

**CONTRANS REPORTS 386% INCREASE IN Q1 PRE-TAX EARNINGS**

(Woodstock, Ontario—May 6, 2010)

(TSX:CSS)

**FINANCIAL HIGHLIGHTS**

(in millions except for per share amounts)

For the three months ended March 31

	2010		2009	
<b>Revenue - as stated</b>	\$ 93.8		\$ 88.0	
- fuel surcharges <sup>(1)</sup>	(9.3)		(7.1)	
<b>Revenue - transportation services <sup>(1)</sup></b>	<b>84.5</b>	<b>100.0 %</b>	80.9	100.0 %
Operating expenses - net of fuel surcharges	65.8	77.9	63.9	79.0
Selling, general and administration expenses	8.1	9.6	9.2	11.4
Foreign exchange loss	0.1	0.1	1.2	1.5
<b>Earnings before amortization, interest and income taxes</b>	<b>10.5</b>	<b>12.4</b>	6.6	8.1
Amortization of property and equipment	3.1	3.7	3.0	3.7
Amortization of intangible assets	0.9	1.1	0.9	1.1
Net interest expense	1.5	1.8	1.4	1.7
<b>Earnings before income taxes</b>	<b>5.0</b>	<b>5.8</b>	1.3	1.6
Income tax provision (recovery):				
Current	3.8	4.5	(0.2)	(0.2)
Future	(2.2)	(2.6)	-	-
	1.6	1.9	(0.2)	(0.2)
<b>Net earnings</b>	<b>\$ 3.4</b>	<b>3.9 %</b>	\$ 1.5	1.8 %
Earnings per share - basic and diluted	\$ 0.11		\$ 0.05	

<sup>(1)</sup> See "Use of non-GAAP Financial Measures" below.

“Contrans’ continued success in this quarter is a direct result of its flexible cost structure, strong balance sheet, diversified customer base and the low vulnerability of its specialized business segments to economic cycles.” stated Contrans’ Chairman and Chief Executive Officer, Stan Dunford. “I have always commented on the impact of recessions with respect to sustainable business models. If you want to differentiate businesses within an industry, it is never more apparent than during a recession. I am especially proud of the people in the Contrans organization who understood the importance and urgency of all the difficult decisions that had to be made in 2009 and the benefits we will all enjoy as a result in our future.”

“If you believe that the transportation industry is a leading indicator of both deterioration and recovery in the economy, you would sense my hesitation to say the economy is improving” added Mr. Dunford. “Contrans’ revenue was basically flat quarter over quarter. On a positive note, however, capacity is getting closer to being in line with demand, downward pricing pressures have eased and the anticipation of an improving economy just enhances Contrans’ already strong position.”

“Contrans’ Board of Directors declared a dividend of \$0.08 per share on April 19 after careful consideration of Contrans’ first quarter performance, its financial position and management’s business outlook,” Mr. Dunford added further. “Contrans’ Board of Directors believes that it is imperative to continue to deliver tangible returns regularly to the Company’s shareholders.”

## ***RESULTS FROM OPERATIONS***

Contrans' revenue from transportation services ("revenue") in the first quarter of 2010 ("2010 Q1") modestly improved over the first quarter of 2009 ("2009 Q1"). However, revenue in 2010 Q1 was approximately 20% lower than first quarter revenue levels of 2008 and 2007. In 2010 Q1, Contrans benefited from increased shipments of steel and wallboard as well as from shipments from new customers. In addition, the acquisition of Truboy Freight International Inc. ("Truboy") in 2010 Q1 generated revenue of \$0.7 million. These positive impacts on the Company's revenue were offset by approximately \$4 million worth of reduced bulk salt shipments in 2010 Q1 compared to 2009 Q1 due to milder winter weather. Fuel surcharge revenue increased in 2010 Q1 compared to 2009 Q1 due to higher fuel prices and increased volumes.

Contrans' rationalization of company tractors has positively affected equipment utilization and has reduced operating expenses as a result. This was partially offset by a \$0.4 million increase in accident claim costs in 2010 Q1 compared to 2009 Q1. While there are signs of some economic recovery, competition for freight remains fierce and pressure on freight rates persists.

Cost savings initiatives undertaken by management have reduced Contrans' selling, general and administration ("SG&A") expenses in 2010 Q1 compared to 2009 Q1. The decrease in SG&A expenses have been primarily derived from reduced staff levels and continued scrutiny of discretionary spending.

Contrans generates more US dollar revenue than US dollar expenses. In 2010 Q1, the Canadian dollar appreciated against the US dollar resulting in a foreign exchange loss of \$0.1 million. Contrans did not have any foreign exchange contracts in place in 2010 Q1. In 2009 Q1, mark-to-market adjustments to Contrans' outstanding foreign exchange contracts resulted in a foreign exchange loss of \$1.2 million.

Although net debt levels were lower in 2010 Q1 compared to 2009 Q1, average interest rates on cash balances decreased resulting in an increase in net interest expense.

## ***USE OF NON-GAAP FINANCIAL MEASURES***

Management has included certain non-GAAP measures to supplement its consolidated financial statements which are presented in accordance with Canadian GAAP. Non-GAAP measures do not have any standardized meaning prescribed under Canadian GAAP and therefore they are unlikely to be comparable to similar measures employed by other issuers. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. Management has included these non-GAAP measures for the reasons set forth below.

### *Revenue – transportation services, revenue – fuel surcharges:*

Management believes that it is important to isolate the effects of fuel surcharges, a volatile source of revenue, when analyzing operating results. Management regards revenue from transportation services as the relevant indicator of business level activity. Accordingly, the percentages in the Financial Highlights table were calculated using revenue from transportation services as a base. In addition, operating expenses are stated after netting fuel surcharges against fuel expenses in the Financial Highlights table. Management believes that this presentation facilitates a better comparison of operating costs between periods.

## ***FORWARD-LOOKING STATEMENTS***

The MD&A contains certain forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements relate to future events or future performance and include, but are not limited to, changes in government regulations regarding weights and dimensions of highway equipment, the age and condition of the transportation fleet and the growth of Contrans' business. Often, but not always, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views and estimates of management of Contrans with respect to future events, as of the date such statements are made, and they involve known and

unknown risks and uncertainties which may cause actual events or results to differ materially from those expressed or implied by forward-looking statements. In evaluating these statements, readers should specifically consider factors such as the risks outlined under “Risk Factors” in Contrans’ Annual Information Form, which is available at [www.sedar.com](http://www.sedar.com). Although management has attempted to identify important factors that could cause actual events, actions or results to differ materially from those described in the forward-looking statements, there may be other factors that cause such events, actions or results to differ. Management is under no obligation (and expressly disclaims any such obligation) to update or alter any forward-looking statement or assumption whether as a result of new information, future events or otherwise, except as required by law.

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(in thousands except for per share amounts)

(unaudited)

For the periods ended March 31	Three Months	
	2010	2009
<b>Revenue</b>	\$ 93,792	\$ 87,960
Operating expenses	75,049	70,926
Selling, general and administration expenses	8,146	9,206
Foreign exchange loss	116	1,158
Amortization of property and equipment	3,054	3,038
Amortization of intangible assets	949	944
	<b>6,478</b>	2,688
Net interest expense (income) - long-term	1,488	1,465
- short-term	(35)	(79)
<b>Earnings before Income Taxes</b>	<b>5,025</b>	1,302
<b>Income Tax Provision (Recovery):</b>		
Current	3,759	(182)
Future	(2,173)	(63)
	<b>1,586</b>	(245)
<b>Net Earnings and Comprehensive Income</b>	<b>\$ 3,439</b>	\$ 1,547
Earnings per share - basic and diluted	\$ 0.11	\$ 0.05
Weighted average number of shares outstanding - basic and diluted	29,938	29,754

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(in thousands)

(unaudited)

For the periods ended March 31	Three Months	
	2010	2009
<b>Retained Earnings (Deficit) – Beginning of Period</b>	\$ (478)	\$ 435
Net earnings	3,439	1,547
Dividend declared	-	(6,203)
<b>Retained Earnings – End of Period</b>	<b>\$ 2,961</b>	\$ (4,221)

The accompanying notes are an integral part of these statements.

## CONSOLIDATED BALANCE SHEETS

(in thousands)

As at	<b>March 31</b>	<b>December 31</b>
	<b>2010</b>	<b>2009</b>
<b>Assets</b>	<i>(unaudited)</i>	<i>(audited)</i>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 30,095	\$ 30,193
Accounts receivable	47,187	48,909
Income taxes recoverable	-	495
Other current assets	5,947	5,089
	<b>83,229</b>	84,686
<b>Restricted Cash (Note 5)</b>	7,375	7,375
<b>Note Receivable</b>	57	88
<b>Property and Equipment</b>	104,411	104,381
<b>Intangible Assets</b>	14,546	15,135
<b>Goodwill</b>	63,815	63,764
	<b>\$ 273,433</b>	<b>\$ 275,429</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 29,355	\$ 32,057
Distributions payable	-	4,491
Income taxes payable	3,325	-
Current portion of capital lease obligations	2,007	1,921
Current portion of long-term debt	624	339
	<b>35,311</b>	38,808
<b>Capital Lease Obligations</b>	7,008	6,978
<b>Long-term Debt</b>	85,422	85,193
<b>Asset Retirement Obligations</b>	696	720
<b>Future Income Taxes</b>	12,358	14,531
	<b>140,795</b>	146,230
<b>Shareholders' Equity (Note 3)</b>		
Contributed surplus	961	961
Share capital	128,716	128,716
Retained earnings (deficit)	2,961	(478)
	<b>132,638</b>	129,199
	<b>\$ 273,433</b>	<b>\$ 275,429</b>

*The accompanying notes are an integral part of these statements.*

*Signed on behalf of the Board of Directors*

*Stan G. Dunford, Director*

*Archie M. Leach, C.A., Director*

## CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)

(unaudited)

For the periods ended March 31	Three Months	
	2010	2009
<b>Cash Provided by (Used in):</b>		
<b>Operating Activities</b>		
Net earnings	\$ 3,439	\$ 1,547
Items not affecting cash:		
Change in unrealized gain on foreign exchange	(20)	(515)
Unit-based compensation expense	-	50
Long-term debt – accretion	20	20
Gain on sale of business units	-	(23)
Asset retirement obligations - accretion	7	10
Amortization of property and equipment	3,054	3,038
Amortization of intangible assets	949	944
Future income taxes	(2,173)	(63)
Gain on sale of equipment	(86)	(343)
	5,190	4,665
Change in non-cash working capital (Note 6)	4,104	6,655
	9,294	11,320
<b>Investing Activities</b>		
Expended on acquisitions (Note 2)	(466)	(3,000)
Asset retirement obligations - settlements	(61)	(56)
Proceeds from disposal of business unit	-	100
Proceeds from note receivable	31	-
Proceeds from sale of equipment	497	1,182
Purchase of property and equipment	(4,257)	(2,828)
	(4,256)	(4,602)
<b>Financing Activities</b>		
Distributions paid	(4,491)	(9,290)
Proceeds from restricted cash	-	3,000
Proceeds from long-term debt	118	94
Repayment of long-term debt	(197)	(269)
Payment of capital lease obligations	(566)	(404)
Issuance of trust units	-	1,531
	(5,136)	(5,338)
<b>Increase (decrease) in Cash and Cash Equivalents</b>	<b>(98)</b>	<b>1,380</b>
<b>Cash and Cash Equivalents – Beginning of Period</b>	<b>30,193</b>	<b>18,451</b>
<b>Cash and Cash Equivalents – End of Period</b>	<b>\$ 30,095</b>	<b>\$ 19,831</b>

The accompanying notes are an integral part of these statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended March 31, 2010 and 2009

(Unaudited, tabular amounts in thousands except for per share amounts)

### 1. Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements using the same accounting policies as were applied in the audited consolidated financial statements for the year ended December 31, 2009. These interim financial statements do not conform in all respects with disclosure required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of Contrans for the year ended December 31, 2009.

### 2. Acquisition

Period ended March 31, 2010	Truboy
Property and equipment	\$ 712
Intangible assets	
Customer relationships	160
Non-competition agreements	200
Goodwill	51
<b>Fair value of assets acquired</b>	<b>1,123</b>
Accounts payable and accrued liabilities	5
Capital leases assumed on acquisition	79
Debt assumed on acquisition	573
<b>Fair value of liabilities assumed</b>	<b>657</b>
	\$ 466
<b>Consideration</b>	
Cash	\$ 466

Entity acquired	Date	% Shares Acquired	Province	Service Area
Truboy Freight International Inc. ("Truboy")	29-Jan-10	Assets acquired	Ontario	Flatbed

This acquisition has been accounted for using the purchase method. The results of operations from the acquisition date have been included in these consolidated financial statements. An additional \$0.5 million of consideration is payable contingent upon the achievement of certain financial objectives. If earned, the contingent consideration will be payable in three annual instalments and will be charged to goodwill.

### 3. Shareholders' Equity

	Contributed Surplus	Share Capital	Retained Earnings	Total
Balance at December 31, 2009	\$ 961	\$ 128,716	\$ (478)	\$ 129,199
Net earnings	-	-	3,439	3,439
<b>Balance at March 31, 2010</b>	<b>\$ 961</b>	<b>\$ 128,716</b>	<b>\$ 2,961</b>	<b>\$ 132,638</b>

#### **4. Financial Instruments**

##### **a) Derivative financial instruments**

Contrans, from time to time, enters into foreign exchange contracts to manage its exposure to currency fluctuations. As at March 31, 2010 Contrans had no foreign exchange contracts in place.

##### **b) Risk management**

Contrans is exposed to credit risk, foreign exchange risk, interest rate risk and liquidity risk from its financial assets and liabilities. Risk management strategies are designed to ensure Contrans' risks and related exposures are consistent with its business objectives and risk tolerance. There have been no significant changes to Contrans' risk management strategies since December 31, 2009.

#### **5. Restricted Cash**

Under the terms of Contrans' long-term debt facility, restricted cash may only be used to repay senior secured notes and to fund growth opportunities.

#### **6. Cash Flow**

Change in non-cash working capital:

For the periods ended March 31	Three Months	
	2010	2009
Decrease in accounts receivable	\$1,722	\$7,022
Increase in other current assets	(858)	(290)
Increase (decrease) in accounts payable and accrued liabilities	(580)	449
Increase (decrease) in income taxes payable	3,820	(526)
<b>Net change in non-cash working capital</b>	<b>\$4,104</b>	<b>\$6,655</b>
Cash paid (received) in respect of:		
Interest paid	\$1,464	\$1,458
Income taxes paid (refunded) - net	(87)	441
Non-cash transactions:		
Value of equipment financed through capital leases	702	-

#### **7. Comparative Figures**

Certain comparative figures have been restated to conform to the current period's basis of presentation.

#### **8. Seasonality**

Generally the second quarter is Contrans' strongest period. Volumes from customers in the construction industry typically increase as temperatures warm in the spring, peak in the fall and then decline with the onset of winter weather. Some manufacturing customers close their plants during the summer and many customers either shut down their production facilities or otherwise reduce shipments during the Christmas holiday season.

#### **9. Future Accounting Changes**

##### **International Financial Reporting Standards ("IFRS")**

In February 2008 the Canadian Accounting Standards Board ("AcSB") announced that publicly-listed companies would, for fiscal years beginning on or after January 1, 2011, be required to report their results under IFRS. IFRS allows for different accounting treatments on first implementation. Contrans has completed its initial assessment of the possible impacts of implementing IFRS and the standards which may have the most significant impact on Contrans, upon first adoption of IFRS include IAS 16 – Property, Plant and Equipment, IAS 36 – Impairment of Assets, and IFRS 1 – First-time Adoption of International Financial Reporting Standards.

## ***10. Subsequent Events***

### **Dividend**

On April 19, 2010 Contrans announced a dividend of \$0.08 per share (\$2.4 million in total) to be paid on May 14, 2010 to shareholders of record at April 30, 2010.

### **Normal Course Issuer Bid**

On April 20, 2010, Contrans received regulatory approval to proceed with a normal course issuer bid to purchase certain of its outstanding Class A Subordinate Voting Shares to a maximum of 2,349,446 shares. The bid commenced on April 22, 2010 and expires on April 21, 2011. Class A shares purchased pursuant to the bid will be cancelled.

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For further information please contact:

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