



DELIVERING Value



**Vitran Corporation Inc.
2000 Annual Report**



Vitran Corporation

A Driving Force in the North American Transportation Industry

Vitran Corporation provides a range of premium freight and distribution services and solutions in the United States and Canada. Vitran's backbone is its less-than-truckload (LTL) network that stretches across Canada and covers 18 midwest U.S. states. Coverage extends to another 22 states through strategic partnerships.

Vitran Logistics provides additional comprehensive distribution solutions that range from special inventory consolidations to responsibility for the complete distribution function, including the provision of facilities. Vitran also provides same-day/next-day Truckload service, as well as Intermodal and Highway Brokerage. These services are provided by over 3,000 employees and associates located at more than 100 facilities and offices throughout North America. Vitran's fleet consists of over 5,000 tractors and trailing equipment operated by 1,500 drivers and owner/operators.

Delivering Value Vitran's mission is to drive value with every customer transaction by creating innovative distribution solutions with the utilization of one or a combination of Vitran services.



In summary, we provide:

- **Less-than-truckload (LTL)**
- **Logistics**
- **Truckload (TL)**
- **Intermodal & Highway Brokerage**

Highlights 2000

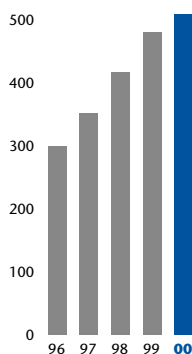
- Consolidated revenue exceeded \$500 million for the first time!
- Major additions made to the operating fleet!
- Total interest-bearing debt reduced to less than 50% of capital!
- Vitran Logistics had its best year ever!
- Continuous innovation to Internet based customer interfaces!

2000 Financial Highlights

Amounts in thousands of Canadian dollars, except per share values

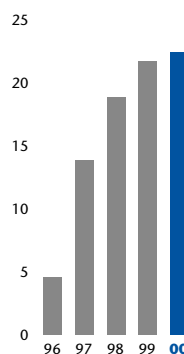
	2000	1999	1998
Operating Results			
Revenue	\$ 508,474	\$ 479,780	\$ 416,143
Earnings before interest, taxes, depreciation and amortization	35,445	34,900	29,003
Income from operations	22,383	21,695	18,794
Net income	9,504	9,426	8,683
Cash from operations (before changes in working capital items)	22,548	20,821	22,116
Per Share			
Basic earnings	\$ 0.96	\$ 0.95	\$ 0.90
Fully diluted earnings	0.88	0.87	0.83
Dividends	0.07	0.07	0.07
Financial Position			
Total assets	\$ 207,420	\$ 203,735	\$ 208,261
Interest-bearing debt (not including bank indebtedness)	72,716	81,104	94,212
Shareholders' equity	80,006	70,657	64,755

Revenue
dollars in millions



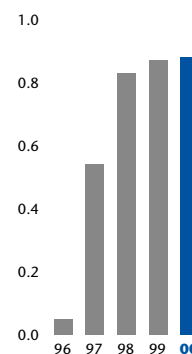
Revenue increased 6% in 2000 to \$508.5 million from \$479.8 million in 1999.

Operating Income
dollars in millions



Operating income (EBIT) increased 3.2% in 2000 to \$22.4 million from \$21.7 million in 1999.

Earnings per Share
(fully diluted) in dollars



Fully diluted earnings per share increased 1.1% to \$0.88 in 2000 from \$0.87 in 1999.

Letter to Shareholders

RICHARD D. MCGRAW

President and Chief Executive Officer

ANTHONY F. GRIFFITHS

Chairman of the Board



Vitran achieved record levels of revenue and net income for the fourth consecutive year in 2000. Year-over-year improvement was fuelled largely by the less-than-truckload (LTL) business units in both Canada and the United States.

Gains in the fourth quarter were very significant compared with the previous year in spite of extremely unfavourable weather conditions in December. Throughout the year, the Company successfully met the challenge of passing through escalating fuel prices, insurance, and health care costs that increased at greater rates than official inflation measurements. Two business units, the 81%-owned freight brokerage business and the recycling business, underperformed and prevented the Company from generating even stronger results for 2000. However, with solid performance from its core businesses, Vitran finished the year strongly positioned to meet the challenges of 2001.

Financial Highlights Revenue in 2000 was \$508.5 million, exceeding \$500 million for the first time in Vitran's history and amounting to a 6.0% increase over the \$479.8 million recorded in 1999. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 1.6% to \$35.4 million compared with \$34.9 million in 1999 after unusual expenses of \$1.5 million arising from a personal injury claim and noise abatement settlement. Earnings before interest and taxes, or operating income (EBIT), rose 3.2% to \$22.4 million versus \$21.7 million in the previous year. Vitran achieved net income of \$9.5 million in 2000, or \$0.96 per basic share (\$0.88 fully diluted), compared with \$9.4 million or \$0.95 per basic share (\$0.87 fully diluted) in the prior 12-month period. Vitran's consolidated operating ratio (OR), a standard measurement of efficiency in the transportation business, increased slightly to 95.6% in 2000.

Operational Improvements Improved results were recorded by many of Vitran's business units. The most encouraging gains were made by the LTL operations, led by Indianapolis-based Vitran Express, our U.S. LTL unit. Early in 1999, two Vitran companies were combined to form the third-largest next-day delivery LTL network in the U.S. central states. Response from customers was excellent, but difficulties in executing that initiative impacted operations in 1999 and the first quarter of 2000. Subsequently the business has steadily improved and is trending towards its potential. Customers are taking advantage of the exceptional transit times and premium service levels, resulting in management's expectations for above-average growth going forward. The Canadian LTL operation also had an excellent year, with productivity and service levels resulting in the best financial year in its history.

Vitran Logistics performed well and laid a strong foundation for the future by securing important new contracts. The shorthaul truckload business also had a good year despite driver shortages and fuel price pressures throughout 2000. Expected increase in owner/operator availability in 2001 should improve performance.

The Freight Connection, an 81%-owned freight brokerage operation based in Atlanta, reported a loss primarily due to lower-than-planned revenue. Management will redouble its efforts to make this business unit a positive contributor in 2001.

ETL Recycling Services in Vancouver was substantially below plan due to new plant start-up issues and lower-than-anticipated volumes. Various initiatives are being undertaken to ensure that the performance of this non-core business returns to profitability.

Unusual Expense Fourth quarter results were impacted with the inclusion of unusual expenses arising from a personal injury claim and noise abatement settlement. These expenses, which were isolated, negatively impacted the otherwise outstanding results of the fourth quarter of 2000 by \$0.09 per basic share.

Delivering Value Vitran's strategy is to provide a broad service offering that can create valuable distribution solutions for its expanding North American client base. Accordingly, the Company has established an extensive LTL network across Canada and throughout 18 central U.S. states that can satisfy the most demanding of shippers. With increasing frequency, the Company is providing multiple services as package solutions for customers. This approach has led to more sophisticated business relationships, including Vitran assuming the complete distribution responsibility for certain clients. For this reason, we elected to make Logistics the focus of this report, providing readers with a greater understanding of how Vitran delivers value to the supply chain.

Priorities Management had several priorities for 2000, including improving the performance at Vitran Express, achieving a lower consolidated operating ratio, further developing our technology infrastructure and maintaining a commitment to safety. We are happy to report that Vitran Express improved significantly throughout the year and has good momentum going into 2001. The consolidated operating ratio was unchanged and considerable progress was made on the technology front, where we improved both internal operational and external customer interface information systems. The commitment to safety was maintained throughout our organization, and many initiatives were taken in support of the Company's policies.

E-commerce Strategy Electronic communication and processing continues to escalate in importance to Vitran and its customers as the capability of the Internet and related technology is harnessed. Significant strides were made in 2000 throughout the organization with increasing amounts of information being made available to customers and employees/associates on an around-the-clock basis. Management's intention is to continue to rapidly develop the information flow, utilizing both the Internet and the Company's intranet to effectively meet the increasing needs of our clients and the business.

Fuel Prices Escalating fuel prices challenged the transportation industry throughout 2000. Vitran passed on the price increases to its LTL and TL customers on an index basis and managed to remain fuel cost neutral. Fuel is generally a more serious issue in the truckload segment of the industry, where it represents a greater percentage of operating expense and the costs are more difficult to pass on to shippers. It is expected that fuel costs will remain a critical issue for the foreseeable future and management will continue to respond appropriately.

Outlook It appears that the economies of Canada and the United States are softening relative to the buoyancy experienced during 2000. If shipping volumes decrease, the operating environment becomes more challenging. As it has successfully in the past, Vitran management will seek to leverage its variable cost systems and take other initiatives to contain costs as we pursue another record performance year.

Recognition Vitran's success on behalf of shareholders is a reflection of the extraordinary effort of over 3,000 dedicated employees, associates and independent contractors throughout the organization. We would like to thank them for their professional efforts. We would also like to thank the shareholders and other stakeholders for the continuing support. We look forward to reporting on our progress in the coming months and years ahead.

Driven to Provide Valuable Distribution Solutions

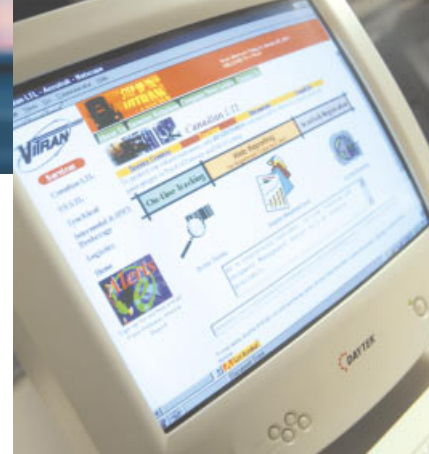
Vitran Distribution System



Vitran's strategy has always been to grow its business by delivering innovative distribution solutions to its customers and adding value to the supply chain.

RICK E. GAETZ

President and Chief Operating
Officer, Vitran Distribution Systems

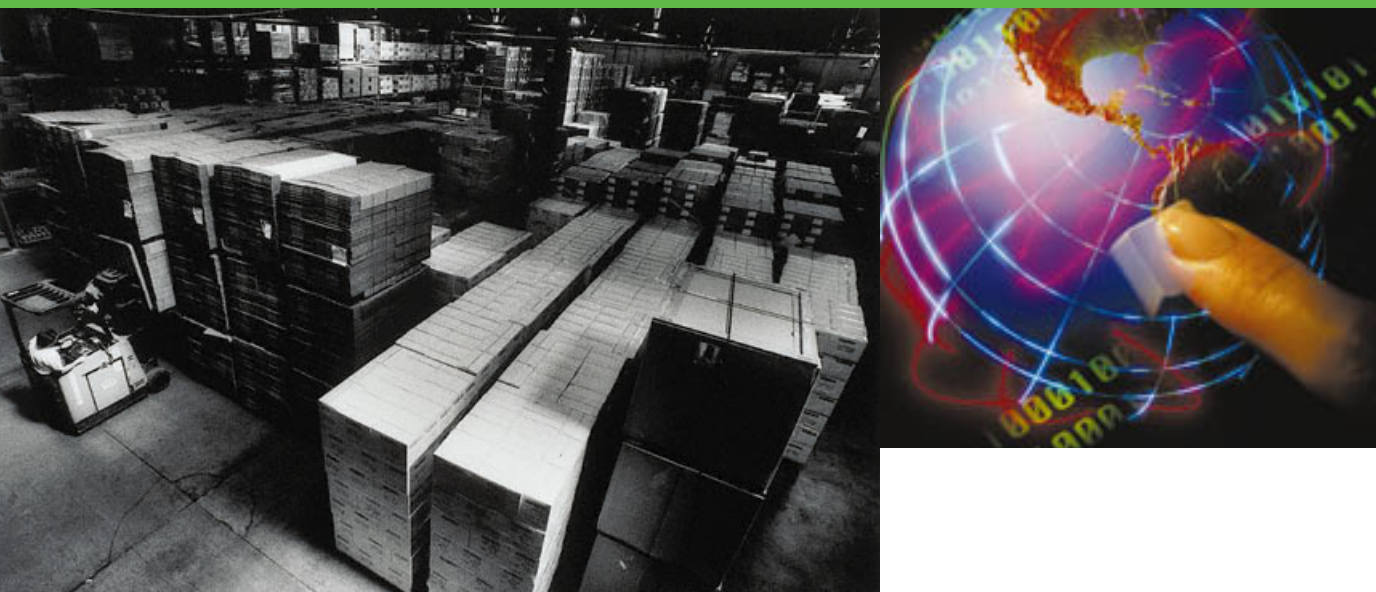


Vitran's development strategy has been to create a multiple service offering and steadily expand its geographic coverage to provide increasingly valuable distribution solutions to its customers.

Freight transportation is more sophisticated today because shippers' requirements vary daily and they are demanding more services from a reduced number of providers. Vitran is keeping pace, with continuous improvement to its product offering, network, personnel and information systems.

Importance of Logistics at Vitran Logistics activity is receiving a tremendous amount of attention from the business community because it represents significant cost savings and reduced investment, if managed effectively. The process involves finding the most cost-effective method to store and move inventory in a timely manner from the point of origin to the final destination. Solutions can range from customized combinations of transportation modes and transit times, to long-term comprehensive distribution contracts. This results in faster cycle times and reduced inventory investment for Vitran's clients. Because the gains can be very significant, more organizations are contracting out their distribution activity to access the necessary expertise.

Vitran's strategy has always been to grow its business by delivering innovative distribution solutions to its customers and adding value to the supply chain. Over time, Vitran has expanded its service offering to satisfy all shipper requirements on a one-stop-shopping basis, including the complete outsourcing to Vitran Logistics. Importantly, Vitran has also expanded its fleet of tractors, trailers and containers in Canada and the United States in order to have as much control as possible over the assets that deliver the solution.



Heavy Investment in Technology Investment in technology has become as vital as regular investment in operating equipment, with expenditures increasing every year. Vitran has aggressively automated every aspect of its freight business to speed up the information flow, providing for the storage and retrieval of documents and offering management's actionable pre-analyzed information in a timely manner. Increased automation also improves the accuracy of information, lowers costs and makes it easier to conduct business. Vitran has also aggressively utilized the Internet to make critical information available to customers at their convenience.

Our Company has remained very competitive in its technology-based offerings to customers without excessive investment. Only worthwhile applications have been chosen for installation and today the Vitran distribution system has virtually every electronic capability that shippers require.

Opportunity Effective supply chain management is critical to the success of a business and financially rewarding. Vitran combines innovative cost-effective solutions and state-of-the-art information systems with convenient Internet interfaces to customers. This progressive business model gives Vitran the opportunity to grow its business by encouraging customers to fully utilize the services individually or as a package. The next section of this report contains examples of sophisticated solutions that have been successfully implemented, demonstrating what Vitran is capable of providing and some of the reasons why Vitran Corporation is widely acknowledged as a leading North American transportation services provider.

Individualized Customized Solutions

Logistics



The purpose of every solution is to lower expenses, reduce investment in inventory and allow management to pursue their core competencies.

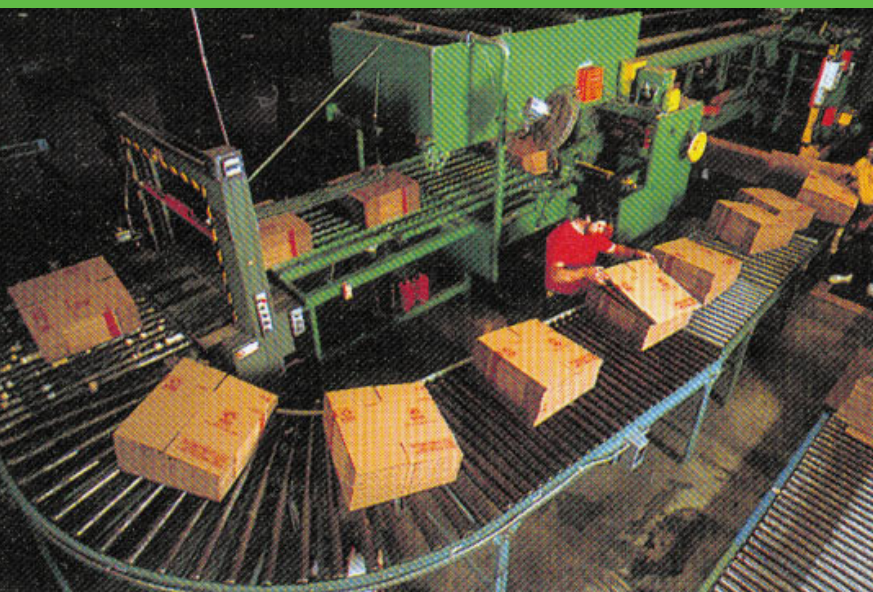
AL LEGER

President, Vitran Logistics



Vitran Logistics provides a wide range of services to a growing number of companies including large wholesalers and retailers.

Each customer has a specifically designed logistics solution involving activity such as dispatching, cross docking, consolidation, order picking, inventory management and the preparation of custom documentation. Common to every solution is the provision of management information and optimization of transportation modes. The particular combination is established after detailed analysis of distribution and inventory information and consultation with appropriate members of the client's organization. This process allows the design of a solution that best meets the client's policies and objectives. The purpose of every solution is to lower expenses, reduce investment in inventory and allow management to pursue their core competencies. Vitran Logistics is headquartered in Toronto and provides service to companies located in both Canada and the United States. The following are specific examples of logistics solutions:



U.S. Midwest Distribution Vitran Logistics operates a dedicated facility in Chicago in support of 30 large volume stores for Sam's Club, a division of Wal-Mart. High volumes of merchandise are received from hundreds of vendors 16 hours a day and then sorted into consolidated individual store shipments and moved in and out of the facility on a daily basis. Utilization of state-of-the-art technology is required to maintain turnover and productivity objectives.



Wholesale Distribution Across Canada Browne and Co., an importer of glassware and flatware, relies on Vitran Logistics for the complete distribution function of servicing its wholesalers. Merchandise is imported to Vitran facilities where Vitran personnel maintain and control 2,500 stock-keeping units (SKU). Activities include inventory management, order preparation and shipping, utilizing specialized warehousing software.



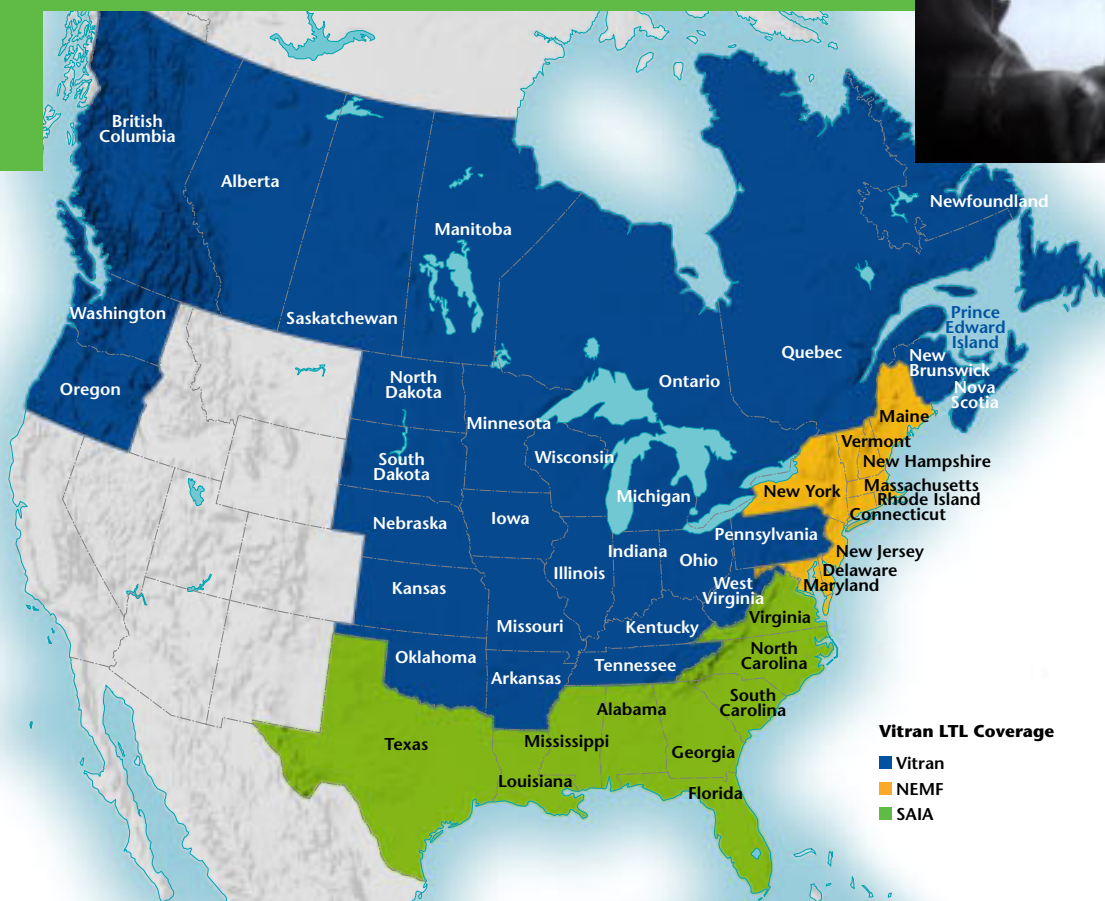
Comprehensive Supply Chain Execution Mark's Work Wearhouse, a large Canadian-based apparel retailer with both domestic and foreign vendors, has Vitran Logistics handle all of the distribution of merchandise to its more than 150 stores located across Canada. For the domestic merchandise, Vitran provides a consolidation service that includes inbound logistics, vendor compliance, sortation, master bills of lading and transportation. Integration of Vitran's software and the client's system provides each store with visibility for their goods as they move through the supply chain. A recent expansion of the relationship with the client involves a new 80,000-square-foot dedicated facility to receive, inventory and distribute the imported merchandise for all of their chains. Vitran personnel will pick orders from 10,000 SKUs and consolidate with shipments moving across Canada.



Canadian Retail Distribution Vitran provides a consolidation and national distribution service to the Cotton Ginny and Tabi stores located in Canada. Services include carton sortation, inbound and outbound logistics and vendor compliance verification. The benefits to the client are total visibility for each store's merchandise in the supply chain, master bills of lading with purchase order detail per carton, and predetermined weekly deliveries.

Less-Than-Truckload

A Network of 75 Facilities Covering 18 States and 10 Provinces



Vitran offers a complete range of LTL services that match the requirements of the geography and customers.

TONY TRICHILO

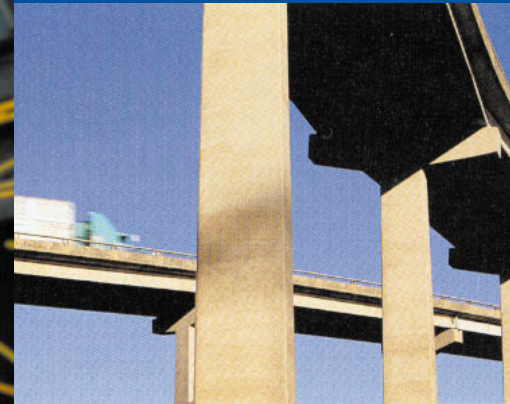
President, Canadian LTL Operations

On very short notice, shipments of any size can be delivered in regular or expedited transit times on a cost-effective basis. Generally, the shipments are less than a full truckload and average 1,600 pounds. The Vitran system handles approximately 10,000 shipments daily, and more than two million a year.

Vitran's Backbone The LTL network and the services that it provides are the backbone of Vitran Corporation and represent 78% of transportation revenues. Through internal growth and via acquisition, Vitran has developed a very powerful and efficient network of facilities covering all of Canada, 18 U.S. midwest states as well as Washington and Oregon on the West Coast. The Company also enjoys relationships with New England Motor Freight and Saia Motor Freight, which extends Vitran's coverage to 22 states in the northeastern and southeastern regions of the United States.

With this extensive network, Vitran offers a complete range of LTL services that match the requirements of the geography and customers. In Canada, where the population is relatively small and the geography large and spread out, Vitran's services include both regional and national freight delivery by intermodal, highway and expedited highway modes. In the United States, where the population density is much higher, the focus is on next-day delivery and expedited freight delivery services.

Growth in Cross-border Activity One of the most important ways Vitran differentiates itself from the competition is the distribution infrastructure it owns on both sides of the U.S./Canada border that facilitates very efficient cross-border activity. Customers appreciate some of the fastest cross-border transit times in the industry as well as a very reliable network. Every day, for instance, freight from Chicago, Dayton or Minneapolis is delivered over-the-border to points in Canada overnight. Cross-border shipping is one of the fastest growing aspects of Vitran's LTL business.



Customers appreciate some of the fastest cross-border transit times in the industry as well as a very reliable network.

GEORGE REID
President, U.S. LTL Operations

Less-than-truckload (LTL) services are critical to businesses of all sizes because of the flexibility with which they can respond to their customers' needs.

Increasing Demand for Expedited Services Time is money, and when freight is intrinsically valuable or its delivery time is critically important, customers often want it expedited to arrive sooner than normal or at a specific time. In the United States, where most of the network traffic is next-day delivery, customers utilize Vitran's *Silver Service* to secure a time-definite delivery or other special arrangements. In Canada, where national transit times are several days, customers access Vitran's *Maximum* service to shorten delivery time by 50%. These special services are another high growth area of Vitran's LTL business and an additional way to add value to customer solutions.

Growing Importance of the Internet The Internet has created enormous opportunities for improved communication with customers, employees and associates, and Vitran is aggressively pursuing those opportunities that have the most impact. Every shipment creates paperwork before, during and after delivery that must be accessible to operations, administration and customers. Hard copies of documents such as proof-of-deliveries are imaged and entered into the system and customers can retrieve them 24 hours a day, seven days a week via the Internet. They can also organize historical shipping information into a report of their own design for analysis. This type of access makes communication more efficient for both Vitran and its shippers.

Vitran has developed an intranet for internal communication including day-to-day operating activity and performance, operating policies and customer profiles. This type of timely dissemination is dramatically increasing the amount of information available to staff, making it possible for them to execute their responsibilities more efficiently and effectively.

Premium Same Day/Next Day Service

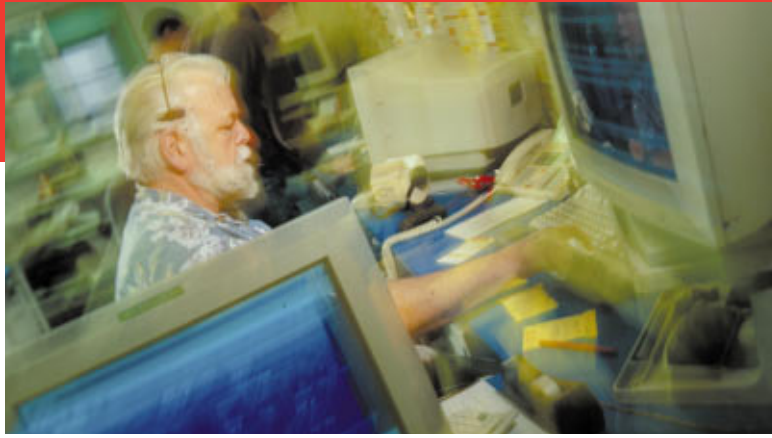
Truckload



Frontier's clients require fast, reliable service to minimize inventory levels.

STEVE COOK

President, Frontier Transport



Consistent with Vitran's strategy of delivering high value services to its customers, Frontier Transport provides premium same day/next day service in the Midwest and Southeastern United States. Although predominantly a dry van operation, Frontier does offer limited temperature-controlled service in the Midwest.



Frontier's clients include a full range of industries from consumer products to industrial supplies, that require fast, reliable service to minimize inventory levels. Some contracts involve daily deliveries on a predetermined basis and others irregular routes and a variety of destinations. The service is provided with over 1,000 trailers and more than 300 independent contractors who are managed by a team of professional dispatchers.

Demand for Service Demand for truckload service of this quality is very high and therefore the primary challenge is to hire enough independent contractors. Notwithstanding competitive compensation and very fair operating policies, it is difficult to find enough quality independent contractors to satisfy the demand for service on a regular basis.

Enhanced Information System In alignment with Vitran's strategy of increasing the information flow internally and externally, management installed an enhanced information system that automates the dispatch function and integrates it with equipment management activity. The system facilitates new levels of operating productivity and better returns on capital invested in trailing equipment by generating key information on a real-time basis. The new system will also benefit the independent contractors by producing up-to-the-minute financial records and flexible compensation plans.

North American Coverage

Intermodal & Highway Brokerage



The Freight Connection packages custom transportation solutions utilizing an extensive network of rail and road service providers.

GEOFF DUNCAN

President, The Freight Connection U.S.

Vitran provides freight brokerage services across North America to a wide variety of companies that are in need of additional services outside of what Vitran can typically provide.

Customers often want access to railroad systems that they cannot deal with directly, or they want a service or equipment in a geographic area that Vitran does not yet cover.

The Freight Connection (TFC) has offices in Atlanta, Toronto, and Los Angeles, staffed with transportation professionals who regularly satisfy customer requirements by drawing on long-term relationships with all the major railroads and hundreds of trucking companies. TFC's knowledgeable staff develops active business relationships by responding quickly and creatively to customer requests on a daily basis.

The business is non-asset-based, and therefore potential return on capital can be above average. The challenge is to maintain adequate volumes and profit margins, which is challenging in the intermodal business because the railroads ultimately control most of the containers. TFC's strategy is to continue to develop additional delivery alternatives that can be utilized when equipment is in tight supply.

TFC's services complement Vitran's extensive service offering and, in some cases, form part of the distribution solution marketed by Vitran Logistics and LTL business units.

Provides a Single Vendor Solution



ETL Recycling Services Inc. (ETL) operates one of the most modern groups of facilities in Western Canada for recycling newspaper, cardboard, glass, metal and plastic material that is collected from municipalities, institutions and industry.



ETL utilizes the latest technology to enhance the value of processed recyclables and increase productivity.

GERRY L. WIEBE
President, ETL Recycling Services Inc.

During the past year, ETL has opened a high tech glass plant, an ultra-modern rigid container plant and a new fibre processing plant, bringing the facility total to five. The glass plant utilizes optical reading technology to automatically colour-sort broken glass in accordance with very precise standards from glass manufacturers. The rigid container plant sorts commingled containers by material type so that uniform homogeneous product can be marketed to end-users. This facility also provides a custom destruction service to the federal government and major consumer product manufacturers who require seized or out-of-date product such as liquor, soft drinks and beer to be disposed of in a secure and environmentally safe manner.

With the facilities up and running, the challenge is to process greater volumes in order to achieve planned economies and profitability. In pursuing this objective ETL has developed new services which leverage its ability to process a commingled product stream, which is a more attractive proposition to many waste haulers and commercial accounts. ETL is also sourcing material outside its local region by using its existing outbound shipments to justify the transportation costs involved.

Management Discussion and Analysis



KEVIN GLASS
Vice President Finance and
Chief Financial Officer

Vitran Corporation recorded record levels of revenue and net income for the fourth consecutive year in fiscal year 2000. The primary contributor to the Company's financial success was the improved performance from the LTL business unit.

Consolidated Results Vitran's revenue increased 6.0% to \$508.5 million in 2000 from \$479.8 million in 1999. The majority of the increase can be attributed to revenue growth from the LTL and Environmental Services business units.

Gross profit margin declined slightly from 17.6% to 16.7%; however, the cost increases were offset by the revenue growth and the Company increased gross profit by \$0.2 million to \$84.8 million.

Selling, general and administrative (SG&A) expense as a percentage of revenue declined for the second straight year from 10.4% in 1999 to 9.7% in 2000, despite unusual expenses of \$1.5 million arising from a personal injury claim and noise abatement settlement.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 1.6% to \$35.4 million in 2000 from \$34.9 million in 1999. Depreciation and amortization expense for the year represented 2.6% as a percentage of revenue compared to 2.8% in the prior year. The consolidated operating ratio was in line with the prior year at 95.6% in 2000 notwithstanding unusual expenses of \$1.5 million.

Income taxes for the year were \$4.2 million, resulting in an effective tax rate of 30.9% compared to 31.2% in 1999.

Interest expense net of interest income was \$7.7 million, which was in line with the 1999 net expense. Net income increased from \$9.4 million to \$9.5 million, declining as a percent of revenue net from 2.0% in 1999 to 1.9% in 2000.

Basic earnings per share was \$0.96 compared to \$0.95 per share in 1999 and fully diluted earnings per share was \$0.88 versus \$0.87 per share in 1999. The weighted average shares outstanding decreased from 10.0 million in 1999 to 9.9 million in 2000 as a result of the repurchase of 120,100 shares for cancellation.

Management Discussion and Analysis

LTL revenue growth of 8.4% was driven by both increased volume and improved yield.

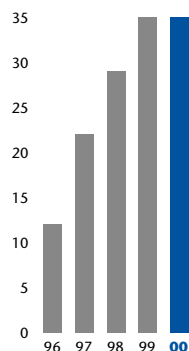
Segmented Results Revenue in the LTL business unit grew by \$29.3 million, or 8.4%, from \$346.8 million to \$376.1 million. Improvements were achieved in both business volume and yield. Total shipments increased by 6.9% while tonnage and revenue per hundred weight both increased by 4.1% in 2000. The revenue growth coupled with an improvement of operating unit OR from 94.3% to 94.0% due to cost controls and improved density resulted in an increase of 14.6%, to \$22.7 million in operating income in 2000.

Revenues in the Logistics and Brokerage division decreased from \$66.8 million to \$57.3 million in 2000 while operating income was consistent with 1999 at \$0.7 million. The logistics unit had an excellent year increasing both revenues and income from operations as a result of significantly expanding the book of business. However, these gains were offset by reductions in revenue and operating income at the intermodal and highway brokerage unit, due to the full year impact of a decline in business with two large volume customers.

Revenue for the U.S. TL division decreased slightly in 2000 by 3.8% to \$47.6 million from \$49.5 million recorded in 1999. The demand for TL service remained very strong throughout 2000, but the difficulty of attracting and retaining quality owner/operators dropped the total loads for the year by 6.1%, thus limiting revenue growth. In addition to the decline in revenue, increased trailing fleet lease costs and higher than normal accident claim expenses resulted in an operating income decline of 36.1% from \$3.3 million to \$2.1 million in 2000.

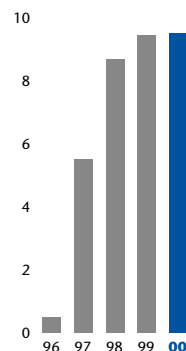
The Environmental Services division achieved record revenue of \$27.5 million compared to \$16.7 million in 1999, but generated a small loss in 2000 compared to an operating profit of \$1.1 million the previous year. The below plan results were primarily due to new plant start-up challenges.

EBITDA
dollars in millions



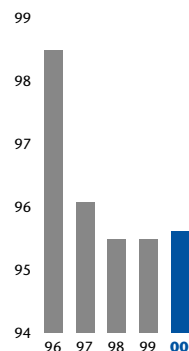
Operating income before depreciation and amortization (EBITDA) increased to \$35.4 million from \$34.9 million in 1999.

Net Income
dollars in millions



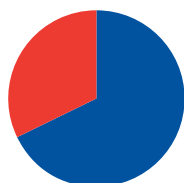
Net income increased 0.8% in 2000 to \$9.5 million, or \$0.96 per share, from \$9.4 million, or \$0.95 per share, in 1999.

Operating Ratio
percent



Operating ratio increased slightly in 2000 to 95.6% from 95.5% in 1999.

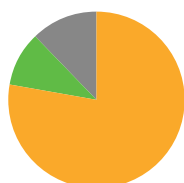
U.S./Canada Transportation Revenues



Canada
United States

68% of Vitran's transportation revenues are generated in the United States while 32% are generated in Canada.

Divisional Transportation Revenues



Logistics & Intermodal
TL
LTL

Vitran's LTL division revenues grew 8% in 2000 and now represent 78% of total transportation revenues.

General Risks and Uncertainties The company is exposed to a number of general risks and uncertainties that could impact results.

The nature of the Company's business means that it is sensitive to general economic conditions although this is mitigated somewhat by the variable nature of many of the Company's costs. The Company is not dependent on any particular industry or customer. Adverse weather conditions such as heavy snow, ice storms, and extreme cold have a negative impact on operating results. Labour represents Vitran's most significant cost and key to service quality. The Company has a history of positive labour relations that will continue to be important to future success. While diesel fuel represents an important cost component to Vitran, the extensive use of owner/operators and the ability to share significant fuel increases with customers reduces this risk.

As at December 31, 2000, 68.1% of debt was at fixed exchange rates, mitigating the exposure of the Company's earning to fluctuations in variable interest rates. Furthermore, the \$47.6 million of U.S. denominated debt acts as a hedge to the foreign currency exposure generated by the Company's U.S. operations.

Outlook The Company remains committed to its long-term strategic plan of developing a comprehensive North American distribution system. During 2000, progress towards achieving this goal was made as cross-border shipments increased and transit time reductions were recorded throughout the U.S. distribution network. The Company plans further improvements in the LTL division as the operation expands its geographic coverage in the U.S. and increases its overall customer base. The Company continues to support these initiatives with investments in rolling stock, real estate and information technology in 2001.

The Logistics division will continue to invest in technology, personnel, and innovative distribution solutions to meet the unique requirements of each customer. Revenue and operating income is expected to increase as the client base grows in 2001. The Intermodal and Highway Brokerage division struggled in 2000 but management has refocused operations and is dedicated to expanding markets and developing more delivery alternatives to ease equipment shortages. At the same time the investment in information technology that was made in the fourth quarter of 2000 will provide management with better information on a timely basis to help improve performance.

The challenge for the TL division in 2001 continues to be attracting and retaining quality owner/operators. With the foundation laid from the prior years' investments in rolling stock, improvements in fleet management and driver utilization that can be achieved with the new information system, revenue and net income is expected to improve in 2001.

The Environmental Services division made significant capital investments in 2000 and in so doing created the groundwork for growth and success in the future. The initial challenges of bringing three new plants on-stream have largely been met and the objective now is to fine-tune performance and generate more volume to obtain the benefit from lower per-unit operating costs.

Management Discussion and Analysis

The Company continues to generate strong cash flow from operations and interest-bearing debt as a percentage of capital declined to less than 50% in 2000.

Liquidity and Capital Resources In 2000, cash flow from operations before working capital changes for the year was \$22.5 million compared to \$20.8 million in 1999.

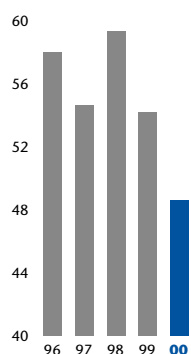
Non-cash working capital increased by \$0.3 million as business volumes increased, but the extent of the increase was reduced due to the more effective accounts receivable collection.

During the year the Company increased its available credit under the revolving and non-revolving term bank credit facility from \$55.0 million to \$62.5 million.

The Company reduced interest-bearing debt by \$9.5 million from \$86.5 million at December 31, 1999 to \$77.0 million at the end of 2000. The interest-bearing debt is comprised of bank overdraft of \$4.3 million, US\$36.3 million drawn under the revolving term facility, US\$11.3 million of Senior Note borrowings and other debt of \$1.4 million. Interest-bearing debt as a percentage of total capital decreased from 54.2% in 1999 to 48.6% in 2000. During the year, the Company repaid US\$22.5 million of the Senior Notes using US\$18.8 million from our existing credit facilities and the remainder with cash on hand.

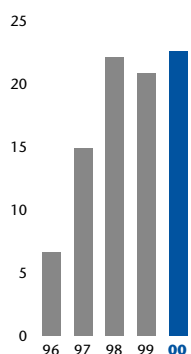
Capital expenditures for the year amounted to \$10.9 million compared to \$17.1 million in 1999. Land and buildings for future growth accounted for \$4.7 million while the remaining \$6.2 million was invested in revenue equipment, information technology, and other machinery and equipment. Management expects that the existing working capital, together with available revolving facilities, will be sufficient to fund operating and capital requirements in 2001, as well as to service principal debt repayment requirements of \$12.2 million.

Debt to Total Capital
percent



Interest-bearing debt to total capital percentage decreased to 48.6% in 2000 from 54.2% in 1999.

Cash from Operations
dollars in millions



Cash flow from operations before working capital changes increased to \$22.5 million in 2000 from \$20.8 million in 1999.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Vitran Corporation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles and, where appropriate, reflect estimates based on management's judgement. In addition, all other information contained in the annual report is also the responsibility of management.

The Company maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information provided is accurate and complete and that all assets are properly safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board appoints the Audit Committee comprised of non-management directors that meets with management and KPMG LLP, the external auditors, at least once a year to review among other things, accounting policies, annual financial statements, the results of the external audit examination, and the management discussion and analysis included in the annual report. The Audit Committee reports its findings to the Board of Directors so that the Board may properly approve the financial statements.

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Vitran Corporation Inc. as at December 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

KPMG LLP (SIGNED)
CHARTERED ACCOUNTANTS
Mississauga, Canada
February 2, 2001

Consolidated Balance Sheets

December 31, 2000 and 1999

2000

1999

Assets

Current assets:

Accounts receivable	\$ 62,287,173	\$ 60,696,285
Inventory, deposits and prepaid expenses	7,062,754	5,223,189
Income taxes recoverable	688,413	346,513

70,038,340 66,265,987

Fixed assets (note 4)

63,534,139 64,146,774

Goodwill, net of accumulated amortization of \$11,556,124 (1999 – \$9,218,034)

73,847,409 73,322,170

\$ 207,419,888 \$ 203,734,931

Liabilities and Shareholders' Equity

Current liabilities:

Bank indebtedness (note 3)	\$ 2,795,281	\$ 2,485,986
Accounts payable and accrued liabilities	46,547,851	44,144,165
Income and other taxes payable	2,708,785	1,679,305
Current portion of long-term debt (note 5)	12,193,838	12,423,507

64,245,755 60,732,963

Long-term debt (note 5)

60,522,084 68,680,174

Future income taxes (note 10)

2,049,456 3,019,064

Minority interest

596,280 645,644

Shareholders' equity:

Capital stock (note 7)	38,837,274	39,271,075
Retained earnings	41,462,995	32,872,753
Cumulative translation adjustment (note 8)	(293,956)	(1,486,742)

80,006,313 70,657,086

\$ 207,419,888 \$ 203,734,931

Commitments (note 12)

Contingent liabilities (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

RICHARD D. MCGRAW (SIGNED)

Director

G. MARK CURRY (SIGNED)

Director

Consolidated Statements of Income

Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Revenue	\$ 508,474,241	\$ 479,780,336	\$ 416,142,954
Operating expenses	423,651,367	395,161,898	340,642,020
Gross profit	84,822,874	84,618,438	75,500,934
Selling, general and administrative expenses	49,377,759	49,718,025	46,498,328
Income from operations before depreciation and amortization	35,445,115	34,900,413	29,002,606
Depreciation and amortization	13,062,020	13,205,882	10,208,510
Income from operations	22,383,095	21,694,531	18,794,096
Interest on long-term debt	(7,989,954)	(7,953,781)	(6,643,414)
Interest income	280,375	196,302	782,497
Loss on sale of fixed assets	(1,000,543)	(234,639)	(441,298)
	(8,710,122)	(7,992,118)	(6,302,215)
Income before income taxes and minority interest	13,672,973	13,702,413	12,491,881
Income taxes (recovery) (note 10):			
Current	5,187,913	6,322,096	1,025,805
Future	(969,608)	(2,051,830)	2,735,030
	4,218,305	4,270,266	3,760,835
Income before minority interest	9,454,668	9,432,147	8,731,046
Minority interest	49,364	(6,201)	(48,098)
Net income	\$ 9,504,032	\$ 9,425,946	\$ 8,682,948
Earnings per share:			
Basic	\$ 0.96	\$ 0.95	\$ 0.90
Fully diluted	\$ 0.88	\$ 0.87	\$ 0.83

See accompanying notes to consolidated financial statements.

Amounts in Canadian dollars

Consolidated Statements of Retained Earnings

Years ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Retained earnings, beginning of year	\$ 32,872,753	\$ 24,190,109	\$ 16,364,954
Net income	9,504,032	9,425,946	8,682,948
	42,376,785	33,616,055	25,047,902
Dividends – \$0.07 per share	(693,797)	(695,491)	(679,317)
Cost of repurchase of Class A voting shares in excess of book value	(219,993)	(47,811)	(178,476)
Retained earnings, end of year	\$ 41,462,995	\$ 32,872,753	\$ 24,190,109

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2000, 1999 and 1998

Cash provided by (used in):

Operations:

Net income	\$ 9,504,032	\$ 9,425,946	\$ 8,682,948
Items not involving cash from operations:			
Depreciation and amortization	13,062,020	13,205,882	10,208,510
Future income taxes	(969,608)	(2,051,830)	2,735,030
Loss on sale of fixed assets	1,000,543	234,639	441,298
Minority interest	(49,364)	6,201	48,098
	22,547,623	20,820,838	22,115,884
Change in non-cash working capital components	(339,287)	(6,061,711)	(1,944,340)
	22,208,336	14,759,127	20,171,544

Investments:

Purchase of fixed assets	(10,899,411)	(17,062,956)	(10,269,686)
Acquisition of shares of subsidiary companies, net of cash position at date of acquisition	—	—	(49,894,262)
Proceeds on sale of fixed assets	807,454	4,798,348	2,790,931
	(10,091,957)	(12,264,608)	(57,373,017)

Financing:

Repayment of long-term debt	(40,262,873)	(39,877,776)	(6,877,089)
Issue of long-term debt	28,506,800	30,740,251	30,067,008
Dividends	(693,797)	(695,491)	(679,317)
Issue of Class A voting shares	39,095	644,655	801,437
Repurchase of Class A voting shares	(692,889)	(106,995)	(324,300)
	(13,103,664)	(9,295,356)	22,987,739
Effect of translation adjustment on cash	677,990	(649,334)	1,094,808

Decrease in cash position

Cash position, beginning of year

Cash position, end of year

	(309,295)	(7,450,171)	(13,118,926)
	(2,485,986)	4,964,185	18,083,111
	\$ (2,795,281)	\$ (2,485,986)	\$ 4,964,185

Change in non-cash working capital components:

Accounts receivable	\$ (1,590,888)	\$ (8,090,670)	\$ 146,711
Inventory, deposits and prepaid expenses	(1,839,565)	(464,814)	(1,042,583)
Income and other taxes recoverable/payable	2,403,686	521,502	1,406,016
Accounts payable and accrued liabilities	687,480	1,972,271	(2,454,484)
	\$ (339,287)	\$ (6,061,711)	\$ (1,944,340)

Supplemental disclosures:

Cash paid for:

Interest	\$ 6,655,119	\$ 7,922,076	\$ 6,536,062
Taxes	4,775,493	5,473,736	1,539,321

Non-cash transactions:

Class A voting shares issued for acquisitions	—	—	3,051,191
Purchase of fixed assets under capital leases	—	24,610	412,500

Cash position is defined as cash and short-term deposits less bank indebtedness.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiary companies, all of which are wholly owned, except for a United States subsidiary company which is 81.1% owned. All material intercompany transactions have been eliminated on consolidation. All amounts in these consolidated financial statements are expressed in Canadian dollars, unless otherwise stated.

(b) Revenue recognition

The Corporation's LTL, TL business units and Intermodal operations recognize revenue and direct shipment costs upon the delivery of the related freight. Revenue for the Logistics operations is recognized as the management services are provided. The Environmental Services business unit recognizes revenue when commodities are delivered.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value.

(d) Fixed assets

Fixed assets are recorded at cost. Depreciation and amortization of fixed assets are provided from the date assets are put in service over their estimated useful lives as follows:

Asset	Basis	Rate
Buildings	Straight line	20–31.5 years
Leasehold interests and improvements	Straight line	Over term of lease
Vehicles:		
Trailers and containers	Straight line	10 years
Trucks	Straight line	7 years
Machinery and equipment	Straight line	5–10 years

Tires purchased as part of a vehicle are capitalized as a cost of the vehicle. Replacement tires are expensed when placed in service.

(e) Goodwill

The excess of acquisition cost over the fair value of net assets of businesses acquired is being amortized over a period of forty years on a straight-line basis. The Corporation annually assesses the recoverability of goodwill by comparing estimates of future undiscounted cash flows from operations to the carrying value of goodwill. Based on this review, the Corporation does not believe that an impairment in the carrying value of goodwill has occurred.

(f) Foreign currency translation

The assets and liabilities denominated in a foreign currency of self-sustaining foreign operations are translated at exchange rates in effect at the balance sheet date. The resulting gains and losses are accumulated in a separate component of shareholders' equity. Revenue and expense items are translated at average exchange rates prevailing during the year. A portion of the Corporation's foreign currency denominated debt acts as a hedge to the foreign currency exposure generated by the self-sustaining foreign operations. As such the translation gain and losses are also accumulated in the separate component of shareholders' equity.

In respect of other transactions denominated in a foreign currency, the monetary assets and liabilities of the Corporation which are denominated in foreign currencies are translated at the year-end exchange rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. All of the exchange gains and losses resulting from these other transactions are recognized currently in income.

(g) Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities or a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(i) Stock-based compensation

The Corporation has a stock option plan for employees and directors which is described in note 7(d). All stock options issued under the plan have an exercise price equal to the fair market value of the underlying Class A voting shares on the date of grant. As a result, no compensation expense is recorded on the grant of options under the plan. Consideration paid by employees on the exercise of stock options is recorded as share capital.

Notes to Consolidated Financial Statements

2. Acquisitions and divestitures

Year ended December 31, 1998:

On September 9, 1998, the Corporation completed the acquisition of 100% of the shares of Quast Transfer Inc. and Quast Realty Inc. (collectively "Quast"). Quast is a Minnesota-based regional overnight less-than-truckload carrier operating in nine midwestern U.S. states. This acquisition was accounted for by the purchase method with the results of operations being included in these consolidated financial statements from September 9, 1998.

Details of the net assets acquired at fair values are as follows:

Cash and short-term deposits	\$ 93,928
Accounts receivable	7,163,522
Fixed assets	16,455,853
Goodwill	43,463,551
Other assets	1,655,166
	<u>68,832,020</u>
Accounts payable	9,371,221
Long-term debt	4,605,959
Future income taxes	1,815,459
	<u>15,792,639</u>
	<u>\$ 53,039,381</u>
Consideration given:	
Cash	\$ 47,150,582
Class A voting shares	3,051,191
Other amounts payable	2,837,608
	<u>\$ 53,039,381</u>

3. Bank indebtedness

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The major components of cash and cash equivalents are as follows:

	2000	1999
Cash on deposit	\$ 5,729,225	\$ 4,587,647
Bank overdraft	(8,524,506)	(7,073,633)
Total bank indebtedness	<u>\$ (2,795,281)</u>	<u>\$ (2,485,986)</u>

The bank indebtedness outstanding, at December 31, 2000, is under a \$10,000,000 revolving credit facility, is secured by general security agreements on the assets of certain subsidiary companies and incurs interest charges at the bank prime rate plus 1%.

4. Fixed assets

	2000	1999
Land	\$ 9,168,418	\$ 6,458,509
Buildings	25,530,419	23,091,597
Leasehold interests and improvements	2,662,442	4,770,473
Vehicles	40,994,016	42,999,325
Machinery and equipment	26,384,884	22,591,083
	<u>104,740,179</u>	<u>99,910,987</u>
Less accumulated depreciation and amortization	41,206,040	35,764,213
	<u>\$ 63,534,139</u>	<u>\$ 64,146,774</u>

5. Long-term debt

	2000	1999
(a) Guaranteed Senior Notes, due 2002	\$ 16,944,350	\$ 48,711,375
(b) Revolving and non-revolving term bank credit facility	54,431,849	30,000,000
(c) Term bank loans, bearing interest at rates averaging 7.6% at December 31, 2000 (7.9% at December 31, 1999), maturing at varying intervals to 2001	89,979	1,034,819
(d) Mortgages payable	1,131,725	1,296,393
(e) Other	118,019	61,094
	72,715,922	81,103,681
Less current portion of long-term debt	12,193,838	12,423,507
	\$ 60,522,084	\$ 68,680,174

(a) The Guaranteed Senior Notes, due 2002 (the "Senior Notes") bear interest at 9.04% per annum payable quarterly. During 2000, US\$22,450,000 (1999 – US\$5,650,000; 1998 – US\$2,800,000) of the Senior Notes was repaid in accordance with the terms. The remaining principal balance of the Senior Notes at December 31, 2000 is US\$11,300,000. The Senior Notes are subject to the following required repayments in future years:

2001	US\$ 5,600,000
2002	5,700,000
	US\$ 11,300,000

The Senior Notes are secured obligations of a subsidiary company and are guaranteed by the Corporation and certain other subsidiary companies. The Senior Notes are secured by accounts receivable and general security agreements of the Corporation and of all its Canadian subsidiaries. The provisions of the Senior Notes impose certain maintenance and debt incurrence tests and include restrictions on the sale of assets, mergers and consolidations, dividends and investments. In addition, upon a change in control of the Corporation, the holders of the Senior Notes may request repayment of the amounts due under the Senior Notes.

(b) The \$62,500,000 revolving and non-revolving term bank credit facility is secured by accounts receivable and general security agreements of the Corporation and of all its Canadian subsidiaries and is guaranteed by the Corporation and certain other subsidiaries. At December 31, 2000, US\$36,300,000 of foreign currency denominated borrowings bearing interest at LIBOR plus 2% were drawn under the facility. At the end of 2001, the facility will convert to a three year term loan unless the Corporation requests and receives a postponement of the conversion for one year.

(c) The term bank loans are generally secured by chattel mortgages on vehicles. At December 31, 2000, the term bank loans include US\$60,006 of foreign currency denominated borrowings (1999 – US\$716,981).

(d) The mortgages are secured by certain land and buildings, bear interest at rates ranging from 8.25% to 10.75% and are repayable over various terms. At December 31, 2000, mortgages include US\$754,743 of foreign currency denominated borrowings (1999 – US\$898,215).

(e) Other long-term debt consists principally of capital leases obtained to acquire fixed assets at various interest rates and maturing at varying dates.

At December 31, 2000, the required future principal repayments on all long-term debt are as follows:

Year ending December 31:

2001	\$ 12,193,838
2002	23,484,228
2003	23,506,075
2004	13,100,051
2005	80,832
Thereafter	350,898
	\$ 72,715,922

Notes to Consolidated Financial Statements

6. Derivative financial instruments

The Corporation has entered into an interest rate swap contract to lower funding costs and alter interest rate exposures.

	Notional amount	Fixed interest rate	Maturity
Interest rate swap	US\$21,000,000	8.95%	January 26, 2003

Credit risk arises from the possible inability of counterparties to meet the terms of their contracts on a net basis, which was nil on December 31, 2000.

The fair value of the derivative instrument represents an approximation of amounts the Corporation would have paid to or received from counterparties to unwind its positions prior to maturity. The Corporation's fair value obligation for the interest rate swap is US\$526,495. The Corporation has no plans to unwind these positions prior to maturity.

7. Capital stock

(a) Authorized

The Corporation's capital stock consists of an unlimited number of Class A voting shares, Class B non-voting shares and first preference shares, issuable in series.

(b) Issued

	2000		1999	
Class A voting shares	Number	Amount	Number	Amount
Balance, beginning of year	9,973,565	\$ 39,271,075	9,878,158	\$ 38,685,604
Shares repurchased for cancellation	(120,100)	(472,896)	(14,400)	(59,184)
Shares issued:				
Upon exercise of employee stock options	—	—	100,600	571,100
From treasury	6,313	39,095	9,207	73,555
Balance, end of year	9,859,778	\$ 38,837,274	9,973,565	\$ 39,271,075

(c) Normal course issuer bid

The Corporation repurchased for cancellation 120,100 Class A voting shares during 2000 (1999 – 14,400) under a normal course issuer bid, at a total cost of \$692,889 (1999 – \$106,995). The excess of \$219,993 (1999 – \$47,811) of the cost of repurchase over the book value of the shares has been charged to retained earnings.

(d) Stock options

The Corporation provides a stock option plan to key employees, officers and directors to encourage executives to acquire a meaningful equity ownership interest in the Corporation over a period of time and, as a result, reinforce executives' attention on the long-term interests of the Corporation and its shareholders. Under the plan, options to purchase Class A voting shares of the Corporation may be granted to key employees, officers and directors of the Corporation and its affiliates by the Board of Directors or by the Corporation's Compensation Committee. There are 1,240,300 options authorized under the plan. The term of each option is ten years; the vesting period is generally five years. The exercise price for options is the trading price of the Class A voting shares of the Corporation on The Toronto Stock Exchange on the day of the grant.

Details of stock options are as follows:

	2000		1999	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	1,144,800	\$ 6.36	1,013,400	\$ 6.07
Granted	40,000	5.49	307,000	7.30
Exercised	—	—	(100,600)	5.68
Forfeited	(75,000)	7.35	(75,000)	7.23
Outstanding, end of year	1,109,800	6.26	1,144,800	6.36
Exercisable, end of year	580,000	\$ 5.92	461,100	\$ 5.91

At December 31, 2000, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are as follows:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 4.00–6.20	530,800	5.5	\$ 5.13	382,300	\$ 5.21
7.00–8.75	579,000	7.8	7.30	197,700	7.30
4.00–8.75	1,109,800	6.7	6.26	580,000	5.92

Compensation expense related to stock options was nil for each of the years ended December 31, 2000, 1999 and 1998.

8. Cumulative translation adjustment

The cumulative translation adjustment represents the unrealized foreign currency translation loss on the Corporation's net investment in self-sustaining foreign operations in the United States arising from changes in the foreign exchange rate between the Canadian dollar and the United States dollar net of the translation gain or loss on the \$47.6 million (1999 – \$43.6 million) United States dollar denominated debt that is designated as a hedge to the foreign currency exposure generated by the self-sustaining foreign operations.

9. Segmented information

The Corporation's business operations are grouped into four operating segments. The Corporation's principal business is the Vitran Distribution System, which is comprised of less-than-truckload, truckload and logistics and intermodal segments, which provide transportation services in Canada and the United States. The Corporation also has an Environmental Services Group which operates in British Columbia, Canada.

Segmented information is presented below for each of the years ended December 31, 2000, 1999 and 1998:

Year ended December 31, 2000	Vitran Distribution System				Environmental services	Corporate office and other	Consolidated totals
	Less-than-truckload	Truckload	Logistics and intermodal	Total			
Revenue	\$ 376,058,245	\$ 47,649,935	\$ 57,280,051	\$ 480,988,231	\$ 27,486,010	\$ —	\$ 508,474,241
Operating, selling, general and administrative expenses	342,583,348	44,554,877	56,204,587	443,342,812	26,890,013	2,796,301	473,029,126
Income (loss) from operations before depreciation and amortization	33,474,897	3,095,058	1,075,464	37,645,419	595,997	(2,796,301)	35,445,115
Depreciation and amortization	10,810,732	1,003,273	413,049	12,227,054	690,884	144,082	13,062,020
Income (loss) from operations	\$ 22,664,165	\$ 2,091,785	\$ 662,415	\$ 25,418,365	\$ (94,887)	\$ (2,940,383)	22,383,095
Interest expense, net							(7,709,579)
Other items, net							(951,179)
Income taxes							(4,218,305)
Net income							\$ 9,504,032
Capital expenditures	\$ 7,603,996	\$ 116,931	\$ 417,041	\$ 8,137,968	\$ 2,717,550	\$ 43,893	\$ 10,899,411
Total assets (liabilities)	\$ 223,284,862	\$ 13,926,968	\$ 10,132,907	\$ 247,344,737	\$ 9,002,261	\$ (48,927,110)	\$ 207,419,888

Notes to Consolidated Financial Statements

Year ended December 31, 1999	Vitran Distribution System				Environmental services	Corporate office and other	Consolidated totals
	Less-than-truckload	Truckload	Logistics and intermodal	Total			
Revenue	\$ 346,770,657	\$ 49,538,921	\$ 66,800,433	\$ 463,110,011	\$ 16,670,325	\$ —	\$ 479,780,336
Operating, selling, general and administrative expenses	315,706,223	45,201,410	65,749,308	426,656,941	15,240,135	2,982,847	444,879,923
Income (loss) from operations before depreciation and amortization	31,064,434	4,337,511	1,051,125	36,453,070	1,430,190	(2,982,847)	34,900,413
Depreciation and amortization	11,279,795	1,065,404	387,278	12,732,477	351,830	121,575	13,205,882
Income (loss) from operations	\$ 19,784,639	\$ 3,272,107	\$ 663,847	\$ 23,720,593	\$ 1,078,360	\$ (3,104,422)	21,694,531
Interest expense, net							(7,757,479)
Other items, net							(240,840)
Income taxes							(4,270,266)
Net income							\$ 9,425,946
Capital expenditures	\$ 14,392,558	\$ 103,417	\$ 306,816	\$ 14,802,791	\$ 2,157,350	\$ 102,815	\$ 17,062,956
Total assets (liabilities)	\$ 217,641,703	\$ 13,991,848	\$ 9,599,439	\$ 241,232,990	\$ 6,036,347	\$ (43,534,406)	\$ 203,734,931

Year ended December 31, 1998	Vitran Distribution System				Environmental services	Corporate office and other	Consolidated totals
	Less-than-truckload	Truckload	Logistics and intermodal	Total			
Revenue	\$ 288,589,902	\$ 44,835,701	\$ 70,771,337	\$ 404,196,940	\$ 11,946,014	\$ —	\$ 416,142,954
Operating, selling, general and administrative expenses	262,529,360	41,056,446	69,250,996	372,836,802	11,296,445	3,007,101	387,140,348
Income (loss) from operations before depreciation and amortization	26,060,542	3,779,255	1,520,341	31,360,138	649,569	(3,007,101)	29,002,606
Depreciation and amortization	8,107,011	1,220,707	342,561	9,670,279	439,089	99,142	10,208,510
Income (loss) from operations	\$ 17,953,531	\$ 2,558,548	\$ 1,177,780	\$ 21,689,859	\$ 210,480	\$ (3,106,243)	18,794,096
Interest expense, net							(5,860,917)
Other items, net							(489,396)
Income taxes							(3,760,835)
Net income							\$ 8,682,948
Capital expenditures	\$ 8,557,152	\$ 27,049	\$ 1,129,784	\$ 9,713,985	\$ 445,655	\$ 110,046	\$ 10,269,686
Goodwill acquired	\$ 43,463,551	\$ —	\$ —	\$ 43,463,551	\$ —	\$ —	\$ 43,463,551
Total assets	\$ 165,241,538	\$ 21,365,478	\$ 15,980,591	\$ 202,587,607	\$ 2,811,212	\$ 2,862,600	\$ 208,261,419

10. Income taxes

Income tax expense differs from the amount which would be obtained by applying statutory federal and provincial income tax rates to the respective year's income before income taxes and minority interest as follows:

	2000	1999	1998
Effective statutory federal and provincial income tax rate	43.9%	44.6%	44.6%
Effective income tax expense on income before income taxes and minority interest	\$ 6,002,435	\$ 6,114,016	\$ 5,573,877
Increase (decrease) results from:			
Non-deductible depreciation and amortization	557,374	789,166	405,461
Deductible foreign exchange loss	(432,098)	—	—
Income taxed at different rates in foreign jurisdictions	(2,307,036)	(3,008,476)	(2,258,076)
Miscellaneous	397,630	375,560	39,573
Actual income tax expense	\$ 4,218,305	\$ 4,270,266	\$ 3,760,835

In December of 1997, the Accounting Standards Board of The Canadian Institute of Chartered Accountants ("CICA") issued section 3465 of the CICA Handbook, Income Taxes ("Section 3465"). Effective January 1, 2000, the Corporation adopted Section 3465. The change in the method of accounting for income taxes did not have an effect on the statement of retained earnings. Section 3465 requires a change from the deferred to the asset and liability method of accounting for taxes.

The Corporation has temporary differences associated with certain accrued balances and tax depreciation that are reduced by the recognition of the tax benefit of non-capital loss carryforwards of approximately \$4,600,000 (1999 – \$2,701,000) which give rise to the consolidated future income tax liability.

11. Financial instruments

The fair values of cash on deposit, accounts receivable, bank indebtedness and accounts payable approximate the carrying values because of the short-term nature of these instruments. The fair value of the Corporation's long-term debt, determined based on the future cash flows associated with each debt instrument discounted using an estimate of the Corporation's current borrowing rate for similar debt instruments of comparable maturity, is approximately equal to the carrying value at December 31, 2000.

12. Commitments

(a) Leases

At December 31, 2000, future minimum rental payments relating to operating leases for premises and equipment are as follows:

Year ending December 31:

2001	\$ 21,231,336
2002	18,011,986
2003	15,800,554
2004	13,113,350
2005	7,868,172
Thereafter	4,808,297
	\$ 80,833,695

(b) Other

At December 31, 2000, the Corporation has entered into commitments for the purchase of fixed assets in the forthcoming year at a total cost of approximately \$6,000,000.

13. Contingent liabilities

Litigation

There exist certain legal actions against the Corporation, none of which is expected to have a material adverse effect on the consolidated financial position or results of operations of the Corporation.

The Board of Directors of Vitran has the obligation to oversee the businesses of the Corporation and supervise senior management who have the responsibility to manage the business on a day to day basis.

The Board of Directors has delegated certain of its responsibilities to the Audit Committee, Capital Committee, and Compensation Committee with appropriate independent membership.

Vitran's Board of Directors and senior management consider good corporate governance as an important part of their mandate to maximize shareholder value. The system of corporate governance at Vitran reflects the nature of its businesses and organizational structure and is appropriately reviewed as the Company changes in size and scope. Additional commentary of the corporate governance practices of Vitran are contained in Vitran's Information Circular dated March 15, 2001.

Directors

Carl J. Cook
Decisions Resources LLC

G. Mark Curry
President
Revmar Inc.

Rick E. Gaetz
President & Chief Operating Officer
Distribution Systems
Vitran Corporation Inc.

Albert Gnat, Q.C.
Senior Partner
Lang Michener

Anthony F. Griffiths
Independent Consultant
and Corporate Director

Richard D. McGraw
President & Chief Executive Officer
Vitran Corporation Inc.

Graham W. Savage
Managing Director
Savage Walker Capital Inc.

Corporate Officers

Anthony F. Griffiths
Chairman

Albert Gnat, Q.C.
Vice Chairman

Richard D. McGraw
President & Chief Executive Officer

Rick E. Gaetz
President & Chief Operating Officer
Distribution Systems

Kevin A. Glass
Vice President Finance &
Chief Financial Officer

Corporate Executive Office

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United States LTL Office
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Fax: (317) 543-1230

United States Truckload Office
Frontier Transport Corporation
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Fax: (317) 634-0321

United States Intermodal Office
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U.S.A. 30188
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Environmental Services

ETL Recycling Services Inc.
12345-104th Avenue
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Canada V3V 3H2
Tel: (604) 589-4385
Fax: (604) 589-7833

Stock Exchange Listings

The Toronto Stock Exchange
Stock Symbol: VTN.A

The American Stock Exchange
Stock Symbol: VVN

Transfer Agent

Computershare Investor Services
100 University Avenue
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Toronto, Ontario
Canada M5J 2Y1
Tel: (416) 981-9766

Dividend Information

Paid semi-annually in June and December. The December 2000 dividend was \$0.035 per share.

Annual Meeting

The Annual Meeting of the Shareholders of Vitran Corporation Inc. will be held at the Royal York Hotel, 100 Front Street West, Toronto, Ontario in the Tudor Room on the main mezzanine floor at 4:30 p.m. on Thursday May 3, 2001.



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