

CONTRANS GROUP INC. REPORTS STEADY IMPROVEMENT
(Woodstock, Ontario—August 5, 2010)
(TSX:CSS)
FINANCIAL HIGHLIGHTS
(in millions except for per share amounts)
For the periods ended June 30

| | Three Months | | | | Six Months | | | |
|--|-----------------|----------------|---------|---------|-----------------|----------------|----------|---------|
| | 2010 | | 2009 | | 2010 | | 2009 | |
| Revenue - as stated | \$ 101.0 | | \$ 87.4 | | \$ 194.8 | | \$ 175.4 | |
| - fuel surcharges ⁽¹⁾ | (9.9) | | (6.0) | | (19.2) | | (13.1) | |
| Revenue - transportation services ⁽¹⁾ | 91.1 | 100.0 % | 81.4 | 100.0 % | 175.6 | 100.0 % | 162.3 | 100.0 % |
| Operating expenses - net of fuel surcharges | 69.7 | 76.5 | 63.7 | 78.3 | 135.5 | 77.1 | 127.6 | 78.6 |
| Selling, general and administration expenses | 8.9 | 9.8 | 7.5 | 9.2 | 17.0 | 9.7 | 16.7 | 10.3 |
| Foreign exchange gain | (0.3) | (0.3) | (1.8) | (2.2) | (0.2) | (0.1) | (0.6) | (0.4) |
| Earnings before amortization, interest and income taxes | 12.8 | 14.0 | 12.0 | 14.7 | 23.3 | 13.3 | 18.6 | 11.5 |
| Amortization of property and equipment | 3.1 | 3.4 | 3.1 | 3.8 | 6.2 | 3.5 | 6.1 | 3.8 |
| Amortization of intangible assets | 1.0 | 1.1 | 1.0 | 1.2 | 1.9 | 1.1 | 1.9 | 1.2 |
| Net interest expense | 1.4 | 1.5 | 1.4 | 1.7 | 2.9 | 1.7 | 2.8 | 1.7 |
| Earnings before income taxes | 7.3 | 8.0 | 6.5 | 8.0 | 12.3 | 7.0 | 7.8 | 4.8 |
| Income tax provision (recovery): | | | | | | | | |
| Current | 1.0 | 1.1 | 2.1 | 2.6 | 4.8 | 2.7 | 1.9 | 1.2 |
| Future | 1.1 | 1.2 | (1.8) | (2.2) | (1.1) | (0.6) | (1.8) | (1.1) |
| | 2.1 | 2.3 | 0.3 | 0.4 | 3.7 | 2.1 | 0.1 | 0.1 |
| Net earnings | \$ 5.2 | 5.7 % | \$ 6.2 | 7.6 % | \$ 8.6 | 4.9 % | \$ 7.7 | 4.7 % |
| Earnings per share - basic and diluted | \$ 0.16 | | \$ 0.20 | | \$ 0.28 | | \$ 0.26 | |

⁽¹⁾ See "Use of non-GAAP Financial Measures" below.

“Contrans’ steady improvement in year over year operating results continued in the second quarter,” stated Contrans’ Chairman and Chief Executive Officer, Stan Dunford. “Although revenue has not yet returned to pre-recession levels, aggressive sales efforts produced new business and contributed to an 11% increase in quarter over quarter revenue, net of fuel surcharges. In addition, improved equipment utilization and ongoing cost rationalization have helped to substantially restore our profit margins. Profit, measured as a percentage of revenue, has always been the key measure of success at Contrans. I am very proud of the efforts that have been made throughout the organization that have contributed to this accomplishment.”

“In response to anticipated growth opportunities and favourable market conditions, Contrans raised \$53 million in a bought deal that closed on June 2, 2010,” added Mr. Dunford. “These funds bolstered a balance sheet that was already very strong. I am excited about the Company’s prospects to make strategic acquisitions and the potential for delivering greater long-term value to our shareholders.”

MANAGEMENT’S DISCUSSION AND ANALYSIS

On December 1, 2009, under a plan of arrangement, Contrans Income Fund (“the Fund”) was effectively converted into a corporation, Contrans Group Inc. (“the Group”). This conversion was recorded using the continuity of interest method of accounting. Accordingly, the consolidated financial statements contained in this interim report, which have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and reported in Canadian funds, detail the performance and financial position of the Group and the Fund for the periods ended June 30, 2010 and 2009 as if the Group had always carried on the business carried on by the Fund. Accordingly, the use of “Contrans” hereafter is intended to be understood as a reference to the business carried on by the Fund and, after December 1, 2009, by the Group. The financial statements should be read in conjunction with the analysis that follows and the cautionary notes regarding use of non-GAAP measures and forward-looking statements.

RESULTS FROM OPERATIONS

Contrans revenue from transportation services (“revenue”) has increased in 2010 compared to 2009 for both the second quarter (“2010 Q2” and “2009 Q2” respectively) and for the first six months. Contrans’ customers in the construction and steel industries have experienced the strongest growth compared to 2009. In addition, new customers generated approximately \$3.3 million of revenue in Q2 2010 (\$5.1 million year-to-date). The acquisition of Truboy Freight International Inc. in the first quarter of 2010 generated revenue of \$0.7 million in 2010 Q2 (\$1.2 million year-to-date). Fuel surcharge revenue increased in 2010 Q2 compared to 2009 Q2 due to higher fuel prices and increased volumes. Revenue from the Company’s bulk salt business, however, was \$0.5 million lower in 2010 Q2 (\$4.5 million lower year-to-date) due to milder winter weather in 2010 compared to 2009.

Contrans’ rationalization of company tractors in 2009 has continued to favourably affect equipment utilization and accordingly has reduced operating expenses measured as a percentage of revenue. In addition, operating margins have benefited from a slight easing of pricing pressures in 2010 compared to 2009. These positive effects have been partially offset by a \$0.5 million increase in accident claim costs in 2010 Q2 compared to 2009 Q2 (\$0.9 million increase year-to-date).

SG&A expenses have increased in 2010 primarily due to the cancellation of the salary and wage roll-back program and due to the reinstatement of management bonuses in 2010. In 2009, salaries and wages were rolled back and management bonuses were eliminated as part of Company-wide cost savings initiatives in response to the poor business climate at the time. Management continues to monitor staff levels and to scrutinise discretionary spending.

Contrans generates more US dollar revenue than US dollar expenses. Management manages the risk of fluctuating values of the Canadian dollar against the US dollar by entering into forward foreign exchange contracts when deemed appropriate. Contrans does not have any open foreign exchange contracts currently. In 2009 Q2, mark-to-market adjustments to Contrans’ open foreign exchange contracts were primarily responsible for a foreign exchange gain of \$1.8 million (2009 – \$0.6 million gain year-to-date).

Contrans completed a public offering of its Class A subordinate voting shares on June 2, 2010. This provided net cash proceeds of \$53.5 million to the Company. Net debt levels were significantly reduced accordingly. Interest rates on secure, highly liquid, short-term investments have remained low in 2010. Net interest expense has not materially changed in 2010 Q2 compared to 2009 Q2 as a result.

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

This report 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. 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 statements 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 June 30 | Three Months | | Six Months | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenue | \$ 100,961 | \$ 87,433 | \$ 194,753 | \$ 175,393 |
| Operating expenses | 79,649 | 69,860 | 154,698 | 140,786 |
| Selling, general and administration expenses | 8,841 | 7,474 | 16,987 | 16,680 |
| Foreign exchange gain | (309) | (1,773) | (193) | (615) |
| Amortization of property and equipment | 3,096 | 3,039 | 6,150 | 6,077 |
| Amortization of intangible assets | 966 | 941 | 1,915 | 1,885 |
| | 8,718 | 7,892 | 15,196 | 10,580 |
| Net interest expense (income) - long-term | 1,480 | 1,451 | 2,968 | 2,916 |
| - short-term | (68) | (31) | (103) | (110) |
| Earnings before Income Taxes | 7,306 | 6,472 | 12,331 | 7,774 |
| Income Tax Provision (Recovery): | | | | |
| Current | 1,052 | 2,130 | 4,811 | 1,948 |
| Future | 1,045 | (1,768) | (1,128) | (1,831) |
| | 2,097 | 362 | 3,683 | 117 |
| Net Earnings and Comprehensive Income | \$ 5,209 | \$ 6,110 | \$ 8,648 | \$ 7,657 |
| Earnings per share - basic and diluted | \$ 0.16 | \$ 0.20 | \$ 0.28 | \$ 0.26 |
| Weighted average number of shares outstanding - basic and diluted | 31,739 | 29,937 | 30,843 | 29,857 |

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(in thousands)

(unaudited)

| For the periods ended June 30 | Three Months | | Six Months | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Retained Earnings (Deficit) – Beginning of Period | \$ 2,961 | \$ (4,221) | \$ (478) | \$ 435 |
| Net earnings | 5,209 | 6,110 | 8,648 | 7,657 |
| Dividend declared | (2,395) | - | (2,395) | (6,203) |
| Retained Earnings – End of Period | \$ 5,775 | \$ 1,889 | \$ 5,775 | \$ 1,889 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

(in thousands)

| As at | June 30 2010 | December 31 2009 |
|--|--------------------|---------------------|
| Assets | <i>(unaudited)</i> | <i>(audited)</i> |
| Current Assets | | |
| Cash and cash equivalents | \$ 85,402 | \$ 30,193 |
| Accounts receivable | 48,717 | 48,909 |
| Income taxes recoverable | - | 495 |
| Other current assets | 5,737 | 5,089 |
| | 139,856 | 84,686 |
| Restricted Cash (Note 5) | 7,375 | 7,375 |
| Note Receivable | 27 | 88 |
| Property and Equipment | 105,258 | 104,381 |
| Intangible Assets | 13,580 | 15,135 |
| Goodwill | 63,815 | 63,764 |
| | \$ 329,911 | \$ 275,429 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 27,261 | \$ 32,057 |
| Distributions payable | - | 4,491 |
| Income taxes payable | 4,424 | - |
| Current portion of capital lease obligations | 2,011 | 1,921 |
| Current portion of long-term debt | 734 | 339 |
| | 34,430 | 38,808 |
| Capital Lease Obligations | 6,527 | 6,978 |
| Long-term Debt | 85,920 | 85,193 |
| Asset Retirement Obligations | 674 | 720 |
| Future Income Taxes | 12,702 | 14,531 |
| | 140,253 | 146,230 |
| Shareholders' Equity (Note 3) | | |
| Contributed surplus | 961 | 961 |
| Share capital | 182,922 | 128,716 |
| Retained earnings (deficit) | 5,775 | (478) |
| | 189,658 | 129,199 |
| | \$ 329,911 | \$ 275,429 |

Subsequent Event (Note 9)

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 June 30 | Three Months | | Six Months | |
|---|------------------|------------------|------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Cash Provided by (Used in): | | | | |
| Operating Activities | | | | |
| Net earnings | \$ 5,209 | \$ 6,110 | \$ 8,648 | \$ 7,657 |
| Items not affecting cash: | | | | |
| Change in unrealized loss (gain) on foreign exchange | 27 | (3,310) | 7 | (3,825) |
| Unit-based compensation expense | - | (7) | - | 43 |
| Long-term debt – accretion | 20 | 19 | 40 | 39 |
| Gain on sale of business units | - | - | - | (23) |
| Fair value adjustment of notes receivable | - | 257 | - | 257 |
| Asset retirement obligations - accretion | 7 | 10 | 14 | 20 |
| Amortization of property and equipment | 3,096 | 3,039 | 6,150 | 6,077 |
| Amortization of intangible assets | 966 | 941 | 1,915 | 1,885 |
| Future income taxes | 1,045 | (1,768) | (1,128) | (1,831) |
| Loss (gain) on sale of equipment | 61 | 16 | (25) | (327) |
| | 10,431 | 5,307 | 15,621 | 9,972 |
| Change in non-cash working capital (Note 6) | (2,315) | (605) | 1,789 | 6,050 |
| | 8,116 | 4,702 | 17,410 | 16,022 |
| Investing Activities | | | | |
| Expended on acquisitions (Note 2) | - | - | (466) | (3,000) |
| Asset retirement obligations - settlements | (29) | (2) | (90) | (58) |
| Proceeds from disposal of business unit | - | 21 | - | 121 |
| Proceeds from note receivable | 30 | - | 61 | - |
| Proceeds from sale of equipment | 644 | 1,325 | 1,141 | 2,507 |
| Purchase of property and equipment | (4,648) | (2,468) | (8,905) | (5,296) |
| | (4,003) | (1,124) | (8,259) | (5,726) |
| Financing Activities | | | | |
| Dividends paid | (2,395) | - | (6,886) | (9,290) |
| Proceeds from restricted cash | - | - | - | 3,000 |
| Proceeds from long-term debt | 754 | 32 | 872 | 126 |
| Repayment of long-term debt | (166) | (85) | (363) | (354) |
| Payment of capital lease obligations | (504) | (478) | (1,070) | (882) |
| Net proceeds from issuance of shares/trust units (Note 3) | 53,505 | - | 53,505 | 1,531 |
| | 51,194 | (531) | 46,058 | (5,869) |
| Increase in Cash and Cash Equivalents | 55,307 | 3,047 | 55,209 | 4,427 |
| Cash and Cash Equivalents – Beginning of Period | 30,095 | 19,831 | 30,193 | 18,451 |
| Cash and Cash Equivalents – End of Period | \$ 85,402 | \$ 22,878 | \$ 85,402 | \$ 22,878 |

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2010 and 2009
(Unaudited, tabular amounts in thousands)

1. Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) 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.

a) Continuity of interest

On December 1, 2009, under a plan of arrangement, Contrans Income Fund (“the Fund”) was effectively converted into a corporation, Contrans Group Inc. (“the Group”). This conversion was recorded using the continuity of interest method of accounting. Accordingly, the consolidated financial statements contained in this interim report, which have been prepared in accordance with Canadian GAAP and reported in Canadian funds, detail the performance and financial position of the Group and the Fund for the periods ended June 30, 2010 and 2009 as if the Group had always carried on the business carried on by the Fund.

2. Acquisition

| Period ended June 30, 2010 | Truboy |
|--|---------------|
| Property and equipment | \$ 712 |
| Intangible assets | |
| Customer relationships | 160 |
| Non-competition agreements | 200 |
| Goodwill | 51 |
| Fair value of assets acquired | 1,123 |
| Accounts payable and accrued liabilities | 5 |
| Capital leases assumed on acquisition | 79 |
| Debt assumed on acquisition | 573 |
| Fair value of liabilities assumed | 657 |
| | \$ 466 |
| Consideration | |
| 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 recorded as an increase to goodwill.

3. Shareholders' Equity

| | Contributed Surplus | Share Capital | Retained Earnings | Total |
|---------------------------------------|--------------------------------|----------------------|------------------------------|-------------------|
| Balance at December 31, 2009 | \$ 961 | \$ 128,716 | \$ (478) | \$ 129,199 |
| Issue of share capital ^(a) | - | 54,206 | - | 54,206 |
| Net earnings | - | - | 8,648 | 8,648 |
| Dividends declared ⁽¹⁾ | - | - | (2,395) | (2,395) |
| Balance at June 30, 2010 | \$ 961 | \$ 182,922 | \$ 5,775 | \$ 189,658 |

⁽¹⁾ A dividend of \$0.08 per share was paid on May 14, 2010 to shareholders of record as at April 30, 2010.

a) Issue of share capital

On June 2, 2010 Contrans issued 5,856,800 Class A Subordinate Voting Shares, for cash, at a price of \$9.60 per share. The total number of Class A Subordinate Voting Shares in issue at June 30, 2010 was 34,326,474.

Proceeds from issue of share capital

| | |
|--------------------------------------|------------------|
| Gross proceeds | \$ 56,225 |
| Costs of issue | (2,720) |
| Net cash proceeds | 53,505 |
| Future tax benefit on costs of issue | 701 |
| Increase in equity | \$ 54,206 |

b) 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. There were no repurchases of shares in the period to June 30, 2010.

4. Financial Instruments

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 June 30 | Three Months | | Six Months | |
|--|------------------|---------|----------------|---------|
| | 2010 | 2009 | 2010 | 2009 |
| Decrease (increase) in accounts receivable | (\$1,530) | (\$124) | \$192 | \$6,898 |
| Decrease (increase) in other current assets | 210 | 191 | (648) | (99) |
| Decrease in accounts payable and accrued liabilities | (2,094) | (2,916) | (2,674) | (2,467) |
| Increase in income taxes payable | 1,099 | 2,244 | 4,919 | 1,718 |
| Net change in non-cash working capital | (\$2,315) | (\$605) | \$1,789 | \$6,050 |
| Cash paid (received) in respect of: | | | | |
| Interest paid | \$1,417 | \$1,458 | \$2,881 | \$2,916 |
| Interest received | (68) | (37) | (103) | (135) |
| Income taxes - net | 212 | (153) | 125 | 288 |
| Non-cash transactions: | | | | |
| Value of equipment financed through capital leases | - | - | 702 | - |

7. 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.

8. 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. The adoption of IFRS will require restatement of Contrans' consolidated financial statements for comparative purposes for its year ended December 31, 2010 and of the opening balance sheet as at January 1, 2010.

9. Subsequent Event

Dividend

On July 19, 2010 Contrans announced a dividend of \$0.08 per share (\$2.9 million in total) to be paid on August 13, 2010 to shareholders of record at July 31, 2010.

10. Comparative Figures

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

For further information please contact:

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