VITRAN CORPORATION INC. | 2001 ANNUAL REPORT

SHARPENING OUR *focus*

Vitran Corporation

Sharpening the Focus of Every Aspect of Our Business

Vitran Corporation is a North American provider of freight services and distribution solutions to a wide variety of companies and industries. Vitran offers less-than-truckload (LTL) service throughout Canada and the United States utilizing its own infrastructure and exclusive partners. Vitran Logistics provides special distribution solutions that range from inventory consolidation to responsibility for the complete distribution function as well as highway and rail brokerage. Vitran also provides premium same-day and next-day Truckload (TL) services in the U.S. Midwest.

These services are provided by 3,000 employees and associates located at more than 100 facilities and offices in the United States and Canada. Vitran uses 5,700 pieces of equipment, including tractors, trailers, and containers, operated by 1,500 drivers and independent contractors.

IN SUMMARY, WE PROVIDE THE FOLLOWING SERVICES:

- Less-than-truckload (LTL)
- Logistics including Brokerage
- Truckload (TL)

Vitran is sharpening the focus of every aspect of its business to be the best-in-class provider, to drive value with every customer transaction and to add value for its shareholders.

HIGHLIGHTS 2001

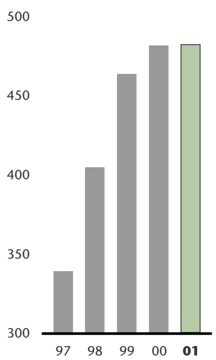
focus

- Increased the productivity of the U.S. LTL fleet with the acquisition of 1,000 new pup trailers
- Acquired the remaining 18% of publicly traded The Freight Connection (TFC) and privatized it
- Sold the environmental business to focus solely on transportation
- Improved cash position and strengthened the balance sheet
- Eliminated the dividend in support of capital expenditures

2001 Financial Highlights

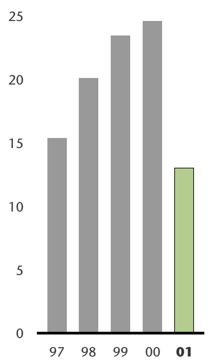
Amounts in thousands of Canadian dollars, except per share values	2001	2000	1999
Operating Results			
Revenue	$ 481,673	$ 480,988	$ 463,110
Income from continuing operations before depreciation expense	22,854	34,850	33,470
Net income from continuing operations	3,701	9,918	8,919
Cash from operations (before working capital changes)	15,957	22,414	19,978
Per Share			
Basic – continuing operations	$ 0.38	$ 1.00	$ 0.90
Diluted – continuing operations	0.38	1.00	0.87
Dividends	0.035	0.070	0.070
Financial Position			
Total assets	$ 209,364	$ 213,307	$ 203,973
Interest-bearing debt (net of cash)	66,760	75,393	83,590
Shareholders' equity	79,378	80,007	70,657

Revenue from Continuing Operations
dollars in millions



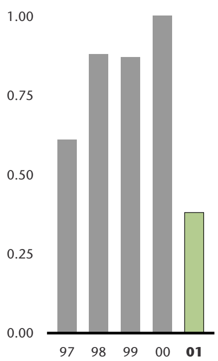
Revenue increased slightly in 2001 to $481.7 million from $481.0 in 2000.

Income from Continuing Operations
dollars in millions



Income from continuing operations declined to $13.0 million in 2001 from $24.6 million in 2000.

Earnings per Share
diluted – continuing operations
in dollars



Diluted earnings per share from continuing operations shrank to $0.38 in 2001 from $1.00 in 2000.

Letter to Shareholders

RICHARD D. MCGRAW
President and
Chief Executive Officer

ANTHONY F. GRIFFITHS
Chairman of the Board

Management took a number of initiatives to restore performance which improved results in the second half of the year and provided positive momentum going into 2002.

A number of important accomplishments were achieved in 2001, even though our record of annual improvements in financial results of the previous four years was not maintained. Management undertook several initiatives to restore historical performance and these measures improved results in the second half of the year which provided positive momentum going into 2002.

2001 FINANCIAL RESULTS

For continuing operations, revenue for 2001 was $481.7 million, similar to the $481.0 million recorded in 2000. Operating income from continuing operations was $13.0 million, down from $24.6 million in the previous year. Basic earnings per share from continuing operations was $0.38 versus the $1.00 earned in 2000. With the inclusion of financial write-downs from the discontinued non-core business, the Company reported a net loss of $1.9 million, or $0.19 per share. Most of our industry peers also reported significantly lower earnings for the year as a result of the poor economic environment and fallout following the tragic events of last September. Notwithstanding the performance of the industry, the Company's results were disappointing, and management made adjustments to many aspects of the business.

SHARPENING OUR FOCUS

Operations: The major reason for the underperformance in 2001 was that our U.S. less-than-truckload (LTL) operation was slow to react to the economic downturn that started late in 2000 and accelerated in the first quarter of 2001. Management and personnel changes were subsequently made in the second quarter to bring more focus to near-term profit expectations and productivity. Results improved significantly in the second half of 2001, and the organization finished the year confident about better performance in 2002.

Vitran's Canadian LTL operation, Vitran Logistics, and Truckload all responded well to very challenging market conditions and produced respectable results. Moving forward, the respective management teams are focused on increasing profitability assisted by new investment in information systems and other productivity initiatives.

Organizational Structure: To streamline our Logistics unit, we purchased the remaining shares that we did not own of publicly traded The Freight Connection, privatized the company and merged the unit with our Canadian operation. The resulting synergies and improved information systems are expected to strengthen performance from this business unit in 2002.

Balance Sheet: The focus in 2001 on enhancing our balance sheet resulted in significant improvements in cash conservation and lower debt. On similar revenues, accounts receivable aging improved and total receivables were reduced by 14.5% to $50.0 million. Interest-bearing debt net of cash on hand of $12.9 million was 11.5% lower than the 2000 year end. On October 31, 2001, Vitran's Board of Directors voted to eliminate the $0.07 annual dividend in support of capital expenditures and debt reduction.

Divestiture of Non-Core Assets: The Company was unable to realize a satisfactory return from capital investments in our non-core environmental business, and this resulted in a decision to divest ETL Environmental Technologies. The business was classified as discontinued at the end of the second quarter, and a provision of $4.1 million was made to cover the cost of disposition. As a consequence of this sale, Vitran reported a loss for the 2001 fiscal year. The sale of ETL was completed on January 2, 2002 and permits management to focus entirely on transportation and results in a financially stronger Company.

OUTLOOK

Management is determined to resume annual increases in earnings per share in 2002, despite the general uncertainty about the economic rebound. All aspects of the business will be continually reviewed with the objective of improving the operating ratio and achieving higher productivity and service levels. However, the adjustments made to date have already positioned the Company to take full advantage of the turnaround in the economy when it returns to a more robust condition.

Improved performance should ultimately be recognized by the market and result in a share price more reflective of the true value of the Company. Further initiatives will be undertaken during 2002 to communicate Vitran's progress and reveal its true value.

RECOGNITION

Vitran's accomplishments in 2001 in a very difficult operating environment resulted from the hard work and commitment by the more than 3,000 dedicated associates, employees and independent contractors. We thank them and encourage their continuing efforts. We are grateful to shareholders, customers and other stakeholders for their continued support.

RICHARD D. MCGRAW (signed)	**ANTHONY F. GRIFFITHS** (signed)
President and Chief Executive Officer	*Chairman of the Board*

Vitran Distribution System

Sharpening Our Focus by Removing Costs

VITRAN'S COMMITMENT TO ITS CUSTOMER BASE IS TO CONSISTENTLY PROVIDE THE MOST EFFICIENT DISTRIBUTION SOLUTIONS AVAILABLE. VITRAN'S SPECIFIC OFFERING INCLUDES BASIC AND EXPEDITED LTL SERVICE, SAME-DAY/NEXT-DAY TRUCKLOAD AND LOGISTICS.

FOCUSED ON REMOVING COST FROM THE CUSTOMER'S SUPPLY CHAIN Every company is attempting to reduce its operating expenses, especially in the current recessionary environment. Distribution expense is an obvious target because of its large proportion of overall cost. Accordingly, shippers are increasing their demands for more service at a lower cost, while at the same time reducing the number of providers that they deal with. Vitran is responding by increasing its investment in information systems that provide the shipper with a wealth of vital information on a real-time basis. Vitran has also continued to broaden its offering to include comprehensive logistics solutions, faster transit times and time-definite services. As a result shippers are able to achieve a greater range of cost-effective distribution solutions from Vitran.

FOCUSED ON REMOVING COST FROM VITRAN'S SYSTEM As a result of the economic slowdown, which began in the fourth quarter of 2000, the operating environment has been very challenging. Controlling and/or eliminating operating cost is a priority in order to provide competitively priced service products. The goal is to continually improve the efficiency and productivity of operations and administration. Some of the same information systems that are making a difference

Vitran's goal in 2002 is to generate revenue growth in all three of its business segments and deliver a significant improvement in operating income and cash flow.

RICK E. GAETZ
President and Chief Operating Officer
Vitran Distribution Systems

for Vitran's customers are allowing Vitran employees and associates to make day-to-day decisions sooner and therefore more effectively, and to increase utilization of the fleet. Centralized billing and the use of call centres have resulted in better planning and improved response times to customers. Expanding use of the Company's intranet has increased communication and put more information in the hands of associates so that they can work more productively. Vitran will continue to be relentless in attempting to lower its operating cost for the benefit of both the customers and shareholders.

OPPORTUNITY FOR VITRAN Vitran provides first-class service products and is well positioned to take advantage of the changes arising from increased shipper demands and consolidation in the industry. The market for freight services is over $50.0 billion a year, which provides enormous upside and potential for Vitran. There is ample opportunity for the Company to successfully differentiate itself from the competition and continue to grow by quality of service, transit times and creative distribution solutions. The focus in 2002 will be on exploiting the potential of our current markets and achieving targeted profitability without sacrificing the quality of our service product.

CONSOLIDATION IN THE TRANSPORTATION INDUSTRY As with most industries, there has been considerable consolidation in the surface transportation sector. Companies pursuing scale or geographic coverage have acquired competitors, and other companies have failed. In the LTL segment, Roadway Services acquired Arnold Industries as part of a strategy to establish a new division specializing in next-day service. Overnite acquired Motor Cargo to increase its coverage of western markets.

VITRAN EXPRESS IN THE U.S. dramatically improved the age and productivity of its trailing fleet with the acquisition of 1,000 new 28-foot pup trailers, equivalent to approximately 40% of its trailing capacity. The trailers are equipped with logistical bars that help to significantly increase the payload and loading quality.

The number of LTL providers is decreasing, and the barriers to entry are increasing with the growing sophistication of the business and expectations of shippers. Vitran is well positioned to take advantage of the opportunities that consolidation generates. Vitran has an excellent service product and a very focused management team. In combination with its exclusive partners, Vitran has complete geographic coverage of the United States and Canada and is in a position to continue its growth, particularly within the central states region.

Less-Than-Truckload

A Network of 69 Facilities Covering 21 States and 10 Provinces

LESS-THAN-TRUCKLOAD (LTL) SERVICE INVOLVES THE TRANSPORTATION OF SHIPMENTS AVERAGING 1,600 POUNDS. THE RESPONSIBILITY OF THE SERVICE PROVIDER IS TO FACILITATE THE SHIPMENT AS QUICKLY AS THE CUSTOMER EXPECTS AND DELIVER IT WITH COMPLETE INTEGRITY EVERY TIME. THE PRICE SHOULD BE COMPETITIVE, THE CUSTOMER WELL INFORMED OF ITS PROGRESS AND THE BILLING ACCURATE.

Consistently providing this type of service involves a strong commitment from all employees and associates in Canada and the United States who handle more than 2 million shipments a year. Shippers rely on Vitran to get their shipments to destination with 98% on-time accuracy regardless of whether it's a regular or expedited movement.

U.S. OPERATION Vitran's U.S. LTL operation, called Vitran Express, specializes in next-day delivery within a primary service of 19 states in the Midwest, and two- and three-day delivery throughout the rest of the country utilizing two exclusive partnerships.

The primary service area that stretches from the Dakotas to Pennsylvania and the Canadian border to Tennessee contains 54 service centres. These facilities are tied together with a computer network that processes valuable information critical to the provision of a reliable and consistent service. Every night approximately 5,500 shipments weighing 7.3 million pounds are processed through the system with 98% on-time accuracy. The standard service product is guaranteed to the customer's complete satisfaction. The expedited service called "Silver Service" is guaranteed time-definite on weekdays or weekends.

CANADIAN OPERATION Vitran's Canadian LTL operation provides next-day delivery on a regional basis, and national service with different transit times across all 10 provinces as well as Washington and Oregon on the West Coast. Vitran is one of the largest providers of LTL service in Canada and has a network of 15 terminals, mostly located in major metropolitan areas. Freight is moved over the road and intermodally via rail, depending on the distance to be travelled and the transit time. Similar to the U.S. operation, the facilities are linked to each other via computer to permit the tracking and tracing of freight movement by customers, which is very important the longer the distance the freight travels. The expedited service called "Maxximum Express" reduces transit time across Canada by as much as 40% using over-the-road driver teams.

CROSS-BORDER SERVICE Vitran has some of the best infrastructure available to provide cross-border LTL service to U.S. or Canadian customers. For instance, Vitran offers an overnight service from Chicago, Dayton and Toledo to Southwestern Ontario. The same southbound compares to two days from many other carriers.

EXCLUSIVE PARTNERSHIPS Vitran has two exclusive partnerships which allow it to provide quality service beyond its primary service area in the Midwestern part of the United States. Vitran has partnered with New England Motor Freight to cover the Northeastern states. An established partnership with SAIA was expanded recently to cover the balance of the country.

Our focus in 2002 will be to get more customers using our cross-border services which is one of the best of its kind available.

TONY TRICHILO
President
Canadian LTL Operations

Vitran Logistics

Individualized Customized Solutions

VITRAN LOGISTICS IS THE NON-ASSET BASED SEGMENT OF VITRAN'S BUSINESS THAT IS DEDICATED TO PROVIDING CUSTOMIZED LOGISTICAL AND TRANSPORTATION SOLUTIONS TO CLIENTS IN BOTH THE UNITED STATES AND CANADA.

LOGISTICS Whether a customer requires dedicated facilities to handle high volume distribution on a daily basis in support of a network of retail stores or the operation of a traditional warehouse in support of wholesale customers, Vitran Logistics can provide and is providing that type of custom logistic solution in both Canada and the United States. It can also undertake complete responsibility for the distribution function, including inbound logistics, vendor compliance, sorting, master bills of lading and transportation from dedicated facilities, and completely eliminate the requirement for distribution personnel. Vitran enables its clients to delegate the distribution responsibilities and concentrate on core competencies while enjoying complete visibility of the activity.

BROKERAGE Unique transportation solutions are provided daily, utilizing hundreds of carrier relationships and contracts with all the major North American railroads on a "one off" or regular basis. Business is conducted by executives in offices in Toronto, Atlanta and Los Angeles.

OUR NON-ASSET BASED SEGMENT has total flexibility to provide unique logistical solutions utilizing dedicated facilities and a complete range of surface transportation alternatives throughout North America. Functionality can range up to responsibility for a customer's complete distribution activity.

Our logistics and brokerage operations have been combined to form a stronger and more focused logistical service provider.

AL LEGER
President, Vitran Logistics

Truckload

Premium Same-Day/Next-Day Service

VITRAN PROVIDES A PREMIUM SHORTHAUL TRUCKLOAD SERVICE IN THE MIDWEST AND SOUTHEASTERN PARTS OF THE UNITED STATES UNDER THE NAME FRONTIER TRANSPORT. FULL LOAD SHIPMENTS ARE DELIVERED THE SAME DAY THEY ARE PICKED UP OR THE NEXT DAY ON BEHALF OF A WIDE VARIETY OF CUSTOMERS. THE SERVICE IS PROVIDED WITH OVER 1,000 TRAILERS AND 250 INDEPENDENT CONTRACTORS FROM FACILITIES IN INDIANAPOLIS, INDIANA, AND ATLANTA, GEORGIA.

VARIABLE COST STRUCTURE While Frontier maintains an investment in the trailing fleet, the trucks and labour are provided by independent contractors who are paid on a fee-for-service basis. This model allows management to match expense with activity and weather fluctuations in the economy.

INFORMATION SYSTEMS State-of-the-art information systems assist management in providing excellent service to customers and full utilization of the modern fleet. The system also creates very accurate activity profiles for the independent contractors and facilitates flexibility with their compensation programs. Transparency and timely information are very important in attracting and retaining good quality operators.

We are leveraging the power of our new information systems to exercise better control over our operations and improve the utilization of our fleet of trailers.

STEVE COOK
President, Frontier Transport

Management Discussion and Analysis

Consolidated Results

Safe Harbour Clause: Information in this Management Discussion and Analysis and Annual Report relating to projected growth, improvements in productivity and future results constitute forward-looking statements. Actual results in future periods may differ materially from the forward-looking statements because of a number of risks and uncertainties, including but not limited to economic factors, demand for the Company's services, fuel price fluctuations, the availability of employee drivers and independent contractors, risks associated with geographic expansion, capital requirements, claims exposure and insurance costs, competition and environmental hazards.

OVERVIEW The economic environment in 2001 was extremely challenging which had a negative impact on operating results, as it did with all of our major competitors. Management changes implemented during the second quarter to more aggressively deal with the economic downturn started to bear fruit later in the year and the Company finished 2001 with a stronger final quarter than in 2000.

Notwithstanding an extremely difficult economic environment, Vitran still generated strong cash flow during 2001 and reduced interest-bearing debt, net of cash, by 11.4% from $75.5 mil to $66.8 mil.

KEVIN GLASS
Vice President Finance and Chief Financial Officer

On a consolidated basis, our core transportation group generated profitable results and positive cash flow, albeit at levels less than in 2000. Revenue from continuing operations was slightly higher than in the prior year but increased operating costs resulted in a lower gross margin and operating income. On a net income basis the Company lost money for the year, but this was due to the write-off necessitated by disposing of the non-core Environmental Services Business.

FINANCIAL RESULTS Vitran's revenue from continuing operations of $481.7 million was in line with the prior year despite a slower economy and a tougher, more challenging operating environment. While overall tonnage from the Company's asset-based segments declined on a year-over-year basis, a stable pricing environment meant that our yield increased to offset the volume decrease.

Gross profit for the full year declined $9.1 million, or 11.1%, to $72.9 million. This resulted in a gross profit margin of 15.1% compared to 17.0% in 2000. Operating efficiencies achieved in the second half of the year resulted in a gross margin of 15.6% compared to 14.7% in the first half of the year.

Selling, general and administrative (SG&A) expenses increased $2.9 million, or 6.1%, to $50.0 million in 2001 compared to $47.1 million in 2000. The increase can be primarily attributed to reorganization expenses recorded during the year, the benefits of which started materializing in the latter part of 2001.

Income from continuing operations before depreciation expense declined to $22.9 million from $34.9 million in 2000. This decrease was driven by higher operating costs on a stable revenue base. Depreciation expense as a percentage of revenue was 2.0% for 2001 compared to 2.1% for 2000, representing a $0.4 million decrease. This decrease was due to the sale of redundant equipment as management focused on cost control and capital efficiency in the slowing economy. The consolidated operating ratio before goodwill amortization increased from 94.9% in 2000 to 97.3% in 2001.

Interest expense net of interest income was $5.9 million for 2001 compared to $7.2 million for 2000. The decline was the result of lower interest rates on the Company's floating rate debt.

Income taxes for the year were $0.2 million, resulting in an effective tax rate of 4.0% compared to 28.6% for 2000. This decrease was due to a greater percentage of the Company's income being earned in lower tax jurisdictions and non-taxable foreign exchange gains.

During the year the Company decided to divest the Environmental Services Business and provided for losses on disposition amounting to $4.1 million. This operation was not involved in the freight business and was considered non-core. On January 2, 2002 substantially all the capital assets of the business were sold for cash proceeds of $2.7 million. The loss from discontinued operation for 2001, including the provision for loss on disposition, was $5.6 million. In 2000 the Environmental Services Business had a net loss of $0.4 million.

Basic earnings from continuing operations before amortization expense was $0.59 per share for 2001 compared to $1.18 per share in 2000. As a result of the loss from discontinued non-core operations, the Company had a net loss of $0.19 per share basic compared to net income of $0.96 per share basic for 2000.

Management Discussion and Analysis

Segmented Results

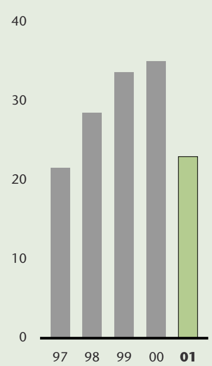
LESS-THAN-TRUCKLOAD (LTL) Notwithstanding the adverse economic conditions, the LTL segment generated revenue in 2001 of $375.6 million, which was in line with the $376.1 million recorded in 2000. Operating income declined by $10.6 million to $13.7 million in 2001 as a result of higher operating costs on a stable revenue base.

The Canadian LTL division maintained its reliable performance in 2001, increasing revenues 1.1% over 2000 revenues. Revenue per hundredweight increased 10.5% while tonnage and shipments declined 8.5% and 4.1% respectively, compared to the prior year. Operating costs at the Canadian LTL unit were higher on a year-over-year basis primarily due to increased linehaul costs.

Revenue at the U.S. LTL business declined 0.9% in 2001 compared to 2000. Revenue per hundredweight increased 0.8% while tonnage and shipments declined 5.7% and 4.6% compared to 2000. Operating income declined 67.0% for the full year compared with fiscal 2000; however, year-over-year the decline in the second half of the year was only 24.0% as a result of management and operational changes. A realigned management structure and cost controls reduced SG&A expenses, but the most important gains were made in reducing terminal, dock and cartage costs, where management focus significantly reduced salaries and wages on a per-shipment basis.

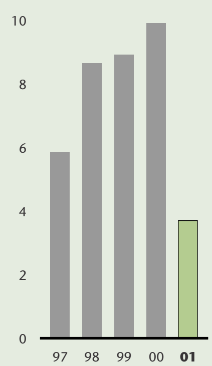
TRUCKLOAD (TL) Revenue for the TL segment increased in 2001 by 3.7% to $49.4 million from $47.7 million recorded in 2000. The TL segment had a disappointing year at the operating income line as results decreased from $2.4 million in 2000 to $1.5 million in 2001. A significant portion of the decline can be attributed to an increase in insurance and contract hauling costs.

Income from Continuing Operations before Depreciation
dollars in millions



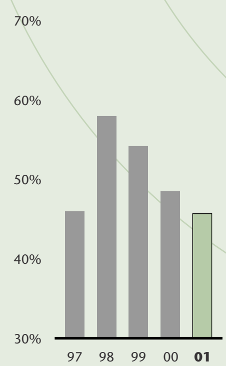
Operating income before depreciation decreased to $22.9 million from $34.9 million in 2000.

Net Income from Continuing Operations
dollars in millions



Net income from continuing operations fell to $3.7 million in 2001 from $9.9 million in 2000.

Debt to Total Capital



Interest-bearing debt, less cash on hand, to total capital decreased to 45.7% in 2001 from 48.5% in 2000.

LOGISTICS Revenues for the Logistics segment, including Brokerage, were down 1.0% to $56.7 million from $57.3 million in 2000. The Logistics business unit recorded its third consecutive year of record-setting revenue and operating income as a result of a significant increase in activity. However, these gains were more than offset by shortfalls in the Intermodal and Highway Brokerage business. During the year Vitran purchased the remaining shares of The Freight Connection that it did not already own and privatized the public company so that it could be integrated with Vitran Logistics. This initiative, along with other changes, is expected to improve operating results in 2002.

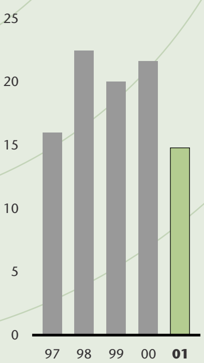
GENERAL RISKS AND UNCERTAINTIES The Company is exposed to a number of general risks and uncertainties that could impact the results.

The nature of the Company's business means that it is sensitive to general economic conditions, although this response 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 is 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, 2001, 58.2% of debt was at fixed exchange rates, mitigating the exposure of the Company's earnings to fluctuations in variable interest rates. Furthermore, the $45.8 million of U.S. denominated debt acts as a hedge against the foreign currency exposure generated by the Company's U.S. operations.

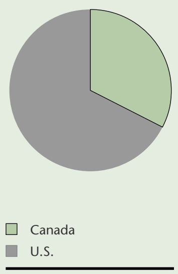
OUTLOOK The Company is committed to re-establishing its record year-over-year increase in earnings per share by adhering to its long-term strategy of developing a flexible variable cost structure within a comprehensive North American distribution system. With the divestiture of the environmental business, the focus of the company and its management is solely transportation. Management has acted on cost-reduction and productivity-enhancement programs throughout the North American LTL system. The new management structure at U.S. LTL is

Cash Flow from Continuing Operations
dollars in millions



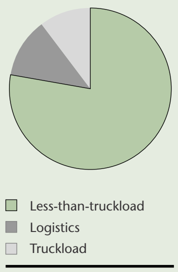
Cash flow from continuing operations before working capital changes remained strong in 2001 at $14.8 million.

U.S./Canada Transportation Revenues



67% of Vitran's transportation revenues are generated in the United States while 33% are generated in Canada.

Transportation Revenues



Vitran's LTL division revenues represent 78% of transportation revenues,while Logistics & Truckload are 12% and 10% respectively.

focused and committed to maintain the momentum that was reached in the second half of 2001 and to report improved performance in 2002.

The TL segment completed the installation of its new operating system and it is providing valuable operating information that will allow management to realize operating efficiencies in 2002.

Management Discussion and Analysis

The Logistics and Brokerage segment has a common management team focused on eliminating operating redundancies, combining administrative processes and enhancing information systems to improve performance in 2002.

It is uncertain at this time whether there will be a rebound in the North American economy in 2002. As a result, the current fiscal year will likely be challenging but management is very focused on restoring profitability to historical levels and will continue to make any adjustments required in support of that objective.

LIQUIDITY AND CAPITAL RESOURCES While the economic environment was very difficult in 2001 and presented a number of operating challenges, the Company continued to generate solid cash flow and improve liquidity and capital resources.

Cash flow from continuing operations before working capital changes for the year was $16.0 million compared to $22.4 million in 2000. There was a reduction of $1.1 million in non-cash working capital in 2001 driven by Vitran's continued effort to improve its collection of accounts receivable, which improved by $8.5 million over 2000. This was offset by higher inventory, deposits and prepaid balances of $2.0 million, and lower taxes and accounts payable of $2.0 million and $3.3 million respectively.

Interest-bearing debt, net of cash on hand of $12.9 million, decreased to $66.8 million in 2001 from $75.4 million at the end of 2000. The interest-bearing debt is comprised of a $4.9 million draw from an operating facility, US$38.1 million and CDN$4.0 million drawn under the term facility, US$5.7 million of Senior Note borrowings and other debt of $0.9 million. Interest-bearing debt, net of cash on hand, as a percentage of total capital decreased from 48.6% in 2000 to 45.7% in 2001. During the year, the Company repaid US$5.6 million of the Senior Notes using a combination of our existing credit facilities and cash on hand.

Capital expenditures for the year amounted to $5.6 million compared to $8.2 million in 2000. $2.5 million was used in leasehold improvements and building construction while the remaining $3.1 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, is sufficient to fund operating and capital requirements in 2002, as well as service principal debt repayment requirements of $11.0 million.

FUTURE ACCOUNTING CHANGE The Canadian Institute of Chartered Accountants has issued a new accounting standard for goodwill and other intangible assets that is effective for fiscal year 2002. Under this new standard, amortization of goodwill is no longer permitted, but the carrying value is subject to a modified test to determine if there is permanent impairment. A goodwill impairment loss would be recognized if the fair value of the goodwill of a reporting unit is less than its carrying amount. An initial impairment test is required within the first six months of adoption. If any potential impairment is indicated, then it should be quantified based upon the fair value of the assets and liabilities of the reporting unit and, if necessary, recognized by the end of fiscal year 2002 as a charge to opening retained earnings. The Company has not completed its evaluation of the impact of the new standard.

Management's Responsibility for Financial Reporting

Year ended December 31, 2001 compared to the year ended December 31, 2000

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, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2001. These financial statements are the responsibility of the Company'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 Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

Chartered Accountant (signed)
Mississauga, Canada
February 8, 2002

Consolidated Balance Sheets

Amounts in thousands of Canadian dollars

December 31, 2001 and 2000	**2001**	2000
ASSETS		
Current assets:		
Cash (note 3)	$ 12,879	$ 4,881
Accounts receivable	49,999	58,450
Net assets of discontinued operations (note 2)	3,000	–
Inventory, deposits and prepaid expenses	8,702	6,727
Income taxes recoverable	4,505	688
Future income tax assets (note 6)	4,597	4,125
	83,682	74,871
Net assets of discontinued operations (note 2)	–	6,349
Capital assets (note 4)	51,021	59,132
Goodwill, net of accumulated amortization of $14,498 (2000 – $11,541)	74,661	72,955
	$ 209,364	$ 213,307
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Revolving credit facility (note 3)	$ 4,936	$ 7,676
Accounts payable and accrued liabilities	40,083	43,428
Income and other taxes payable	4,527	2,728
Current portion of long-term debt (note 5)	10,970	12,106
	60,516	65,938
Long-term debt (note 5)	63,733	60,492
Future income tax liabilities (note 6)	5,737	6,274
Minority interest	–	596
Shareholders' equity:		
Capital stock (note 7)	38,794	38,837
Retained earnings	39,204	41,463
Cumulative translation adjustment (note 8)	1,380	(293)
	79,378	80,007
	$ 209,364	$ 213,307

Commitments (note 12)
Contingent liabilities (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director (signed)　　　Director (signed)

Consolidated Statements of Income

Amounts in thousands of Canadian dollars, except per share amounts

Years ended December 31, 2001, 2000 and 1999	**2001**	2000	1999
Revenue	$ 481,673	$ 480,988	$ 463,110
Operating expenses	408,808	399,006	381,418
Gross profit	72,865	81,982	81,692
Selling, general and administrative expenses	50,011	47,132	48,222
Income from continuing operations before depreciation	22,854	34,850	33,470
Depreciation	9,852	10,276	10,032
Income from continuing operations before the undernoted	13,002	24,574	23,438
Interest on long-term debt	(6,181)	(7,510)	(7,683)
Interest income	240	280	196
Loss on sale of fixed assets	(1,160)	(1,002)	(263)
	(7,101)	(8,232)	(7,750)
Income from continuing operations before income taxes, minority interest and amortization of goodwill	5,901	16,342	15,688
Income taxes (recovery) (note 6):			
Current	1,247	5,484	6,282
Future	(1,009)	(813)	(2,048)
	238	4,671	4,234
Income from continuing operations before minority interest and amortization of goodwill	5,663	11,671	11,454
Minority interest	132	49	(6)
Income from continuing operations before amortization of goodwill	5,795	11,720	11,448
Amortization of goodwill, net of income taxes of $291 (2000 – $278; 1999 – $277)	2,094	1,802	2,529
Net income from continuing operations	3,701	9,918	8,919
Net income (loss) from discontinued operations (note 2)	(5,614)	(414)	507
Net income (loss)	$ (1,913)	$ 9,504	$ 9,426
Earnings (loss) per share:			
Basic – continuing operations before amortization of goodwill	$ 0.59	$ 1.18	$ 1.15
Basic – continuing operations	0.38	1.00	0.90
Basic – discontinued operations	(0.57)	(0.04)	0.05
Basic – net income (loss)	(0.19)	0.96	0.95
Diluted – continuing operations before amortization of goodwill	0.59	1.18	1.12
Diluted – continuing operations	0.38	1.00	0.87
Diluted – discontinued operations	(0.57)	(0.04)	0.05
Diluted – net income (loss)	(0.19)	0.96	0.92
Weighted average number of shares:			
Weighted average number of shares outstanding:	9,859,296	9,894,727	9,919,209
Potential exercise of options	–	–	272,670
Diluted shares	9,859,296	9,894,727	10,191,879

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Amounts in thousands of Canadian dollars

Years ended December 31, 2001, 2000 and 1999	**2001**	2000	1999
Retained earnings, beginning of year	$ 41,463	$ 32,873	$ 24,190
Net income (loss)	(1,913)	9,504	9,426
	39,550	42,377	33,616
Dividends – $0.035 per share (2000 and 1999 $0.07 per share)	(346)	(694)	(695)
Cost of repurchase of Class A voting shares in excess of book value	–	(220)	(48)
Retained earnings, end of year	$ 39,204	$ 41,463	$ 32,873

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Amounts in thousands of Canadian dollars

Years ended December 31, 2001, 2000 and 1999	**2001**	2000	1999
Cash provided by (used in):			
Operations:			
Net income from continuing operations	$ 3,701	$ 9,918	$ 8,919
Items not involving cash from operations:			
Depreciation and amortization	12,237	12,356	12,838
Future income taxes	(1,009)	(813)	(2,048)
Loss on sale of fixed assets	1,160	1,002	263
Minority interest	(132)	(49)	6
	15,957	22,414	19,978
Change in non-cash working capital components	1,113	254	(6,543)
	17,070	22,668	13,435
Investments:			
Purchase of capital assets	(5,613)	(8,181)	(14,883)
Proceeds on sale of capital assets	4,667	779	4,480
	(946)	(7,402)	(10,403)
Financing:			
Change in revolving credit facility	(2,740)	2,077	5,599
Repayment of long-term debt	(8,826)	(40,235)	(39,878)
Issue of long-term debt	7,186	28,422	30,730
Dividends	(346)	(694)	(695)
Issue of Class A voting shares	–	39	645
Repurchase of Class A voting shares	(43)	(693)	(107)
	(4,769)	(11,084)	(3,706)
Cash used in discontinued operations (note 2)	(2,265)	(3,091)	(528)
Effect of translation adjustment on cash	(1,092)	677	(649)
Increase (decrease) in cash and cash equivalents	7,998	1,768	(1,851)
Cash and cash equivalents, beginning of year	4,881	3,113	4,964
Cash and cash equivalents, end of year	$ 12,879	$ 4,881	$ 3,113
Change in non-cash working capital components:			
Accounts receivable	$ 8,451	$ (656)	$ (6,819)
Inventory, deposits and prepaid expenses	(1,975)	(1,816)	(357)
Income and other taxes recoverable/payable	(2,018)	1,012	214
Accounts payable and accrued liabilities	(3,345)	1,714	419
	$ 1,113	$ 254	$ (6,543)
Supplemental cash flow information:			
Cash paid for:			
Interest	$ 6,873	$ 6,655	$ 7,922
Taxes	4,348	4,775	5,474

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 Company and its subsidiary companies, all of which are wholly 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 Company's less-than-truckload and truckload 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.

(c) Inventory

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

(d) Capital assets

Capital assets are recorded at cost. Depreciation and amortization of capital 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 Company 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 Company 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. Certain of the Company'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 gains and losses are also accumulated in the separate component of shareholders' equity.

In respect to other transactions denominated in a foreign currency, the monetary assets and liabilities of the Company 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 or losses resulting from these other transactions are recognized currently in income.

(g) Income taxes

The Company 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 Company 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.

(j) Earnings (loss) per share

Effective January 1, 2001, the Company adopted the revised CICA accounting standard for determining earnings per share. The treasury stock method has been used for calculating diluted earnings (loss) per share in 2001 and the Company restated comparative diluted per share amounts.

Diluted income (loss) per common share reflects the potential diluted effect of stock options under the Company's stock option plan assuming that the proceeds are used to purchase common shares at the average market price during the year.

2. Acquisitions and divestitures

The Freight Connection Inc.

During the third quarter, the Company acquired the remaining 18.9% of the voting shares of The Freight Connection Inc. ("TFC"). There was no goodwill recorded on the transaction. Subsequent to the purchase of shares, the Company delisted and restructured TFC as a private company.

Environmental Services Group

On May 15, 2001, the Company determined that it planned to divest its Environmental Services Business. Effective January 2, 2002, the Company sold substantially all the capital assets of the Discontinued Business to Metro Waste Paper Recovery Inc. for cash proceeds of $2.7 million. A provision for the loss on sale of the Discontinued Business has been recorded, to account for the sale of capital assets and estimated realizable value of the remaining assets and liabilities.

As a result of the plan of disposal, the results of operations for the Discontinued Business have been reported as discontinued operations and previously reported financial statements have been restated. Interest has been allocated to the Discontinued Business based on the debt directly attributable to the business and for debt not directly attributable to the business based on its share of the Company's net assets. Income taxes have been allocated based on the effective tax rate of the discontinued operation.

Notes to Consolidated Financial Statements

Tabular amounts in thousands of Canadian dollars, years ended December 31, 2001, 2000 and 1999

The summarized statement of operations for the Discontinued Business is as follows:

	2001	2000	1999
Revenue	$ 19,687	$ 27,486	$ 16,670
Income (loss) from operations	$ (2,097)	$ (110)	$ 1,063
Interest expense	564	480	271
Other income (loss)	(85)	1	29
Income (loss) before income taxes	(2,746)	(589)	821
Income taxes (recovery)	(1,182)	(175)	314
Income (loss) before provision for loss on sale of discontinued operations	(1,564)	(414)	507
Provision for loss on sale of discontinued operations	(4,050)	–	–
Net income (loss) from discontinued operations	$ (5,614)	$ (414)	$ 507

The summarized balance sheet for the Discontinued Business is as follows:

	2001	2000
Current assets	$ 2,785	$ 4,173
Capital assets	3,661	4,402
Goodwill	848	892
Future income taxes	1,282	100
	8,576	9,567
Current liabilities	2,273	3,188
Non-current liabilities	1	30
Net assets of discontinued operations before provision	6,302	6,349
Provision for exit costs and loss on discontinued business	(3,302)	–
Net assets of discontinued operations	$ 3,000	$ 6,349

Cash provided by (used in) discontinued operations is as follows:

	2001	2000	1999
Operating activities	$ (1,934)	$ (459)	$ 1,344
Investing activities	(257)	(2,689)	(1,862)
Financing activities	(74)	57	(10)
Cash used for discontinued operations	$ (2,265)	$ (3,091)	$ (528)

3. Cash and revolving credit facility

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2001, the Company had $1.0 million on deposit to cover foreign currency fluctuations on the non-revolving credit facility.

At December 31, 2001, the Company had a $10 million revolving credit facility, which may be drawn in the form of Bankers' Acceptances, Prime Rate Loans, BA Rate Loans, Based Rate Canada Loans and LIBOR Loans, each subject to specific provisions. The facility is secured by general security agreements on the assets of certain subsidiary companies and incurs interest charges at rates between 4.86% and 5.25%.

4. Capital assets

	2001	2000
Land	$ 8,318	$ 9,169
Buildings	28,482	25,530
Leasehold interests and improvements	2,654	2,548
Vehicles	33,199	40,442
Machinery and equipment	21,542	20,603
	94,195	98,292
Less accumulated depreciation and amortization	43,174	39,160
	$ 51,021	$ 59,132

Tabular amounts in thousands of Canadian dollars, years ended December 31, 2001, 2000 and 1999

5. Long-term debt

	2001	2000
(a) Guaranteed Senior Notes, due 2002	$ 9,079	$ 16,944
(b) Term bank credit facility	64,685	54,432
(c) Mortgages payable	939	1,222
	74,703	72,598
Less current portion of long-term debt	10,970	12,106
	$ 63,733	$ 60,492

(a) The Guaranteed Senior Notes due 2002 (the "Senior Notes") bear interest at 9.04% per annum payable quarterly. During 2001, US$5.6 million (2000 – US$22.45 million; 1999 – US$5.65 million) of the Senior Notes was repaid in accordance with the terms. The remaining principal balance of the Senior Notes at December 31, 2001 is US$5.7 million which is required to be repaid during 2002.

The Senior Notes are secured obligations of a subsidiary company and are guaranteed by the Company and certain other subsidiary companies. The Senior Notes are secured by accounts receivable and general security agreements of the Company 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 term bank credit facility is secured by accounts receivable and general security agreements of the Company and of all its Canadian subsidiaries and is guaranteed by the Company and certain other subsidiaries.

At December 31, 2001, $4.0 million of Canadian dollar denominated borrowings bearing interest at 5.43% and US$38.1 million (2000 – US$36.3 million) of foreign currency denominated borrowings bearing interest at LIBOR plus 2.75% were drawn under this facility. The agreement requires 2.5% of the total principal to be repaid in 2002, with quarterly payments increasing annually to January 31, 2006. The provisions of the term facility impose certain maintenance tests.

(c) 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, 2001, mortgages include US$589,000 of foreign currency denominated borrowings (2000 – US$815,000).

At December 31, 2001, the required future principal repayments on all long-term debt are as follows:

Year ending December 31

2002	$ 10,970
2003	11,010
2004	19,610
2005	24,305
2006	8,528
Thereafter	280
	$ 74,703

6. 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 from continuing operations before income taxes, minority interest and amortization of goodwill as follows:

	2001	2000	1999
Effective statutory federal and provincial income tax rate	41.75%	43.9%	44.6%
Effective tax expense on income before income taxes and minority interest	$ 2,435	$ 7,106	$ 6,757
Increase (decrease) results from:			
Capital losses on asset disposition	234	–	–
Non-taxable foreign exchange gain	(428)	–	–
Deductible foreign exchange loss	(88)	(432)	–
Income taxes at different rates in foreign jurisdictions	(2,538)	(2,400)	(2,899)
Effect of tax rate changes on loss carryforwards	396	–	–
Other	227	397	376
Actual income tax expense	$ 238	$ 4,671	$ 4,234

A summary of the principal components of future income tax assets and liabilities is as follows:

	2001	2000
Future income tax assets:		
Losses carried forward	$ 1,741	$ 1,609
Allowance for doubtful accounts	1,053	249
Insurance reserves	1,389	1,185
Other	414	1,082
	$ 4,597	$ 4,125
Future income tax liabilities:		
Capital assets	$ 2,653	$ 3,904
Goodwill amortization	2,689	2,134
Other	395	236
	$ 5,737	$ 6,274

The Company has Canadian non-capital tax loss carryforwards of approximately $5.3 million (2000 – $4.6 million) expiring over the next seven years and for which the tax benefit has been recognized as set out above.

Tabular amounts in thousands of Canadian dollars, years ended December 31, 2001, 2000 and 1999

7. Capital stock

(a) Authorized

The Company'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

	2001		2000	
Class A voting shares	Number	Amount	Number	Amount
Balance, beginning of year	9,859,778	$ 38,837	9,973,565	$ 39,271
Shares repurchased for cancellation	(12,500)	(43)	(120,100)	(473)
Shares issued from treasury	–	–	6,313	39
Balance, end of year	9,847,278	$ 38,794	9,859,778	$ 38,837

(c) Normal course issuer bid

The Company repurchased for cancellation 12,500 Class A voting shares during 2001 (2000 – 120,100) under a normal course issuer bid, at a total cost of $43,000 (2000 – $693,000). The cost of the repurchase in 2001 was not in excess of the book value of the shares. In 2000, an excess over the book value of the shares of $220,000 was charged to retained earnings.

(d) Stock options

The Company provides a stock option plan to key employees, officers and directors to encourage executives to acquire a meaningful equity ownership interest in the Company over a period of time and, as a result, reinforce executives' attention on the long-term interest of the Company and its shareholders. Under the plan, options to purchase Class A voting shares of the Company may be granted to key employees, officers and directors of the Company and its affiliates by the Board of Directors or by the Company'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 Company on The Toronto Stock Exchange on the day of the grant.

Details of stock options are as follows:

	2001		2000	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	1,109,800	$ 6.26	1,144,800	$ 6.36
Granted	100,000	4.28	40,000	5.49
Forfeited	(160,000)	6.33	(75,000)	7.35
Outstanding, end of year	1,049,800	6.08	1,109,800	6.26
Exercisable, end of year	698,960	$ 6.01	580,000	$ 5.92

At December 31, 2001, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$4.00–6.20	575,800	5.25	\$ 5.06	448,460	\$ 5.28
\$7.00–8.75	474,000	6.88	7.31	250,500	7.32
\$4.00–8.75	1,049,800	5.98	6.08	698,960	6.01

Compensation expense related to stock options was nil for each of the years ended December 31, 2001, 2000 and 1999.

8. Cumulative translation adjustment

The cumulative translation adjustment represents the unrealized foreign currency translation gain on the Company'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 $45.8 million (2000 – $47.6 million) United States dollar denominated debt that is designated as a hedge to the foreign currency exposure generated by the self-sustaining foreign operations.

Tabular amounts in thousands of Canadian dollars, years ended December 31, 2001, 2000 and 1999

9. Segmented information

The Company's business operations are grouped into three operating segments. The Company's principal business is the Vitran Distribution System, which is comprised of less-than-truckload, logistics, and truckload which provide transportation services in Canada and the United States.

Segmented information is presented below for each of the years ended December 31, 2001, 2000 and 1999:

	Vitran Distribution System					
Year ended December 31, 2001	Less-than-truckload	Logistics	Truckload	Total	Corporate office and other	Consolidated totals
Revenue	$ 375,551	$ 56,688	$ 49,434	$ 481,673	$ –	$ 481,673
Operating, selling, general and administrative expenses	353,094	56,215	47,276	456,585	2,234	458,819
Income (loss) from operations before depreciation	22,457	473	2,158	25,088	(2,234)	22,854
Depreciation	8,755	371	641	9,767	85	9,852
Income (loss) from operations	$ 13,702	$ 102	$ 1,517	$ 15,321	$ (2,319)	13,002
Interest expense, net						(5,941)
Other items, net						(1,028)
Income taxes						(238)
Income from continuing operations before amortization of goodwill						5,795
Amortization of goodwill						(2,094)
Income from continuing operations						3,701
Loss from discontinued operations						(5,614)
Loss for the year						$ (1,913)
Capital expenditures	$ 4,725	$ 609	$ 192	$ 5,190	$ 87	$ 5,613
Total assets (liabilities) of continuing operations	$ 174,202	$ 12,902	$ 21,161	$ 208,265	$ (1,901)	$ 206,364
Net assets of discontinued operations						3,000
Total assets						$ 209,364

Year ended December 31, 2000	Less-than-truckload	Logistics	Truckload	Total	Corporate office and other	Consolidated totals
	Vitran Distribution System					
Revenue	$ 376,058	$ 57,280	$ 47,650	$ 480,988	$ –	$ 480,988
Operating, selling, general and administrative expenses	342,583	56,205	44,554	443,342	2,796	446,138
Income (loss) from operations before depreciation	33,475	1,075	3,096	37,646	(2,796)	34,850
Depreciation	9,159	348	688	10,195	81	10,276
Income (loss) from operations	$ 24,316	$ 727	$ 2,408	$ 27,451	$ (2,877)	24,574
Interest expense, net						(7,230)
Other items, net						(953)
Income taxes						(4,671)
Income from continuing operations before amortization of goodwill						11,720
Amortization of goodwill						(1,802)
Income from continuing operations						9,918
Loss from discontinued operations						(414)
Net income						$ 9,504
Capital expenditures	$ 7,604	$ 417	$ 117	$ 8,138	$ 43	$ 8,181
Total assets of continuing operations	$ 166,582	$ 14,706	$ 20,688	$ 201,976	$ 4,982	$ 206,958
Net assets of discontinued operations						6,349
Total assets						$ 213,307

Notes to Consolidated Financial Statements

Tabular amounts in thousands of Canadian dollars, years ended December 31, 2001, 2000 and 1999

Year ended December 31, 1999	Vitran Distribution System Less-than-truckload	Logistics	Truckload	Total	Corporate office and other	Consolidated totals
Revenue	$ 346,771	$ 66,800	$ 49,539	$ 463,110	$ –	$ 463,110
Operating, selling, general and administrative expenses	315,707	65,749	45,201	426,657	2,983	429,640
Income (loss) from operations before depreciation	31,064	1,051	4,338	36,453	(2,983)	33,470
Depreciation	8,902	322	750	9,974	58	10,032
Income (loss) from operations	$ 22,162	$ 729	$ 3,588	$ 26,479	$ (3,041)	23,438
Interest expense, net						(7,487)
Other items, net						(269)
Income taxes						(4,234)
Income from continuing operations before amortization of goodwill						11,448
Amortization of goodwill						(2,529)
Income from continuing operations						8,919
Income from discontinued operations						507
Net income						$ 9,426
Capital expenditures	$ 14,393	$ 307	$ 103	$ 14,803	$ 80	$ 14,883
Total assets of continuing operations	$ 163,519	$ 12,460	$ 20,495	$ 196,474	$ 3,855	$ 200,329
Net assets of discontinued operations						3,644
Total assets						$ 203,973

Geographic information for revenue and total assets is as follows:

	2001	2000	1999
Revenue:			
Canada	$ 157,098	$ 153,682	$ 152,469
United States	324,575	327,306	310,641
	$ 481,673	$ 480,988	$ 463,110
Total assets:			
Canada	$ 60,746	$ 61,745	
United States	148,618	151,562	
	$ 209,364	$ 213,307	

10. Derivative financial instruments

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

	Notional amount	Fixed interest rate	Maturity
Interest rate swap	US$21,000	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, 2001.

The fair value of the derivative instrument represents an approximation of amounts the Company would have paid to or received from counterparties to unwind its positions prior to maturity. At December 31, 2001, the Company's fair value obligation for the interest rate swap is $2.4 million. The Company has no plans to unwind this position prior to maturity.

11. Financial instruments

The fair values of cash on deposit, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate the carrying values because of the short-term nature of these instruments. The fair value of the Company's long-term debt, determined based on the future cash flows associated with each debt instrument discounted using an estimate of the Company's current borrowing rate for similar debt instruments of comparable maturity, is approximately equal to the carrying value at December 31, 2001.

12. Commitments

(a) Leases

At December 31, 2001, future minimum rental payments relating to operating leases for premises and equipment are as follows:

Year ending December 31:	
2002	$ 22,881
2003	19,935
2004	17,217
2005	10,995
2006	6,233
Thereafter	12,474
	$ 89,735

(b) The U.S. less-than-truckload business unit has entered into an agreement for rental of up to 700 trailers, the cost of which is determined monthly based on trailers in service. The agreement contains cancellation penalty provisions subject to a maximum of US$2,500 per trailer at the time of cancellation.

13. Contingent liabilities

Litigation

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

14. Comparative figures

Certain of the 2000 and 1999 figures presented for comparative purposes have been reclassified to conform with the presentation adopted for 2001.

Corporate Governance

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 14, 2002.

DIRECTORS

CARL J. COOK
Decisions Inc. L.L.C.

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
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

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CANADIAN/UNITED STATES

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CORPORATE EXECUTIVE OFFICE

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Website: www.vitran.com

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 2, 2002.

TRANSFER AGENT

Computershare Investor Services
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STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange
Stock Symbol: VTN.A
The American Stock Exchange
Stock Symbol: VVN

Design: Bryan Mills Group, Toronto

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