we continue to look for acquisition opportunities and remain focused on three clear criteria: the acquisition must be accretive for shareholders in the short term; the company must be successful and a leader in its market; and key management must stay with the acquired operation. Our goal is not to absorb the acquired company; instead, we prefer to retain the operating culture and management team that has made the company a leader. We then set benchmarks and provide the tools necessary to reach them. We provide capital, technology, management experience and other resources to make a good company even better. We impose financial and operational discipline, building on a company's existing business and reputation while growing our network and increasing value for our shareholders.

This strategy is consistent in both strong and weak economies. During 2008's challenging operating environment, we made 12 acquisitions. These included augmenting our Less Than Truckload and truckload operations in Quebec, Ontario and the U.S., adding to our waste management division with the acquisition of Roland Thibault Inc., Parc Environnemental's AES landfill site, and the remaining 50% of Lafliche Environmental Inc.

In 2008, we focused on enhancing existing business segments rather than expanding our reach. For 2009, our focus is on acquiring businesses in the logistics, Less Than Truckload, and waste management segments.

2008 also marked the first full-year contribution of structured route courier ICS Inc. The acquisition of Century II Holdings, which owned ICS, marks the first time TransForce has acquired a publicly traded company. The transaction was completed smoothly, with ICS performing very well during its first year as part of TransForce.

As companies struggle for survival in the deepening economic crisis, there may be additional opportunities for TransForce to acquire good operating subsidiaries at good prices. With a tough market and fewer competing consolidators, there is potential to complete deals at lower multiples. As always, we will maintain our discipline to ensure that potential acquisitions meet all our criteria.

Our acquisition strategy, and the criteria that guide it, have been very successful for TransForce and its investors. We are a larger, more diversified, and more profitable company as a result of this strategy. While we are dealing effectively with every detail of our operations today and being especially careful about acquisitions during the current uncertain economy, we never lose sight of the results and the value that can be created in TransForce over time through disciplined acquisitions.



Acquisitions made by TransForce,
from 2002 to the end of 2008

87

Our disciplined approach to acquisitions has driven TransForce's growth. The Company is diversified by service, industry and geography.



The core of TransForce is a group of skilled people united by common short- and long-term goals. We believe in hiring the best and it shows.

TransForce is the leader in Canada's transportation and logistics industry – a goal we set for the Company more than a decade ago. We have become the biggest and the best because of our disciplined strategy, our dedication to our operating principles and, most of all, because we have skilled employees who make a committed effort to do their best work every day.

We recognized the importance of people to our business long ago and set out to ensure we could attract and keep the best in the business. The best want to work for the leader, TransForce. It's also why our employee retention is so high. We support, train, reward and empower them. We invest in our people because they are our most important asset – an asset that will see the Company through strong and weak cycles of the economy.

The daily task of running our businesses is entirely in the hands of our operating people. Their capabilities and attention to detail keep TransForce operating efficiently and effectively day in and day out.

They also help us identify potential acquisitions and new employees who meet our standard.

When we make an acquisition, the quality of the people in the new company – the management and the workforce – is a deciding factor. Our strategic approach is to maintain, not merge, the culture, the name and the personnel of the acquired business. We don't tamper with what made the operation successful in the first place; we give its people support and goals that contribute to the long-term success of TransForce.

The experience they bring to the job also helps TransForce remain focused on the future. Knowing the quality of the people running our operations gives corporate management the confidence to build for the longer term.

In the current business environment, we are demanding more from our people and they are meeting that expectation. We are relying on them to implement corporate cost-saving strategies. In the face of a declining economy, we are delaying new capital spending and have implemented hiring and salary freezes. We are also asking them to find more ways to increase efficiency and cut costs even further through lowering discretionary spending. Our goal, which is clearly understood throughout TransForce, is to reduce operating costs now so we can minimize later reductions to our workforce – the asset that will give us a competitive advantage when the economy eventually and inevitably recovers.

We are proud of our people, and we believe they are proud to be part of TransForce. Together, we will manage for short-term cost savings, while looking ahead toward our long-term goals for our employees and our investors.



TransForce's people are its most valuable asset. Our success is a result of their efforts and dedication.



TransForce employees

15000