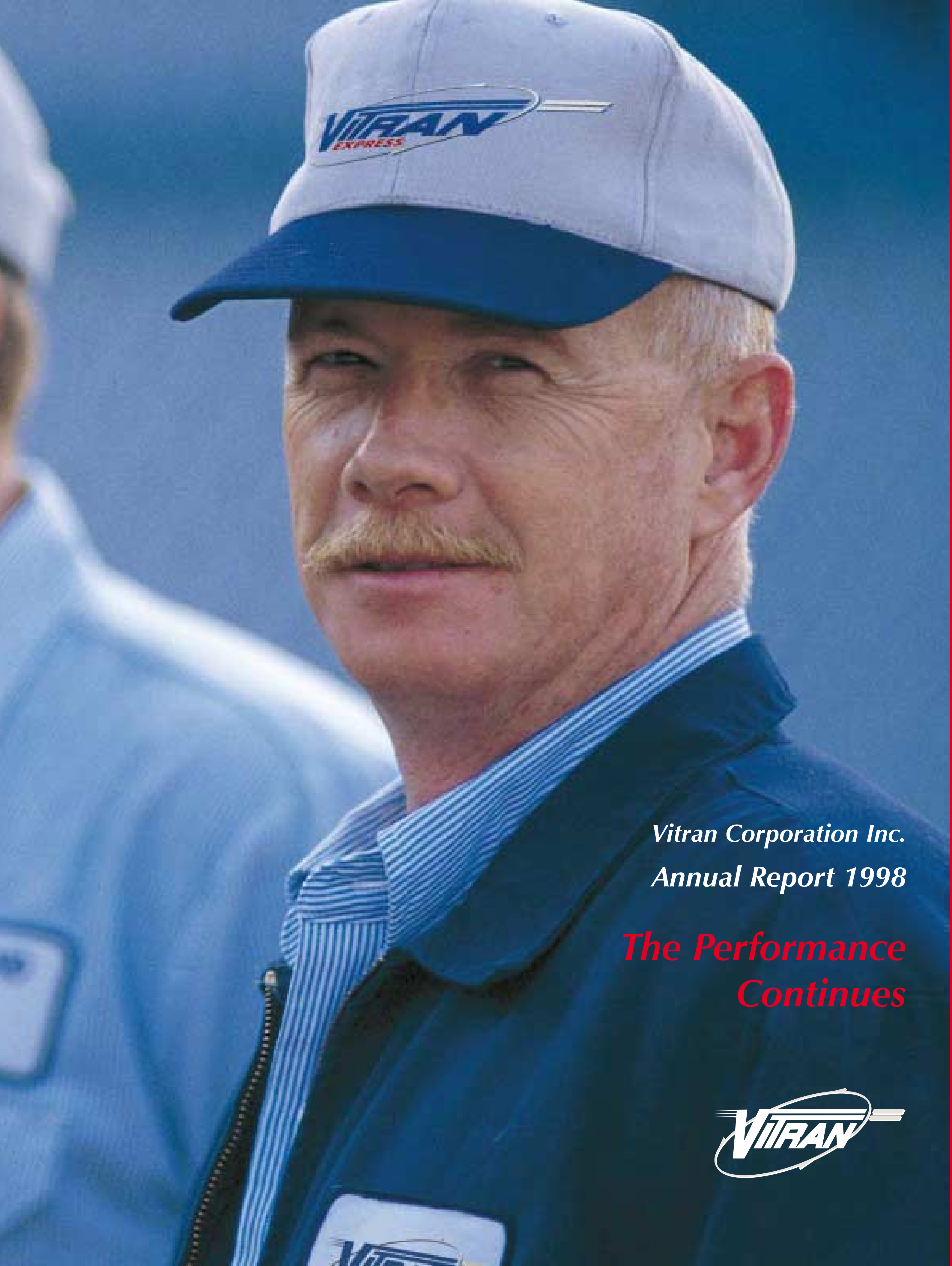
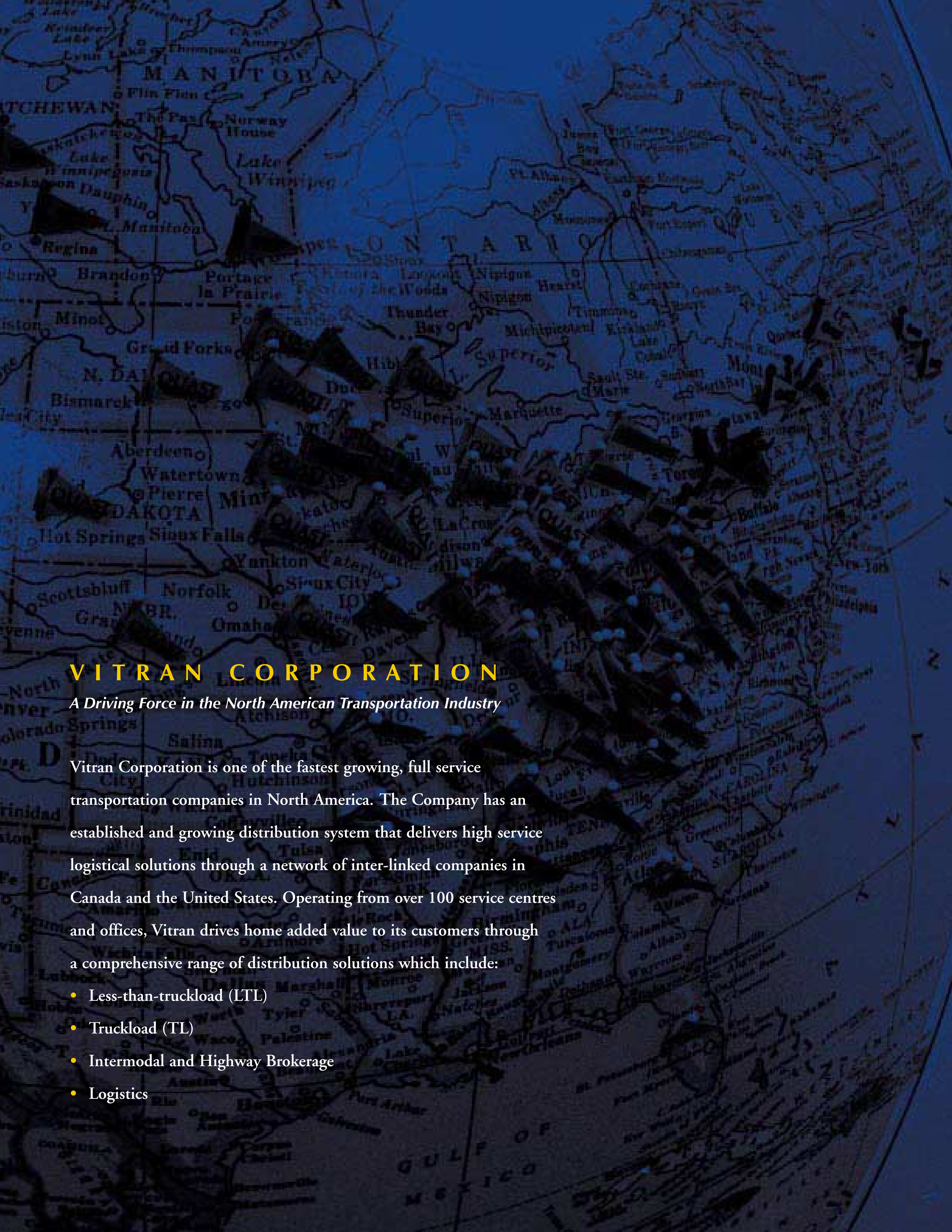


Vitran Corporation Inc.

Annual Report 1998

The Performance Continues



VITRAN CORPORATION

A Driving Force in the North American Transportation Industry

Vitran Corporation is one of the fastest growing, full service transportation companies in North America. The Company has an established and growing distribution system that delivers high service logistical solutions through a network of inter-linked companies in Canada and the United States. Operating from over 100 service centres and offices, Vitran drives home added value to its customers through a comprehensive range of distribution solutions which include:

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

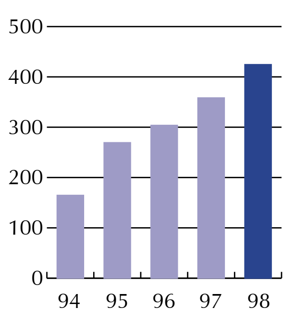
1998 Achievements

- Acquired Quast Transfer and combined it with Overland Transportation
- Substantial geographic expansion in central U.S.
- Achieved Distribution System internal growth rate of 10.1%
- Expanded expedited business in both U.S. and Canada
- Strengthened the management team
- Initiated a major fleet upgrade

Financial Highlights

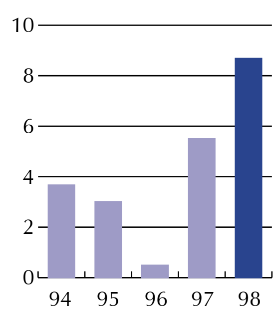
Amounts in thousands of Canadian dollars, except per share values	*1998*	*1997*	*1996*
Operating Results			
Revenue	$ **424,308**	$ 358,137	$ 303,577
Income from operations	**18,794**	13,794	4,540
Net income	**8,683**	5,498	489
Cash from operations (before changes in working capital items)	**23,211**	15,520	6,596
Per Share			
Basic Earnings	$ **0.90**	$ 0.58	$ 0.05
Fully diluted Earnings	**0.83**	0.54	0.05
Dividends	**0.07**	0.07	0.07
Financial Position			
Total assets	$ **208,261**	$ 150,969	$ 138,709
Interest bearing debt	$ **94,212**	$ 61,890	$ 63,056
Shareholder's equity	$ **64,755**	$ 51,434	$ 45,706

Revenue
dollars in millions



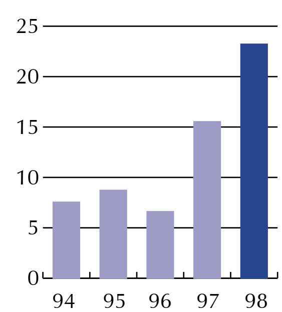
Revenue for 1998 at $424.3 million increased 18% from $358.1 million in 1997.

Net income
dollars in millions



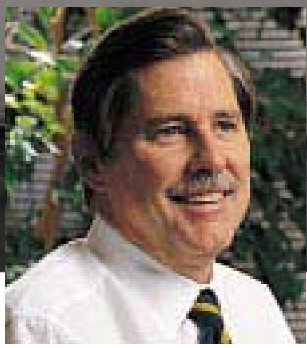
Consolidated net income increased to $8.7 million, or $0.90 per share from $5.5 million, or $0.58 per share in 1997.

Cash from Operations
dollars in millions



Cash flow from operations before working capital changes increased to $23.2 million in 1998 from $15.5 million in 1997.

Message to Shareholders – 1998



Richard D. McGraw
President and
Chief Executive Officer

Vitran Corporation experienced another year of record financial results and significant geographic expansion. This progress represented another step in the Company's quest to offer premium quality service on a North American basis. Most importantly, cash flow and net earnings improved impressively and other performance metrics continued their positive trend. These improvements, together with additions to our management team, have strengthened the foundation for continued healthy growth in the future.

Financial Results

Revenue increased 18.5% to $424.3 Mil reflecting solid internal growth and four months of results from an acquisition. Consolidated net income increased 58% to $8.7 Mil from $5.5 Mil. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to $29.0 Mil from $21.7 Mil in 1997 representing a gain of 34%. Operating income before interest and taxes (EBIT) was $18.8 Mil versus $13.8 Mil in 1997, a 36% improvement. Earnings per share on a fully diluted basis climbed over 50% to $0.83 from $0.54. Vitran's consolidated operating ratio, which is an industry performance metric, improved again to 95.6% from the 96.1% level achieved in 1997. Each of the four operating groups was profitable and three out of four contributed to the year over year improvement in performance. The environmental operation made many improvements resulting in a profitable contribution to consolidated results.

Performance Measurement

Our results are encouraging and our objective remains to have Vitran rank in the top quartile of the industry in as many measurement categories as possible. We regularly benchmark our performance against the best performing members of our peer groups. We currently rank in the top quartile in several categories including *on-time service*, *revenue growth* and *guaranteed service* and are trending positively in others. Continued progress will reward all stakeholders.

Execution of the Strategic Plan

Vitran's plan is to extend its distribution system to deliver a wider range of transportation and logistics solutions across North America. Our immediate concentration is to offer premium LTL coverage across North America through a network of regional companies and use the network to leverage the growth of our other businesses. While there were many accomplishments in 1998, which are described in the Review of Operations, the most strategic was the acquisition of Quast Transfer, a third generation family owned LTL company based in Minnesota. This operation has been combined with Overland Transportation to create a highly competitive, guaranteed overnight and second-day service in the U.S. mid-west. The acquisition solidified Vitran's position in the industrial heartland of America and provides a critical mass of customers that will contribute to the success of our planned expansion to the remainder of the United States. Of major importance is the creation of an expanded management team that is capable of both developing the business and achieving targeted performance levels.

While our current focus is to complete the integration of Quast into the Vitran organization, we continue to look for new opportunities that will enable us to further expand the geographic coverage of our LTL division. We plan to acquire more companies in the next three years in order to complete the rest of our North American LTL network. Our challenge is to find, amongst the many transportation companies that are available, candidates that meet our criteria for size, profitability, service product and culture. Our objective is to operate a network of regional oriented companies that individually or combined, will provide both a distinctive service that is the first choice of our targeted customer base and rewards our shareholders with attractive returns.

Anthony F. Griffiths
Chairman of the Board

The environmental services group undertook a major overhaul of operating practices and strategy, and installed new processing equipment in order to lower operating costs and mitigate the effects of record low commodity prices. As a result, ETL Environmental Services has returned to profitability and increased its value.

1998 Priorities Review

The following is a progress report on the priorities that we set out in the 1997 Annual Report:

- Improve the operating ratio by two percentage points: *25% of our goal was achieved. It will remain a priority.*
- Expand LTL coverage internally and by acquisition: *Achieved especially with the acquisition of Quast.*
- Increase the ROCE to over 20% at the EBIT level: *17.7% excluding the impact of Quast.*
- Maintain our commitment to safety throughout the organization: *Achieved.*
- Increase the liquidity of our shares and obtain additional research coverage: *We have received more interest and positive research coverage from the investment community but there has been a limited change in the liquidity of our shares.*

1999 Priorities

- Improve the operating ratio by 1.5 percentage points.
- Accelerate our technology development programs.
- Refine capital structure to support long term growth.
- Maintain our commitment to safety throughout the organization.
- Increase or maintain ROCE performance.
- Improve the liquidity of Vitran shares.

Our Challenge

Vitran has achieved a five-year compounded annual growth rate for revenue and operating cash flow of 28% and 33% respectively. Our performance measures are set and our strategic plan is articulated and realistic. Our challenge is to execute and realize a level of success that will allow us to reward all of our stakeholders including employees and associates, shareholders and customers. We work at this daily; it requires striking a balance between our operating and financial objectives and access to the capital markets.

Outlook

The economies of the U.S. and Canada are stable and the majority of economists forecast continued growth in 1999, albeit at a lower rate than in 1998. Most of our revenues are generated in the fastest growing segments of the freight industry. Therefore, by maintaining our service quality, we should outperform the economy as we have in the past. Seventy percent of our revenues are now generated in the United States, which has the strongest economy in the world. Pricing has been stable and generally competitors have been financially responsible. Accordingly, if this business environment prevails, we expect Vitran's financial results to continue to improve.

Recognition

Our continued progress is the direct result of a tremendous effort and sacrifice by over three thousand employees and associates who make a contribution every day toward the goals and aspirations of the corporation in a very competitive environment. We would also like to thank our shareholders and other stakeholders for their continued support. We look forward to reporting to you on our progress throughout 1999.

Anthony F. Griffiths
Chairman of the Board

Richard D. McGraw
President and
Chief Executive Officer

On the Road to Success

As a result of Vitran's continuing efforts in 1998 to improve performance through acquisitions and internal growth, the Company is on the road to becoming a major player within the North American distribution industry. Vitran is involved in providing cost-effective transportation and logistics solutions through a network of companies represented by four key divisions: Less-than-truckload (LTL), Truckload (TL), Intermodal and Highway Brokerage, and Logistics.

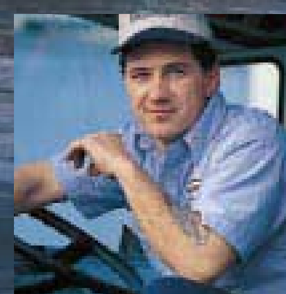
The Company is comprised of over 3200 employees and associates, including 570 owner/operators and over 4,530 tractors and trailers. In keeping with the Company's plan to pursue geographic expansion in the U.S., Vitran acquired Quast Transfer in the fall of 1998 and combined it with Overland Transportation to create a dynamic LTL business in the central states. These two premier organizations will be known as Vitran Express, once the integration is complete in the second quarter of 1999. The present emphasis on LTL will continue to accelerate the growth of Vitran's other divisions, which all expanded and contributed significantly to internal growth in 1998. The Company also continued to strengthen its experienced management team in the U.S.

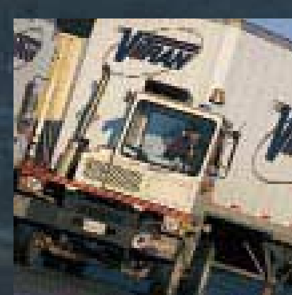
"Vitran improved its performance in 1998 for a number of strategic reasons," explains Rick Gaetz, President and Chief Operating Officer, Vitran Distribution Systems. "We continued to control expenses more effectively, expanded our distribution network and base of customers through a major acquisition, upgraded our fleet and empowered our associates to raise the bar from a service perspective. These initiatives, combined with the on-going process of integrating our various operations and evolving innovative electronic solutions to better connect with our customers, have fueled Vitran's success in 1998. There is a real momentum in the Company which we fully expect to continue into 1999 and beyond."

U.S. LTL's newest and largest truck facility, now being built, will be fully operational in the second quarter 1999.

"Fuelled by a major acquisition, a focus on internal growth and a continuing commitment to the integration of our operations, Vitran experienced a record year of growth in 1998."

Rick E. Gaetz, President and Chief Operating Officer, Vitran Distribution Systems





"Expanding geographic coverage through our acquisition of Quast Transfer and enhancing customer service helped Vitran's LTL business grow dramatically."

George Reid, President, U.S. LTL Operations

U.S. LTL Acquisition Doubles Geographic Coverage

Vitran has a North American LTL freight division, which operates primarily in a time sensitive market, delivering shipments overnight with 98% on-time accuracy. The range of LTL services Vitran offers include regional, national and cross-border. This division is the Company's largest, and represents 72% of its distribution revenues. In 1998, the Company continued to focus on integrating its LTL operations into one solution for customers in order to provide seamless North American service and to achieve greater synergy between its U.S. and Canadian operations.

An acquisition that goes the distance

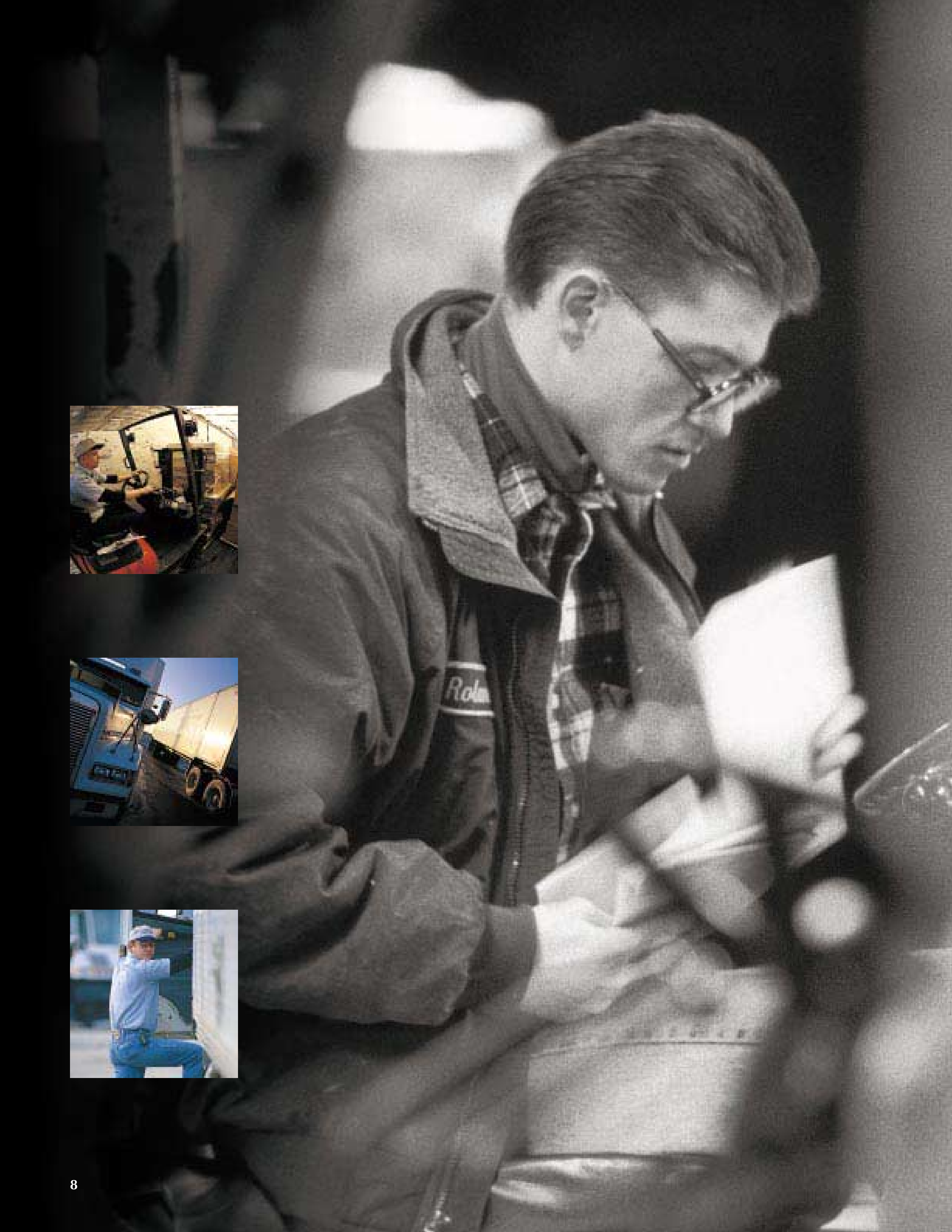
Vitran moved forward with its geographic expansion plans in the U.S. with the acquisition of Quast Transfer, a 60-year LTL company based in Minnesota, and combined it with Overland Transportation to create Vitran Express. "By integrating these businesses, Vitran is now able to provide full state coverage with a network of 67 service centres in 20 heartland states," says George Reid, President, U.S. LTL. "This acquisition

provided us with the additional geographic coverage we needed to be a serious competitor in the central states and continued the momentum of an organization driven to be a true North American Transportation Company."

Regional LTL carriers continued to gain market share over national LTL carriers as a result of an increasing demand by customers for shorter transit times. To move forward with its commitment to enhancing customer service, Vitran combined administrative functions in Indianapolis and designed an enhanced computer system for the new combined operation. This process will be completed by April 1999. The Company also expanded its centralized customer service department and introduced an unconditional service guarantee. The expedited service that this division offers is one of the fastest growing segments of Vitran's business.

Vitran's LTL division operates in a market represented by 45% of the North American population. It serves this customer base through 67 service centres located in all 10 Canadian provinces and 20 central U.S. states, and in 14 northeastern states through its partnership with New England Motor Freight. As a result of the Company's many initiatives in 1998, revenues increased 18.5% over 1997.

Vitran launched a major promotion called, 'Yes We Can' to introduce its new 100% unconditional satisfaction guarantee.



Specialized Services Drive Business

The LTL operation in Canada delivers a "one-stop shopping" approach to meet its Canadian customers' distribution needs, offering over the road, intermodal and expedited services utilizing trailers and containers.

"We already have complete geographic coverage in Canada," explains Tony Trichilo, President, Canadian LTL Operations. "Our challenge is to take advantage of this network by continually expanding our service offerings. In 1998, we increased our trans-border business, which specializes in cross-border service between Canada and the U.S., as well as our rapidly expanding expedited service. Sales activity in these two areas increased dramatically by 43%."

Vitran's LTL operation in Canada continued to improve its technology applications in 1998 to serve its customers better. The Company expanded its electronic commerce capabilities, made enhancements to its in-house tracking system and continued to achieve greater synergy with the U.S. operation. "The Quast acquisition has given us a new momentum," explains Trichilo. "By combining the expanded geographic reach in the U.S. with our broader range of services, Vitran has become one of North America's premier LTL distribution networks, allowing us to do more for our customers on both sides of the border."

"By broadening the range of our Canadian LTL services, we continued to develop a more comprehensive, one-stop shopping solution for our customers."

Tony Trichilo, President, Canadian LTL Operations

"We continued to achieve more acceptable levels of profitability in 1998."

Steve Cook, President, U.S. Truckload Operations

Truckload Division – The wheels are rolling

Vitran's truckload division is a regional short haul specialist offering same day direct service. This service is administered from facilities in Indianapolis and Atlanta, utilizing a fleet of 900 trailers and power supplied by 200 independent contractors and personnel.

"We continued to achieve more acceptable levels of profitability in 1998," says Steve Cook, President, Truckload Operations. "We expanded our customer base by adding more owner operators and upgrading our fleet, as well as increasing refrigeration units in our temperature controlled operation. We also streamlined operations by harmonizing a group of companies operated under the Frontier name and placed all operations on common systems. These companies are gaining a new momentum now that they are marketed under one name. As a result of our initiatives and strategic planning, operating income for 1998 increased by $1.7 Mil as compared to 1997."

Intermodal/Highway Brokerage Division – Going the extra mile

The Freight Connection (TFC) operation is primarily a non-asset based company that provides service in the North American intermodal market, "over the road" brokerage business and contract relationships such as container cartage. TFC provides skill, knowledge and technical support in moving freight across North America through its contracts with all of the major North American railroads and relationships with thousands of trucking companies. Revenue grew in 1998 by 14.5%, in part due to the Company's addition of four new offices.

"Delivering a higher level of service is the key to our business," explains Geoff Duncan, President, The Freight Connection U.S. "Adding new offices played an important role in expanding Vitran's intermodal and brokerage business while at the same time diversifying our customer base. As well, advancing our capabilities in technology and developing more value added services is what continues to differentiate our business in the U.S."

"Adding new offices played an important role in expanding Vitran's intermodal and brokerage business while at the same time diversifying our customer base."

Geoff Duncan, President, The Freight Connection U.S.

“In Canada, TFC offers a brokerage service and more,” says Adrian Facca, Vice President, TFC Canada. “We can also meet the needs of our customers by using our own in-house fleet or other Vitran entities, which provides added peace of mind to our customers. We achieved substantial growth in 1998 through the addition of several major multinational accounts, and in 1999 we expect the momentum to be sustained by expanding our business with existing and new customers.”

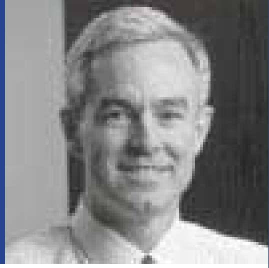
Logistics Division – Connecting with the customer

Vitran Logistics provides innovative, cost-efficient logistic solutions for customers. The Company is highly experienced in inventory management, capable of managing any aspect of the supply chain to effect a solution for its customers. This business acts as a conduit that utilizes as many of Vitran’s services as possible for the benefit of the customer. To facilitate operations with a major customer and in preparation of new business opportunities, Vitran opened a new state-of-the-art flow-through facility in Chicago in January 1999.

“Our services differentiate and add value to Vitran’s customer relationships,” explains Al Leger, Vice President, Vitran Logistics. “We work to develop a customized, strategic partnership with our customers in order to deliver a total solution. For example, we have the ability to pick-up deliveries directly from vendors throughout Canada, consolidate loads, deliver to the retail outlets and essentially eliminate the need for the customer’s warehouse. This service also includes state-of-the-art information and systems support. We are keeping the momentum going in 1999 by enhancing our capability to provide a true electronic partnership with our customers.”

Al Leger,
Vice President,
Vitran Logistics

Adrian Facca,
Vice President,
TFC Canada



Management Discussion and Analysis

"Vitran achieved significant increases in all measures of profitability and cash flow, and laid the foundation for continued growth in the future with the acquisition of Quast Transfer."

Kevin Glass
Vice President Finance and Chief Financial Officer

Vitran Corporation reported record financial results for fiscal 1998. The fourth quarter of 1998 was the ninth consecutive period with year-over-year improvement in both revenue and earnings. The Company also completed a major acquisition consistent with its long-term strategic plan and dramatically expanded its service territory in the central United States. Healthy economies in the United States and Canada and price stability within the industry throughout the year contributed to performance. The Environmental Services Group returned to profitability during 1998 and is well positioned to continue improving in 1999.

Year Ended December 31, 1998 Compared to the Year Ended December 31, 1997

Vitran's revenue growth continued in 1998, both at an internal double-digit rate and by the acquisition of Quast. Revenues increased by $66.2 Mil, or 18.5% over 1997 to $424.3 Mil. Volumes grew in all units and pricing within the industry was stable as the economies of Canada and the United States remained strong in 1998, though slowing through the latter half of the year.

Of the $66.2 Mil revenue increase, 81% is attributable to the less-than-truckload (LTL) division, and over half of that, to the inclusion of Quast's results for the last four months of the year. Terminal expansion and improved density generated the internal growth. The growth in revenue, together with a slightly improved operating ratio, generated operating income of $17.9 Mil, a 27% improvement over 1997.

The U.S. TL division grew revenue by over $4.5 Mil, or 11%, in 1998. Demand for the TL service was strong and management's ability to attract and retain owner operators has supported the revenue growth. Operating profits of the U.S. TL division improved dramatically from 1997, almost tripling to $2.6 Mil in 1998. This was due to the success of cost control measures and an effective driver recruitment program that provided capacity to handle increased demand.

Revenues in the logistics and intermodal/freight brokerage divisions increased by over $8.7 Mil, a 14% increase over 1997. Almost two thirds of the improvement was achieved by The Freight Connection (TFC), an 81.1% owned public subsidiary based in Tampa, through the opening of additional sales offices, a program that was begun in 1997. Operating income of $1.2 Mil was slightly lower than 1997 as costs relating to expanding the infrastructure were absorbed.

The Environmental Services Group continued to improve in 1998. Efficiencies achieved through investments in new equipment coupled with an emphasis on more stable processing revenue resulted in a significantly improved bottom line.

The consolidated gross profit margin for the Company in 1998 was 18.8% versus 17.0% in 1997, an improvement achieved through efforts made to operate with higher efficiency and better productivity in both the Vitran Distribution System and the Environmental Services Group.

Selling, general and administrative costs (SG&A) increased as a percent of revenues from 10.9% in 1997 to 11.9% in 1998, negatively affected by expenses associated with the opening of new facilities and the integration of Quast into the U.S. LTL operation.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for 1998 was $29.0 Mil, an increase of 33.8% over 1997.

Depreciation and amortization expense was $10.2 Mil for the year, $2.3 Mil more than the prior year. Capital purchases made over recent years and the charges incurred by Quast, including the amortization of goodwill recorded on the acquisition of Quast, account for the increase.

Operating income (EBIT) for the Company was $18.8 Mil for 1998 as compared to $13.8 Mil in 1997, an improvement of 36.3%. This produced an improved operating ratio (OR) of 95.6% in 1998 versus 96.1% in 1997. OR is the total of operating expenses before interest and taxes expressed as a percentage of revenue. This improvement is largely because of efforts to streamline operations and take advantage of synergies that exist between the various business units.

Income taxes for the year were $3.8 Mil. The effective tax rate decreased due to an increasing proportion of income in lower tax jurisdictions.

Net income increased $3.2 Mil from 1997 to $8.7 Mil in 1998. The net income margin improved from 1.5% to 2.0% on better operating results coupled with a reduction in the effective tax rate, more than offsetting the impact of increased interest costs. Basic earnings per share was $0.90 per share versus

$0.58 per share in 1997, and fully diluted earnings per share were $0.83 versus $0.54 in 1997. The weighted average shares outstanding increased from 9.41 million in 1997 to 9.61 million in 1998.

Year Ended December 31, 1997
Compared to the Year Ended December 31, 1996

Vitran experienced strong growth as revenue increased from $303.6 Mil in 1996 to $358.1 Mil in 1997. Every operating unit contributed to this 18% increase, but almost half of the improvement in revenue is attributable to the LTL operation, which is the Company's largest division.

A better economic environment for the North American freight industry prevailed through 1997, which combined with a reduction in capacity due to the exit from the market of inefficient competitors, had a positive effect on LTL volumes. Rate increases taken late in 1996 and in the first quarter of 1997 by both the Canadian and U.S. LTL operations, contributed positively to fiscal 1997 results.

The logistics and intermodal group accounted for $15.1 Mil of the increased revenues, and the TL division for $10.1 Mil. TFC continued to grow with a revenue increase of 18.8% measured in U.S. dollars. This occurred with the expansion of its office network and a more comprehensive truck brokerage offering. Volumes at the U.S. TL division recovered during the year from a significant reduction in 1997 due to the loss of several major customers.

The remainder of the overall revenue improvement, $1.5 Mil, was achieved by the Environmental Services Group. Commodity prices, which so severely affected Vitran's environmental operations in 1996, stabilized in 1997, and in some cases moderately improved. This led to an increase in revenues for 1997, partially offset by the sale of the Company's 50% interest in CK Fibres Corp., which took place in the second quarter.

For 1997, the gross profit margin was 17.0% as compared to a margin of 15.6% in 1996. This improvement is due to higher yields from better pricing, operating efficiencies and improved productivity in the Vitran Distribution System. The Environmental Services Group also realized improvement from operations and better selling prices.

SG&A decreased from 11.7% of revenue in 1996 to 10.9%, due to increased revenues and success in making the administration more productive and streamlined. More powerful software applications continue to improve the volume and speed at which employees can handle and distribute information.

The increase in depreciation and amortization of $0.5 Mil over 1996 is related to capital purchase made over the last two years.

EBIT was $13.8 Mil for 1997, more than three times that of 1996. All of the operating profit can be attributed to the Vitran Distribution System. The LTL division, which is the largest division, contributed $5.5 Mil or 64% of the increase over 1996. The operating ratio for the Distribution System improved from 97.4% in 1996 to 95.3% in 1997.

The TL division generated an operating profit in 1997 compared with a loss in 1996. This positive change occurred largely through the improvement of revenue levels, which are trending to historic levels.

The Environmental Services Group reduced its operating losses by over $0.9 Mil from 1996. These results were achieved by improving processing times, reducing labour costs and securing better prices for finished product.

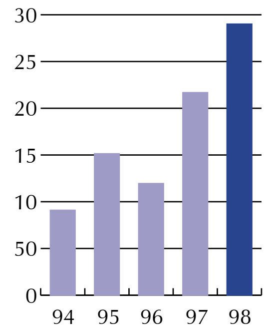
Net interest expense decreased from $5.2 Mil in 1996 to $4.9 Mil in 1997 as a result of a reduction in the principal amount due to a repayment of U.S. $1.4 Mil on the senior unsecured notes during the year.

Income tax expense was $3.2 Mil in 1997. Vitran's effective tax rate remains lower than the statutory rate mainly due to a combination of lower U.S. tax rates and an efficient cross-border tax structure implemented in 1995 to fund operations.

During the year, the Company increased its ownership in TFC, a Tampa-based operation, from 67% to just over 81% through the purchase of 700,000 shares.

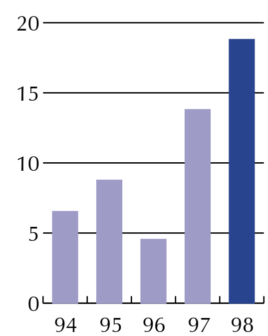
Net income for 1997 was $5.5 Mil, a $5.0 Mil improvement from the disappointing results of 1996. The net income margin increased to 1.5% in 1997 from 0.2% in 1996 due to dramatically better operating results throughout the organization. Accordingly, earnings per share increased $0.53, from $0.05 in 1996, to $0.58 in 1997. The weighted average shares outstanding was 9.41 Mil at December 31, 1997, increasing marginally over 1996.

EBITDA
dollars in millions



Operating income before depreciation and amortization (EBITDA) at $29.0 million increased by 34% from $21.7 million in 1997.

Operating Income
dollars in millions



Operating income (EBIT) increased 36% from $13.8 million in 1997 to $18.8 million in 1998.

Liquidity and Capital Resources

Cash flow from operations before working capital changes for the year was $23.2 Mil compared to $15.5 Mil generated in 1997. Of the increase, $3.2 Mil related to improved net earnings, $2.3 Mil to higher depreciation and amortization expense and $2.2 Mil to the other non-cash charges of deferred income taxes, loss on sale of fixed assets, and foreign currency adjustments.

Non-cash working capital increased by $1.9 Mil due to a decrease in the balance of net payables combined with increased levels of inventory, deposits and prepaid expenses. Improved collections helped to offset the impact on accounts receivable of higher fourth quarter revenue.

Unused floating rate bank lines of credit in the amount of $6.0 Mil at December 31, 1998 ($12.5 Mil effective January 1999) in Canada, and $3.1 Mil (U.S. $2.0 Mil) in the United States, were available to the Company. Under certain covenants of the Senior Notes, Vitran could incur approximately $9.2 Mil of new debt at year-end. Management expects that the existing working capital, together with available bank lines of credit, are sufficient to fund operating and capital requirements for 1999, as well as service the principal debt repayment requirements of $23.2 Mil.

Capital expenditures for the year amounted to $10.7 Mil, $4.4 Mil more than 1997. The Vitran Distribution System required $10.1 Mil in revenue equipment, computers and facilities needed to sustain growth, while the Environmental Services Group invested $0.5 Mil in the machinery and equipment that led to the division's improved performance.

Interest bearing debt was $94.2 Mil at the end of the year, including the senior unsecured notes of U.S. $39.4 Mil and a $30.1 Mil unsecured bank credit facility of which half is denominated in U.S. dollars. Foreign currency risk is mitigated by the cash flows generated by U.S. operations. Total interest bearing debt less cash (net debt) increased $45.4 Mil from 1997 due to the acquisition of Quast. Cash and short-term deposits at the end of 1998 totaled $5.0 Mil, $13.1 Mil lower than 1997. Interest bearing debt as a percentage of total capital increased from 54% in 1997 to 59% in 1998.

Year 2000 Compliance

The year 2000 issue arises because many computerized systems use two digits rather four to identify a year. These systems, if not modified or replaced, could misinterpret a date using "00" as other than year 2000. The implications could range from miscalculations to system failure resulting in disruptions to operations causing a temporary inability to process transactions or to engage in normal business activities.

Vitran initiated a Year 2000 Compliance Plan in late 1996 with the objective of having its internal mission critical systems modified and tested for year 2000 compliance by the end of the second quarter, 1999. Each business and functional unit in the Company is accountable for addressing the technology and business risks related to the Year 2000 issues within its area of responsibility. The overall program is on plan and all mission critical systems are scheduled to be compliant by the end of the first quarter and tested by the end of the second quarter. Where appropriate, organizational units are preparing contingency plans, which are expected to be completed by June 30, 1999.

By modifying and replacing internal systems, monitoring the readiness of key customers and suppliers, and preparing appropriate contingency plans, the Company believes it is mitigating the risk of the Year 2000 issue. However, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those relating to external parties, will not have any negative impact on the Company.

To date, the Company has expensed all costs associated with the year 2000 program and expects to continue expensing these costs in 1999. The Company does not expect the year 2000 program to result in significant additional costs, given the use of internal resources and the operational (as opposed to compliance) needs for new information systems within the Company.

Risks & Uncertainties

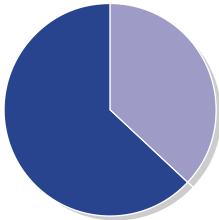
The Company is exposed to a number of risks and uncertainties which could impact results.

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. While the Company is not

dependent on any particular industry or customer, the loss of key accounts could also impact results. 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 excellent labour relations which 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.

Less than 30% of Vitran's debt is at variable rates, which reduces the impact of interest rate increases. Vitran's net income is positively impacted due to foreign tax rate differentials. In 1998, 61% of Vitran's revenue was generated in the United States. Over 80% of the Company's debt is also, however, denominated in U.S. dollars, which acts as a hedge to this foreign currency exposure.

U.S./Canada Transportation Revenues



Canada U.S.

Vitran generates 63% of its transportation revenues in the United States and 37% in Canada.

Outlook

In 1997 the Vitran Board of Directors and the senior management team formulated a strategic growth plan and vision for the following three years. It involves the establishment of a comprehensive North American distribution network with an immediate emphasis on LTL services. More specifically, the plan focuses on creating a family of regional LTL companies located in the United States and Canada that can also be utilized to provide a North American service. These objectives will be realized through consistent internal growth and very selective acquisitions that meet Company criteria. Accomplishment of this plan will enable Vitran to continue its historical growth record.

On September 9, 1998, Vitran completed the acquisition of Quast Transfer; a Minnesota-based regional LTL Company that was a logical fit with Vitran's Overland Transportation based in Indiana. The two companies are being combined to form a very competitive overnight regional carrier providing service throughout the central states. The integration of the two companies will be completed in the second quarter of 1999 when both organizations are on the same information system. Many benefits will flow from this combination including a significant market and customer base expansion that should result in accelerated internal growth and improved financial performance.

The LTL division experienced significant growth in 1998 as a result of internal growth and the inclusion of Quast results for four months. There was a small positive change in the operating ratio for 1998 and further improvement is expected in 1999. The outlook is positive for Vitran's largest business unit.

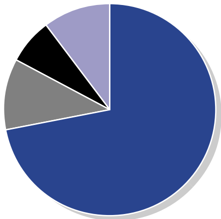
The TL division made significant progress towards realizing its financial potential. Revenues grew 11.3% in 1998 compared with 1997 and operating income almost tripled to $2.6 Mil. A large majority of the trailing fleet has been converted to 53' equipment and administration and marketing has been centralized for efficiency. This business unit is well positioned for continued growth and improved profitability in 1999.

In 1998, TFC in the U.S. undertook an aggressive expansion of the office network in the United States to diversify the customer base and increase the level of truck brokerage activity. While this negatively impacted the operating results of the freight brokerage division, the investment made in office infrastructure is expected to generate improved returns in 1999.

The logistics business is developing rapidly on both sides of the border and offers significant potential for the future. New contracts have been signed in Canada to provide supply chain management services that also generate additional freight revenues for Vitran. A major contract with a very significant retailer was renewed in the U.S. that involved opening a new distribution center in Chicago. Successes in 1998 have enhanced the potential for future growth of Vitran's fastest growing business unit.

The Environmental Services Group returned to profitability in 1999 despite record low commodity prices. Initiatives taken over the past 16 months to both change the business practices and retool the plants have dramatically lowered the cost of processing and raised the value of the product sold. These initiatives have reduced the overall sensitivity to commodity prices and more value-added processes are being introduced that should continue to increase profitability in 1999. This operation is considered a non-core asset and an effort will be undertaken to realize its value during 1999.

Transportation Revenues



LTL Logistics
TL Intermodal

The LTL division is Vitran's largest and represents 72% of its transportation revenues.

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, 1998 and 1997 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1998. 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 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, 1998 and 1997 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1998 in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
February 19, 1999

Consolidated Balance Sheets

Amounts in Canadian dollars

December 31,	*1998*	*1997*
Assets		
Current assets:		
Cash and short-term deposits	**$ 4,964,185**	$ 18,083,111
Accounts receivable	**52,605,615**	45,588,804
Inventory, deposits and prepaid expenses	**4,758,375**	2,630,861
Income taxes recoverable	**600,604**	577,600
	62,928,779	66,880,376
Fixed assets (note 3)	**65,090,075**	47,854,731
Goodwill, net of accumulated amortization of $6,712,842 (1997 - $5,095,130)	**80,242,565**	36,233,841
	$208,261,419	$ 150,968,948
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 42,171,894**	$ 36,213,687
Income and other taxes payable	**2,046,346**	496,527
Current portion of long-term debt (note 4)	**23,152,333**	5,429,279
	67,370,573	42,139,493
Long-term debt (note 4)	**71,059,627**	56,460,997
Deferred income taxes	**4,436,442**	342,675
Minority interest	**639,443**	591,345
Shareholders' equity:		
Capital stock (note 5)	**38,685,604**	34,978,800
Retained earnings	**24,190,109**	16,364,954
Cumulative translation adjustment (note 6)	**1,879,621**	90,684
	64,755,334	51,434,438
	$208,261,419	$ 150,968,948

Commitments (note 10)

Contingent liabilities (note 11)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Amounts in Canadian dollars

Years ended December 31,	*1998*	*1997*	*1996*
Revenue	**$424,307,983**	$ 358,137,339	$ 303,577,344
Operating expenses	**344,649,800**	297,287,361	256,268,101
Gross profit	**79,658,183**	60,849,978	47,309,243
Selling, general and administrative expenses	**50,655,577**	39,178,765	35,367,503
Depreciation and amortization	**10,208,510**	7,877,388	7,402,013
	60,864,087	47,056,153	42,769,516
Income from operations	**18,794,096**	13,793,825	4,539,727
Interest on long-term debt	**(6,643,414)**	(5,683,416)	(5,958,251)
Interest income	**782,497**	738,017	784,404
Loss on sale of investment (note 2)	**–**	(73,281)	–
Gain (loss) on sale of fixed assets	**(441,298)**	88,272	148,738
	(6,302,215)	(4,930,408)	(5,025,109)
Income (loss) before income taxes and minority interest	**12,491,881**	8,863,417	(485,382)
Income taxes (note 9):			
Current (recovery)	**1,025,805**	1,873,711	(131,911)
Deferred (reduction)	**2,735,030**	1,329,704	(965,023)
	3,760,835	3,203,415	(1,096,934)
Income before minority interest	**8,731,046**	5,660,002	611,552
Minority interest	**(48,098)**	(162,389)	(123,027)
Net income	**$ 8,682,948**	$ 5,497,613	$ 488,525
Earnings per share:			
Basic	**$ 0.90**	$ 0.58	$ 0.05
Fully diluted	**0.83**	0.54	0.05

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Amounts in Canadian dollars

Years ended December 31,	*1998*	*1997*	*1996*
Retained earnings, beginning of year	**$ 16,364,954**	$ 11,557,580	$ 11,726,700
Net income	**8,682,948**	5,497,613	488,525
	25,047,902	17,055,193	12,215,225
Dividends - $0.07 per share	**(679,317)**	(659,210)	(657,645)
Cost of repurchase of Class A shares in excess of book value	**(178,476)**	(31,029)	–
Retained earnings, end of year	**$ 24,190,109**	$ 16,364,954	$ 11,557,580

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Amounts in Canadian dollars

Years ended December 31,	*1998*	*1997*	*1996*
Cash provided by (used in):			
Operations:			
Net income	**$ 8,682,948**	$ 5,497,613	$ 488,525
Items not involving cash from operations:			
Depreciation and amortization	**10,208,510**	7,877,388	7,402,013
Deferred income taxes (reduction)	**2,735,030**	1,329,704	(965,023)
Loss (gain) on sale of fixed assets and investments	**441,298**	(14,991)	(148,738)
Minority interest	**48,098**	162,389	123,027
Translation adjustment	**1,094,808**	667,781	(304,273)
	23,210,692	15,519,884	6,595,531
Changes in non-cash working capital components	**(1,944,340)**	1,014,254	(4,746,883)
	21,266,352	16,534,138	1,848,648
Investments:			
Purchase of fixed assets	**(10,682,186)**	(6,281,445)	(4,335,658)
Acquisition of shares of subsidiary companies, net of cash position at date of acquisition	**(52,945,453)**	(758,345)	–
Proceeds on sale of fixed assets	**2,790,931**	440,416	717,083
Proceeds on sale of investments	**–**	330,397	–
Other	**–**	–	(72,253)
	(60,836,708)	(6,268,977)	(3,690,828)
Financing:			
Repayment of long-term debt	**(6,877,089)**	(3,828,623)	(3,431,263)
Issue of long-term debt	**30,479,508**	61,800	–
Dividends	**(679,317)**	(659,210)	(657,645)
Issue of Class A voting shares	**3,852,628**	129,602	151,200
Repurchase of Class A voting shares	**(324,300)**	(119,237)	–
	26,451,430	(4,415,668)	(3,937,708)
Increase (decrease) in cash position	**(13,118,926)**	5,849,493	(5,779,888)
Cash position, beginning of year	**18,083,111**	12,233,618	18,013,506
Cash position, end of year	**$ 4,964,185**	$ 18,083,111	$ 12,233,618
Changes in non-cash working capital components:			
Accounts receivable	**$ 146,711**	$ (8,378,328)	$ (6,518,718)
Inventory, deposits and prepaid expenses	**(1,042,583)**	(19,775)	678,369
Income and other taxes recoverable (payable)	**1,406,016**	1,710,881	(1,040,292)
Accounts payable and accrued liabilities	**(2,454,484)**	7,701,476	2,133,758
	$ (1,944,340)	$ 1,014,254	$ (4,746,883)

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

Amounts in Canadian dollars
Years ended December 31, 1998, 1997 and 1996

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:

Freight forwarding revenues are recognized as of the date of shipment.

(c) Inventory:

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

(d) Fixed assets:

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

Asset	Basis	Rate
Buildings	Straight line	10 - 20 years
Leasehold interests and improvements	Straight line	Over the term of the lease
Vehicles:		
Trailers and containers	Straight line	10 years
Trucks	Declining balance	30%
Machinery and equipment	Straight line	5 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 period.

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 period-end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. All of the exchange gains or losses resulting from these transactions are recognized currently in earnings.

(g) 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 revenues and expenses during the year. Actual results could differ from those estimates.

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 mid-western 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
	68,832,020
Accounts payable	9,371,221
Long-term debt	4,605,959
Deferred income taxes	1,815,459
	15,792,639
	$ 53,039,381
Consideration given:	
Cash	$ 47,150,582
Class A voting shares	3,051,191
Other amounts payable	2,837,608
	$ 53,039,381

Year ended December 31, 1997:

During 1997, the Corporation acquired an additional 14.5% of the voting shares of The Freight Corporation, Inc., at a total cash cost of $758,345. Goodwill of $377,705 was recorded on this transaction. Also in 1997, the Corporation sold its 50% investment in CK Fibres Corp. for proceeds of $330,397 and recorded a loss on disposal of $73,281 before income taxes.

3. Fixed assets:

	1998	1997
Land	**$ 6,306,111**	$ 4,557,710
Buildings	**18,939,741**	13,665,291
Leasehold interests and improvements	**2,937,249**	3,131,153
Vehicles	**47,570,076**	35,004,098
Machinery and equipment	**18,489,100**	14,269,410
	94,242,277	70,627,662
Less accumulated depreciation and amortization	**29,152,202**	22,772,931
	$ 65,090,075	$ 47,854,731

4. Long-term debt:

	1998	1997
a) Guaranteed Senior Notes, due 2002	**$ 60,412,020**	$ 60,367,100
b) Non-revolving term bank credit facility, due 2000	**30,087,672**	–
c) Term bank loans, bearing interest at rates averaging 7.9% at December 31, 1998 (7.9% at December 31, 1997), maturing at varying intervals to 2001	**2,445,850**	363,791
d) Mortgages payable	**983,687**	1,090,535
e) Other	**282,731**	68,850
	94,211,960	61,890,276
Less current portion of long-term debt	**23,152,333**	5,429,279
	$ 71,059,627	$ 56,460,997

(a) The Guaranteed Senior Notes due 2002 (the "Senior Notes") bear interest at 9.04% per annum payable quarterly. During 1998, U.S. $2,800,000 and during each of 1997 and 1996, U.S. $1,400,000 of the Senior Notes was repaid in accordance with the terms. The remaining principal balance of the Senior Notes at December 31, 1998 is U.S. $39,400,000. The Senior Notes are subject to the following required repayments in future years:

Years ending December 31:		
1999	U.S.	$ 5,650,000
2000		22,450,000
2001		5,600,000
2002		5,700,000
	U.S.	$ 39,400,000

The Senior Notes are unsecured obligations of a subsidiary company and are guaranteed by the Corporation and certain other subsidiary companies. 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 non-revolving term bank credit facility is unsecured and bears interest at the bank prime rate plus 1%, payable monthly. The credit facility is guaranteed by certain subsidiary companies of the Corporation. The provisions of the credit agreement impose the same maintenance and debt incurrence tests and the same restriction on the sale of assets, mergers and consolidations, dividends and investments, as the Senior Notes. At December 31, 1998, the credit facility includes U.S. $9,840,000 of foreign currency denominated borrowings.

(c) The term bank loans are generally secured by chattel mortgages on vehicles. At December 31, 1998, the term bank loans include U.S. $1,595,157 of foreign currency denominated borrowings.

(d) The mortgages are secured by certain land and buildings, bear interest at rates ranging from 0% to 10.75% and are repayable over various terms to 2001. At December 31, 1998, mortgages include U.S. $613,284 of foreign currency denominated borrowings.

(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, 1998, other long-term debt includes U.S. $3,614 of foreign currency denominated borrowings.

At December 31, 1998, the required future principal repayments on all long-term debt are as follows:

Year ending December 31:	
1999	$ 23,152,333
2000	53,592,025
2001	8,724,437
2002	8,743,165
	$ 94,211,960

Amounts in Canadian dollars

5. 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:

		1998		1997
Class A voting shares	*Number*	*Amount*	*Number*	*Amount*
Balance, beginning of year	**9,415,994**	**$ 34,978,800**	9,394,947	$ 34,937,406
Shares repurchased for cancellation	**(39,500)**	**(145,824)**	(23,500)	(88,208)
Shares issued:				
Upon exercise of employee stock options	**136,033**	**801,437**	44,547	129,602
As partial consideration for the Quast acquisition	**365,631**	**3,051,191**	–	–
Balance, end of year	**9,878,158**	**$ 38,685,604**	9,415,994	$ 34,978,800

(c) Normal course issuer bid:

The Corporation repurchased for cancellation 39,500 Class A voting shares during 1998 (1997 - 23,500 Class A voting shares) under a normal course issuer bid, at a total cost of $324,300 (1997 - $119,237). The excess of $178,476 (1997 - $31,029) of the cost of repurchase over the book value of the shares has been charged to retained earnings.

(d) Stock options:

At December 31, 1998, the Corporation has 1,013,400 Class A voting shares set aside for issuance under outstanding stock options with exercise prices between $3.50 and $8.75 per share. These options expire at varying dates between 1999 and 2004.

6. Cumulative translation adjustment:

The cumulative translation adjustment represents the unrealized foreign currency translation gain 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.

7. Financial instruments:

The fair value of cash and short-term deposits, accounts receivable, and accounts payable and accrued liabilities approximates the carrying value because of the limited term 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, 1998.

8. 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, 1998, 1997 and 1996. The information for 1997 and 1996 has been restated to conform with the revised presentation of operating segments adopted in 1998.

Year ended December 31, 1998	Vitran Distribution System: Less than truckload	Truckload	Logistics and intermodal	Total	Environmental services	Corporate office & other	Consolidated totals
Revenue	**$ 296,754,931**	**$ 44,835,701**	**$ 70,771,337**	**$412,361,969**	**$ 11,946,014**	**$ –**	**$ 424,307,983**
Operating, selling, general and administrative expenses	**270,694,389**	**41,056,446**	**69,250,996**	**381,001,831**	**11,296,445**	**3,007,101**	**395,305,377**
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	**$ 8,969,652**	**$ 27,049**	**$ 1,125,784**	**$ 10,122,485**	**$ 445,655**	**$ 110,046**	**$ 10,678,186**
Total assets	**$ 165,241,538**	**$ 21,365,478**	**$ 15,980,591**	**$202,587,607**	**$ 2,811,212**	**$ 2,862,600**	**$ 208,261,419**

Year ended December 31, 1997	Less than truckload	Truckload	Logistics and intermodal	Total	Environmental services	Corporate office & other	Consolidated totals
Revenue	$ 243,124,692	$ 40,286,302	$ 62,057,757	$ 345,468,751	$ 12,062,839	$ 605,749	$ 358,137,339
Operating, selling, general and administrative expenses	222,508,744	38,951,714	60,512,738	321,973,196	11,854,469	2,638,461	336,466,126
Depreciation and amortization	6,536,798	436,880	270,721	7,244,399	516,857	116,132	7,877,388
Income (loss) from operations	$ 14,079,150	$ 897,708	$ 1,274,298	$ 16,251,156	$ (308,487)	$ (2,148,844)	13,793,825
Interest expense, net							(4,945,399)
Other items, net							(147,398)
Income taxes							(3,203,415)
Net income							$ 5,497,613
Capital expenditures	$ 4,915,992	$ 372,801	$ 470,310	$ 5,759,103	$ 462,937	$ 59,405	$ 6,281,445
Total assets	$ 110,738,816	$ 16,305,108	$ 12,854,371	$ 139,898,295	$ 2,988,676	$ 8,081,977	$ 150,968,948

Year ended December 31, 1996	Less than truckload	Truckload	Logistics and intermodal	Total	Environmental services	Corporate office & other	Consolidated totals
Revenue	$ 215,568,519	$ 30,149,833	$ 46,985,367	$ 292,703,719	$ 8,653,034	$ 2,220,591	$ 303,577,344
Operating, selling, general and administrative expenses	200,782,706	30,666,347	46,731,545	278,180,598	9,360,862	4,094,144	291,635,604
Depreciation and amortization	6,209,030	323,915	274,669	6,807,614	484,144	110,255	7,402,013
Income (loss) from operations	$ 8,576,783	$ (840,429)	$ (20,847)	$ 7,715,507	$ (1,191,972)	$ (1,983,808)	4,539,727
Interest expense, net							(5,173,847)
Other items, net							25,711
Income taxes							1,096,934
Net income							$ 488,525
Capital expenditures	$ 3,604,358	$ 10,718	$ 286,453	$ 3,901,529	$ 345,682	$ 88,447	$ 4,335,658

Geographic information for revenue and total assets is as follows:

	1998	1997	1996
Revenue:			
Canada	**$165,587,198**	$160,041,827	$ 137,848,341
United States	**258,720,785**	198,095,512	165,729,003
	$424,307,983	$358,137,339	$ 303,577,344
Total assets:			
Canada	**$ 45,463,962**	$ 54,911,555	
United States	**162,797,457**	96,057,393	
	$208,261,419	$150,968,948	

Amounts in Canadian dollars

9. 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:

Years ended December 31,	1998	1997	1996
Effective statutory federal and provincial income tax rate	**44.7%**	44.7%	44.7%
Effective income tax expense (recovery) on the income before income taxes and minority interest	**$ 5,573,877**	$ 3,954,857	$ (216,577)
Increase (decrease) results from:			
Non-deductible depreciation and amortization	**405,461**	194,448	170,723
Income taxed at different rates in foreign jurisdictions	**(2,258,076)**	(1,787,326)	(1,562,973)
Losses, the tax effect of which has not been recorded	**–**	149,438	29,048
Miscellaneous	**39,573**	691,998	482,845
Actual income tax expense (recovery)	**$ 3,760,835**	$ 3,203,415	$ (1,096,934)

10. Commitments:

(a) Leases:

At December 31, 1998, future minimum rental payments relating to operating leases for premises and equipment are as follows:

Year ending December 31:	
1999	$ 12,477,402
2000	11,602,835
2001	9,889,796
2002	8,621,202
2003	6,700,344
Thereafter	10,963,008
	$ 60,254,587

(b) Other:

At December 31, 1998, the Corporation has entered into commitments for the purchase of fixed assets in the forthcoming year at a total cost of approximately $2,060,000.

11. Contingent liabilities:

(a) 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.

(b) Uncertainty due to the Year 2000 issue:

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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 on the corporate governance practices of Vitran are contained in Vitran's Information Circular dated March 30, 1999.

Corporate Directory

Directors

Carl J. Cook
Decisions Inc.

G. Mark Curry
President
Revmar Inc.

Richard E. Gaetz
President and 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 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

Richard E. Gaetz
President and Chief Operating Officer
Distribution Systems

Kevin A. Glass
Vice President Finance &
Chief Financial Officer

Corporate Executive Office

Vitran Corporation Inc.
70 University Avenue
Suite 350
Toronto, Ontario
Canada M5J 2M4
Tel: (416) 596-7664
Fax: (416) 596-8039

Distribution System

Canadian Executive Office
CN MacMillan Yard Complex
751 Bowes Road
Concord, Ontario
Canada L4K 5C9
Tel: (416) 798-4965
Fax: (416) 798-4753

Principal Operating Divisions
Trans Western Express
G&W Freightways
Can-Am LTL
Maxximum Express
The Freight Connection
Vitran Logistics

United States Executive Office
6500 East 30th Street
Indianapolis, Indiana
U.S.A. 46219
Tel: (317) 543-1234
Fax: (317) 543-1230

Principal Operating Divisions
Vitran Express
Frontier Transport Corporation

United States Intermodal Office
The Freight Connection, Inc.
12900 Dupont Circle
Tampa, Florida
U.S.A. 33626
Tel: (813) 854-1500
Fax: (813) 855-2767

Environmental Services Group

Canadian Executive Office
12345 - 104th Avenue
Surrey, British Columbia
Canada V3V 3H2
Tel: (604) 589-4385
Fax: (604) 589-7833

Stock Exchange Listings

The Toronto Stock Exchange
Stock Symbol: VTN.A
The NASDAQ Stock Market℠
Stock Symbol: VTNAF

Transfer Agent

Montreal Trust Company of Canada
151 Front Street West
8th Floor
Toronto, Ontario
Canada M5J 2N1

Dividend Information

Paid semi-annually in June and December. The December 1998 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 Tuesday, May 4, 1999.

Vitran Corporation Inc.

70 University Avenue
Suite 350
Toronto, Ontario
Canada M5J 2M4

Tel: **(416) 596-7664**
Fax: **(416) 596-8039**

E-mail: **information@vitran.com**
Website: **www.vitran.com**