

YRC WORLDWIDE INC
Form 10-K
February 29, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _____ to _____

Commission file number 0-12255

YRC WORLDWIDE INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

48-0948788
(I.R.S. Employer
Identification No.)

10990 Roe Avenue, Overland Park, Kansas
(Address of principal executive offices)

66211
(Zip Code)

Registrant's telephone number, including area code: (913) 696-6100

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$1 Par Value Per Share

(Title of class)

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant at June 30, 2007 was \$2,111,572,850.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

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| Class | Outstanding at January 31, 2008 |
|---------------------------------------|----------------------------------------|
| Common Stock, \$1 Par Value Per Share | 56,798,398 shares |

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the Form 10-K:

- 1) Proxy Statement related to the 2008 Annual Meeting of Stockholders - Part III

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Year Ended December 31, 2007

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This entire annual report, including (among other items) Item 7, Management's Discussion of Analysis of Financial Condition and Results of Operations and certain statements in the Notes to Consolidated Financial Statements contained in Item 8, Financial Statements and Supplementary Data, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (each a forward-looking statement). Forward-looking statements include those preceded by, followed by or including the words should, could, may, expect, believe, estimate or similar expressions. Our actual results could differ materially from those projected by these forward-looking statements due to a number of factors, including (without limitation), inflation, inclement weather, price and availability of fuel, sudden changes in the cost of fuel or the index upon which the Company bases its fuel surcharge, competitor pricing activity, expense volatility, including (without limitation) expense volatility due to changes in rail service or pricing of rail service, ability to capture cost reductions, including (without limitation) those cost reduction opportunities arising from acquisitions, changes in equity and debt markets, a downturn in general or regional economic activity, effects of a terrorist attack, and labor relations, including (without limitation), the impact of work rules, work stoppages, strikes or other disruptions, any obligations to multi-employer health, welfare and pension plans, wage requirements and employee satisfaction, the risk factors included in Item 1A Risk Factors and the risk factors that are from time to time included in the Company's reports filed with the Securities and Exchange Commission (the SEC).

Other factors as well as more details regarding certain of these factors are provided in greater detail in Item 1A Risk Factors.

PART I**Item 1. Business
General Description of the Business**

YRC Worldwide Inc. (also referred to as YRC Worldwide, the Company, we or our), one of the largest transportation service providers in the world, is a holding company that through wholly owned operating subsidiaries offers its customers a wide range of transportation services. These services include global, national and regional transportation as well as logistics. The YRC Worldwide portfolio of brands provides a comprehensive suite of services for the shipment of industrial, commercial and retail goods domestically and internationally. Our reportable segments, which are comprised of our various operating subsidiaries, include the following:

In January 2007, we announced organizational changes that brought the management of Yellow Transportation and Roadway under one organization established as YRC National Transportation (National Transportation). Accordingly, beginning in 2007 we have combined these previously separate segments into one. National Transportation is a holding company for our transportation service providers focused on business opportunities in regional, national and international services. National Transportation is comprised of Yellow Transportation and Roadway. These companies each provide for the movement of industrial, commercial and retail goods, primarily through regionalized and centralized management and customer facing organizations. National Transportation also includes Reimer Express Lines, a Roadway subsidiary located in Canada that specializes in shipments into, across and out of Canada. Approximately 37% of National Transportation shipments are completed in two days or less. In addition to the United States (U.S.) and Canada, National Transportation also serves parts of Mexico, Puerto Rico and Guam.

YRC Regional Transportation (Regional Transportation) is a holding company for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation is comprised of New Penn Motor Express, USF Holland and USF Reddaway. These companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the U.S.; Quebec, Canada; Mexico and Puerto Rico. USF Glen Moore, a provider of truckload services throughout the U.S., is also a subsidiary of Regional Transportation. Approximately 90% of Regional Transportation less-than-truckload (LTL) shipments are completed in two days or less. In 2006, Regional Transportation also included USF Bestway. In February 2007, the majority of USF Bestway's operations were consolidated into USF Reddaway.

YRC Logistics (formerly Meridian IQ) plans and coordinates the movement of goods worldwide to provide customers a single source for logistics management solutions. YRC Logistics delivers a wide range of global logistics management services, with the ability to provide customers improved return-on-investment results through flexible, fast and easy-to-implement logistics services and technology management solutions.

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For revenue and other information regarding these segments, see the [Business Segments](#) note to our consolidated financial statements.

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Incorporated in Delaware in 1983 and headquartered in Overland Park, Kansas, we employed approximately 63,000 people as of December 31, 2007. The mailing address of our headquarters is 10990 Roe Avenue, Overland Park, Kansas 66211, and our telephone number is (913) 696-6100. Our website is www.yrcw.com. Through the SEC Filings link on our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. All of these filings may be viewed or printed from our website free of charge.

Narrative Description of the Business

Operating Units

YRC National Transportation

National Transportation is comprised of Yellow Transportation, Roadway and Reimer Express Lines. These companies offer a full range of services for the transportation of industrial, commercial, and retail goods in regional, national and international markets, primarily through the operation of owned or leased equipment in their respective North American surface distribution networks. Transportation services are provided for various categories of goods, which may include (among others) apparel, appliances, automotive parts, chemicals, food, furniture, glass, machinery, metal, metal products, non-bulk petroleum products, rubber, textiles, wood and other manufactured products or components. National Transportation provides both LTL services, which combines shipments from multiple customers on a single truck, and truckload services. Most deliveries are LTL shipments with truckload services offered to maximize equipment utilization and reduce empty miles (the distance empty or partially full trailers travel back to origin to balance the network). Each National Transportation company provides higher-margin specialized services, including guaranteed expedited services, time-specific deliveries, cross-border services, coast-to-coast air delivery, global transportation, product returns, temperature-sensitive shipment protection and government material shipments.

The National Transportation companies serve more than 600,000 manufacturing, wholesale, retail and government customers throughout North America. National Transportation's 42,000 employees are dedicated to operating its expansive network which support over 485,000 shipments in transit at any time. National Transportation shipments have an average shipment size of 1,200 pounds and travel an average distance of roughly 1,200 miles. Approximately 37% of shipments are delivered in two days or less. Operations research and engineering teams centrally coordinate the equipment, routing, sequencing and timing necessary to transport shipments more than 118 million miles per month. At December 31, 2007, National Transportation had 14,758 owned tractors, 2,379 leased tractors, 61,183 owned trailers and 3,579 leased trailers. The National Transportation network includes 586 strategically located facilities with 25,777 doors. National Transportation companies accounted for 69% of our total operating revenue in 2007, 69% of our total operating revenue in 2006, and 77% of our total operating revenue in 2005.

Yellow Transportation

Founded in 1924, Yellow Transportation provides service throughout North America, including within Puerto Rico, Guam and Hawaii. The Yellow Transportation affiliates, YRC Services, S. de R.L. de C.V. and Yellow Transportation of Ontario, Inc. and Yellow Transportation of British Columbia, Inc., provide services in Mexico and Canada, respectively. Yellow Transportation is headquartered in Overland Park, Kansas.

Yellow Transportation helps customers turn transportation into a competitive advantage through such innovative services as:

Exact Express® and Expedited Direct – seamless air and ground delivery for expedited shipments through North America, featuring flexible pickup and delivery times and an industry-leading 100% satisfaction guarantee.

Definite Delivery® – a guaranteed on-time service with constant shipment monitoring and proactive notification and more direct points than any other guaranteed standard delivery service.

Standard Ground – a ground service with expansive coverage throughout the U.S., Canada, Mexico, Puerto Rico and Guam.

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MyYellow®.com a leading edge e-commerce web site offering online transportation management tools for everything from obtaining rate quotes to scheduling pickups, generating bills of lading, tracking shipments and resolving questions.

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Roadway

Founded in 1930, Roadway provides seamless service throughout Canada, Mexico and the U.S., including Alaska, Hawaii and Puerto Rico. Two-day, three-day and coast-to-coast service connect key markets throughout North America. Reimer Express Lines, a subsidiary of Roadway, provides service in Canada, and the Roadway affiliate, YRC Services, S. de R.L. de C.V, provides services in Mexico. Roadway is headquartered in Akron, Ohio.

Roadway adds value to global supply chains through service offerings such as:

Roadway Time-Critical Service Expedited, emergency and window deliveries via ground or air anywhere in North America with shipment arrival timed to the hour, day, or span of days and a 100% on-time guarantee. Guaranteed multiple-day window deliveries meet a retail industry need to reduce chargeback fees.

Roadway Time-Advantage Service Cost-effective blend of ground and air transportation to provide highly reliable deliveries at any speed throughout North America, with both expedited and deferred air capabilities.

Roadway Custom Solutions Innovative combinations of network resources, capabilities, technologies and flexibility to customize services for unique distributions, new store openings, product returns, and other special projects.

Roadway Sealed Divider Service Patented shipment protection unique to the marketplace and designed for products that are difficult or expensive to package for shipping, are of high value, or need verifiable security throughout transit.

Roadway Global Services Global offerings expanded in cooperation with YRC Logistics in 2007 to provide air, ocean and ground transportation and logistics services at any point in the supply chain; an expedited ocean service from China to U.S. with guaranteed delivery to final destination; and the only standard service delivery guarantee in the marketplace for U.S./Canada cross-border shipping.

my.roadway.com A secure e-commerce website offering online resources for supply chain visibility and shipment management in real time.

Reimer Express Lines

Founded in 1952, Reimer Express Lines, a wholly owned subsidiary of Roadway, offers Canadian shippers a selection of direct connections within Canada, throughout North America and around the world. Its network and information systems are completely integrated with those of Roadway enabling Reimer Express Lines to provide seamless cross-border services between Canada, Mexico and the U.S. and markets overseas.

YRC Regional Transportation

Regional Transportation is comprised of New Penn, USF Holland, USF Reddaway and USF Glen Moore. In 2006, Regional Transportation also included USF Bestway. In February 2007, we consolidated the majority of USF Bestway's operations into USF Reddaway. Together, the Regional Transportation companies deliver services in the next-day, second-day and time-sensitive markets nationwide, which are among the fastest-growing transportation segments. The Regional Transportation service portfolio includes:

Regional delivery including next-day local area delivery and second-day services; consolidation/distribution services; protect-from-freezing and hazardous materials handling; and a variety of other specialized offerings.

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Expedited delivery including day-definite, hour-definite and time definite capabilities.

Truckload delivery including regional, national, dedicated and team-based services.

Inter-regional delivery combining our best-in-class regional networks with reliable sleeper teams, Regional Transportation provides reliable, high-value services between our regional operations.

Cross-border delivery through strategic partnerships, the Regional Transportation companies provide full-service capabilities between the U.S. and Canada, Mexico and Puerto Rico.

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USFNet.com and NewPenn.com are both leading edge e-commerce web sites offering secure and customized online resources to manage transportation activity.

The Regional Transportation companies are described as follows:

New Penn Motor Express, headquartered in Lebanon, Pennsylvania, provides local next-day, day-definite, and time-definite services through a network located in the Northeastern United States; Quebec, Canada; and Puerto Rico.

USF Holland, headquartered in Holland, Michigan, provides local next-day, regional and expedited services through a network located in the Midwestern, Southeastern and portions of the Northeast United States. USF Holland also provides service to the provinces of Ontario and Quebec, Canada.

USF Reddaway, headquartered in Clackamas, Oregon, provides local next-day, regional and expedited services through a network located in California, the Pacific Northwest, the Rocky Mountain States and the Southwest. Additionally USF Reddaway provides services to Alaska and to the provinces of Alberta and British Columbia, Canada. In February 2007, we consolidated the majority of USF Bestway's operations into USF Reddaway.

USF Glen Moore, headquartered in Carlisle, Pennsylvania, provides spot, dedicated and single-source customized truckload services through the use of company and team-based drivers. USF Glen Moore has two primary domiciles located in Carlisle, Pennsylvania, and Knoxville, Tennessee.

The Regional Transportation companies serve more than 200,000 manufacturing, wholesale, retail and government customers throughout North America. At December 31, 2007, the Regional Transportation network included 193 service centers with 8,396 doors and the fleet included 9,000 tractors and 21,700 trailers. In February 2008, Regional Transportation closed 27 service centers primarily those in the former USF Bestway footprint. Regional Transportation's 16,000 employees are dedicated to supporting the delivery of over 14.7 million shipments annually. In addition to over 347 local, company-based sales executives, Regional Transportation has 19 corporate account managers who provide corporate sales services to the entire group of companies. In 2007, each of our four companies was recognized with the prestigious *Quest for Quality* award by the readers of Logistics Management magazine.

Headquartered in Overland Park, Kansas, the Regional Transportation companies accounted for 25% of our total operating revenue in 2007, 25% of the total operating revenue in 2006 and 18% of the total operating revenue in 2005.

YRC Logistics

In June 2007, Meridian IQ changed its name to YRC Logistics. This name change better reflects the company's expertise in logistics and its heritage as the logistics arm of YRC Worldwide. YRC Logistics is a global logistics services provider that plans and coordinates the movement of goods worldwide to provide customers a single source for logistics management solutions.

YRC Logistics delivers a wide range of global logistics services, with the ability to provide clients services through the design, implementation and execution of innovative logistics solutions. Our broad portfolio of services makes it possible to offer end-to-end supply chain solutions supported by the visibility of Web-native technology. YRC Logistics service portfolio includes the following services:

Distribution Services that include:

Flow Through & Pool Distribution

Dedicated Warehousing

Value Added Services
Global Services that include:

International Freight Forwarding

Customs Brokerage

Value Added Services
Transportation Services that include:

Truckload Brokerage

Dedicated Contract Carriage

Domestic Freight Forwarding

Transportation Management

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YRC Logistics has continued its strategic focus on growing the global logistics offering in China. In December 2007, YRC Logistics entered into a definitive agreement to acquire Shanghai Jiayu Logistics Co., Ltd., one of the largest providers of less-than-truckload ground transportation services in China, with over 30,000 customers, 1,800 employees and a network of over 3,000 vehicles.

At December 31, 2007, YRC Logistics had more than 2,700 employees in North America, Asia, Latin America, and Europe (predominately in the United Kingdom). Based in Overland Park, Kansas, YRC Logistics accounted for 6% of our total operating revenue in 2007, 6% of our total operating revenue in 2006, and 5% of our total operating revenue in 2005.

Shared Services

We have four wholly owned subsidiaries that provide shared support services across the YRC Worldwide enterprise. These are YRC Worldwide Technologies, YRC North American Transportation, YRC Enterprise Solutions Group and YRC Assurance Co. Ltd (YRC Assurance).

YRC Worldwide Technologies is headquartered in Overland Park, Kansas and has approximately 600 employees. YRC Worldwide Technologies and YRC Logistics together provide hosting, infrastructure services and managed transportation business systems development.

YRC North American Transportation, formerly YRC Worldwide Enterprise Services, headquartered in Overland Park, Kansas, provides a wide variety of centrally managed support services to our operating companies. These services span nearly all functions including components of finance, operations support, sales and marketing and security. This entity employs approximately 1,500 people.

In January 2007, we announced the formation of YRC Enterprise Solutions Group. YRC Enterprise Solutions Group, headquartered in Overland Park, Kansas, provides sales and marketing services to our operating subsidiaries for an identified group of large accounts who desire to buy services from more than one of these operating subsidiaries in a coordinated manner.

YRC Assurance Co. Ltd., is a captive insurance company domiciled in Bermuda and a wholly owned and consolidated subsidiary of YRC Worldwide Inc. YRC Assurance provides insurance services to certain wholly owned subsidiaries of YRC Worldwide.

In addition, YRC Worldwide provides certain services to its subsidiaries such as legal, risk management, finance and coordination services. Each of our shared services organizations charges the operating companies for their services, either based upon usage or on an overhead allocation basis.

Competition

Customers have a wide range of choices. The companies of YRC Worldwide believe that overall brand strategy, service quality, technology, a broad service portfolio, responsiveness and flexibility are important competitive differentiators.

Few U.S.-based transportation companies offer comparable transportation and logistics capabilities. By integrating traditional ground, expedited, air, ocean and managed transportation capabilities, we provide business organizations with a single-source answer to shipping challenges globally. Our market studies show a continued preference among customers for transportation and logistics providers based on service value, which is the relationship between overall quality and price. We believe that we can compete against any transportation and logistics competitor from a value perspective.

The companies of YRC Worldwide Yellow Transportation, Roadway, Reimer, YRC Logistics, New Penn, USF Holland, USF Reddaway and USF Glen Moore operate in a highly competitive environment. Their competitors include global, integrated transportation services providers; global forwarders; national transportation services providers; regional or interregional providers; and small, intraregional transportation companies. The companies of YRC Worldwide also compete against providers within several modes of transportation including: LTL, truckload, air and ocean cargo, rail, transportation consolidators and privately owned fleets.

Ground-based transportation includes private fleets and two for-hire provider groups. The private provider segment consists of fleets that companies who move their own goods own and operate. The two for-hire groups are based on typical shipment sizes that transportation service companies handle. Truckload refers to providers transporting shipments that generally fill an entire 48- or 53-foot trailer and LTL or shared load refers to providers transporting goods from multiple shippers in a single load that would not fill a full-sized trailer on their own.

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Shared load or LTL transportation providers consolidate numerous orders generally ranging from 100 to 10,000 pounds from varying businesses at individual service centers in close proximity to where those shipments originated. Utilizing expansive networks of pickup and delivery operations around these local service centers, shipments are moved between origin and destination utilizing distribution centers when necessary, where consolidation and deconsolidation of loads occurs. Depending on the distance shipped, shared load providers (asset and non-asset based) are often classified into one of four sub-groups:

Regional - Average distance is typically less than 500 miles with a focus on one- and two-day delivery times. Regional transportation companies can move shipments directly to their respective destination centers, which increases service reliability and avoids costs associated with intermediate handling.

Interregional - Average distance is usually between 500 and 1,000 miles with a focus on two- and three-day delivery times. There is a competitive overlap between regional and national providers in this category as each group sees the interregional segment as a growth opportunity, and there are no providers focusing exclusively on this sector.

National - Average distance is typically in excess of 1,000 miles with focus on two- to five-day delivery times. National providers rely on interim shipment handling through a network of terminals, which require numerous satellite service centers, multiple distribution centers, and a relay network. To gain service and cost advantages, they often ship directly between service centers, minimizing intermediate handling.

Global - providing freight forwarding and final-mile delivery services to companies shipping to and from multiple regions around the world. This service can be offered through a combination of owned assets or through a purchased transportation or third-party logistics model.

Competitive cost of entry into the asset-based LTL sector on a small scale, within a limited service area, is relatively small (although more than in other sectors of the transportation industry). The larger the service area, the greater the barriers to entry, due primarily to the need for additional equipment and facilities associated with broader geographic service coverage. Broader market coverage in the competitive transportation landscape also requires increased technology investment and the ability to capture cost efficiencies from shipment density (scale), making entry on a national basis more difficult.

Yellow Transportation, Roadway, and YRC Logistics (through transportation management services) provide service in all four sub-groups. New Penn and the USF companies compete in the regional, interregional and national transportation marketplace. Each brand competes against a number of providers in these markets from small firms with one or two vehicles, to global competitors with thousands of physical assets.

The competition specifically for YRC Logistics includes all of the same types of providers mentioned previously in addition to transportation management systems providers, domestic and international freight forwarders, freight brokers, warehouse management providers, and third party logistics companies.

Regulation

National Transportation, Regional Transportation and other interstate carriers were substantially deregulated following the enactment of the Motor Carrier Act of 1980, the Trucking Industry Regulatory Reform Act of 1994, the Federal Aviation Administration Authorization of 1994 and the ICC Termination Act of 1995. Prices and services are now largely free of regulatory controls, although the states retained the right to require compliance with safety and insurance requirements, and interstate motor carriers remain subject to regulatory controls that agencies within the U.S. Department of Transportation impose.

Our operating companies are subject to regulatory and legislative changes, which can affect our economics and those of our competitors. Various state agencies regulate us, and our operations are also subject to various federal, foreign, state, provincial and local environmental laws and regulations dealing with transportation, storage, presence, use, disposal and handling of hazardous materials, discharge of storm-water and underground fuel storage tanks.

We are also subject to regulations to combat terrorism that the Department of Homeland Security and other agencies impose.

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We believe that our operations are in substantial compliance with current laws and regulations.

We further describe our operations in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report.

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Environmental Matters

Our operations are subject to U.S. federal, foreign, state, provincial and local regulations with regard to air and water quality and other environmental matters. We believe that we are in substantial compliance with these regulations. Regulation in this area continues to evolve and changes in standards of enforcement of existing regulations, as well as the enactment and enforcement of new legislation may require us and our customers to modify, supplement or replace equipment or facilities or to change or discontinue present methods of operation.

During 2007, we spent approximately \$6.5 million to comply with U.S. federal, state and local provisions regulating the discharge of materials into the environment or otherwise relating to the protection of the environment (collectively, "Environmental Regulations"). In 2008, we expect to spend approximately \$6.8 million to comply with the Environmental Regulations. Based upon current information, we believe that our compliance with Environmental Regulations will not have a material adverse effect upon our capital expenditures, results of operation and competitive position because we have either made adequate reserves for such compliance expenditures or the cost for such compliance is expected to be small in comparison with our overall net worth.

We estimate that we will incur approximately \$0.5 million in capital expenditures for environmental control equipment during 2008. We believe that capital expenditures for environmental control equipment for 2008 will not have a material adverse effect upon our financial condition because the aggregate amount of these expenditures is expected to be immaterial.

The Comprehensive Environmental Response, Compensation and Liability Act (known as the "Superfund Act") imposes liability for the release of a hazardous substance into the environment. Superfund liability is imposed without regard to fault and even if the waste disposal was in compliance with the then current laws and regulations. With the joint and several liability imposed under the Superfund Act, a potentially responsible party ("PRP") may be required to pay more than its proportional share of such environmental remediation. Several of our subsidiaries have been identified as PRPs at various sites discussed below. The U.S. Environmental Protection Agency (the "EPA") and appropriate state agencies are supervising investigative and cleanup activities at these sites. The EPA has identified Yellow Transportation as a PRP for five locations: Angeles Chemical Co., Santa Fe Springs, CA; Ilada Waste Co., a site at Dupo, IL; Alburn Incinerator, Inc., Chicago, IL; Mercury Refinery, Albany, NY and IWI, Inc., Summit, IL. We estimate that the combined potential costs at these sites will not exceed \$0.2 million. With respect to these sites, it appears that Yellow Transportation delivered minimal amounts of waste to these sites, which is *de minimis* in relation to other respondents. The EPA has identified Roadway Express as a PRP for five locations: Operating Industries Site, Monterey Park, CA; BEMS Landfill, Mt. Holly, NJ; Double Eagle Site, Oklahoma City, OK; Jones Industrial, South Brunswick, NJ and Berry's Creek, Carlstadt, NJ. We estimate that combined potential costs at the first four sites will not exceed \$0.6 million. The EPA has notified Roadway and 140 other potential parties of their potential responsibility status at the Berry's Creek site where Roadway owns and operates a service center in the watershed area that discharges into Berry's Creek. We estimate the Berry's Creek potential cost to be \$0.6 million. The EPA has identified USF Red Star, a non-operating subsidiary, as a PRP at six locations: Champion Chemical, Marlboro, NJ; Booth Oil, N. Tonawanda, NJ; Quanta Resources, Syracuse, NY and three separate landfills in Byron, NJ, Moira, NY and Palmer, MA. We believe the potential combined costs at these sites to be \$0.4 million. The EPA has identified New Penn as a PRP for one location, Pennsauken Landfill, Pennsauken, NJ. We believe the potential cost at this site to be immaterial. The EPA has identified USF Holland as a PRP for one location, Horton Sales Piedmont Site, Greenville County, SC. We believe the potential cost at this site to be immaterial.

While PRPs in Superfund actions have joint and several liabilities for all costs of remediation, it is not possible at this time to quantify our ultimate exposure because the projects are either in the investigative or early remediation stage. Based upon current information, we do not believe that probable or reasonably possible expenditures in connection with the sites described above are likely to have a material adverse effect on our financial condition or results of operations because:

To the extent necessary, we have established adequate reserves to cover the estimate we presently believe will be our liability with respect to the matter;

We and our subsidiaries have only limited or *de minimis* involvement in the sites based upon a volumetric calculation;

Other PRPs involved in the sites have substantial assets and may reasonably be expected to pay their share of the cost of remediation;

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We have adequate resources to cover the ultimate liability; and

We believe that our ultimate liability is relatively small compared with our overall net worth.

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We are subject to various other governmental proceedings and regulations, including foreign regulations, relating to environmental matters, but we do not believe that any of these matters are likely to have a material adverse effect on our financial condition or results of operation.

This section, Environmental Matters, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words believe, expect, will, estimate, may and similar expressions are intended to identify forward-looking statements. Our expectations regarding our compliance with Environmental Regulations and our expenditures to comply with Environmental Regulations, including (without limitation) our capital expenditures on environmental control equipment, and the effect that liability from Environmental Regulation or Superfund sites may have on our financial condition or results of operations, are only our forecasts regarding these matters. These forecasts may be substantially different from actual results, which may be affected by the following factors: changes in Environmental Regulations; unexpected, adverse outcomes with respect to sites where we have been named as a PRP, including (without limitation) the sites described above; the discovery of new sites of which we are not aware and where additional expenditures may be required to comply with Environmental Regulations; an unexpected discharge of hazardous materials in the course of our business or operations; an acquisition of one or more new businesses; a catastrophic event causing discharges into the environment of hydrocarbons; the inability of other PRPs to pay their share of liability for a Superfund site; and a material change in the allocation to us of the volume of discharge and a resulting change in our liability as a PRP with respect to a site.

Economic Factors and Seasonality

Our business is subject to a number of general economic factors that may have a materially adverse effect on the results of our operations, many of which are largely out of our control. These include recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries, such as retail and manufacturing, where we have a significant concentration of customers. Economic conditions may adversely affect our customers' business levels, the amount of transportation services they need and their ability to pay for our services. We operate in a highly price-sensitive and competitive industry, making pricing, customer service, effective asset utilization and cost control major competitive factors. National Transportation, Regional Transportation and YRC Logistics revenues are subject to seasonal variations. Customers tend to reduce shipments after the winter holiday season, and operating expenses as a percent of revenue tend to be higher in the winter months primarily due to colder weather. Generally, the first quarter is the weakest while the third quarter is the strongest. The availability and cost of labor can significantly impact our cost structure and earnings.

Financial Information About Geographic Areas

Our revenue from foreign sources is largely derived from Canada, the United Kingdom, Asia and Mexico. We have certain long-lived assets located in these countries as well. We discuss this information in the Business Segments note to our consolidated financial statements.

Item 1A. Risk Factors

In addition to the risks and uncertainties contained elsewhere in this report or in our other SEC filings, the following risk factors should be considered carefully in evaluating us. These risks could have a material adverse effect on our business, financial condition and results of operations.

We are subject to general economic factors that are largely out of our control, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to a number of general economic factors that may adversely affect our business, financial condition and results of operations, many of which are largely out of our control. These factors include recessionary economic cycles and downturns in customers' business cycles and changes in their business practices, particularly in market segments and industries, such as retail and manufacturing, where we have a significant concentration of customers. Economic conditions may adversely affect our customers' business levels, the amount of transportation services they need and their ability to pay for our services. Due to our high fixed-cost structure, in the short-term it is difficult for us to adjust expenses proportionally with fluctuations in volume levels. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our reserve for bad-debt losses.

We are subject to business risks and increasing costs associated with the transportation industry that are largely out of our control, any of which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to business risks and increasing costs associated with the transportation industry that are largely out of our control, any of which could adversely affect our business, financial condition and results of operations. The factors contributing to these

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risks and costs include weather, excess capacity in the transportation industry, interest rates, fuel prices and taxes, fuel surcharge collection, terrorist attacks, license and registration fees, insurance premiums and self-insurance levels, difficulty in recruiting and retaining qualified drivers, the risk of outbreak of epidemical illnesses, the risk of widespread disruption of our technology systems, and increasing equipment and operational costs. Our results of operations may also be affected by seasonal factors.

We operate in a highly competitive industry, and our business will suffer if we are unable to adequately address potential downward pricing pressures and other factors that could have a material adverse effect on our business, financial condition and results of operations.

Numerous competitive factors could adversely affect our business, financial condition and results of operations. These factors include the following:

We compete with many other transportation service providers of varying sizes, some of which have a lower cost structure, more equipment and greater capital resources than we do or have other competitive advantages.

Some of our competitors periodically reduce their prices to gain business, especially during times of reduced growth rates in the economy, which limits our ability to maintain or increase prices or maintain or grow our business.

Our customers may negotiate rates or contracts that minimize or eliminate our ability to offset fuel price increases through a fuel surcharge on our customers.

Many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved transportation service providers, and in some instances, we may not be selected.

Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress prices or result in the loss of some business to competitors.

The trend towards consolidation in the ground transportation industry may create other large carriers with greater financial resources and other competitive advantages relating to their size.

Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher prices to cover the cost of these investments.

Competition from non-asset-based logistics and freight brokerage companies may adversely affect our customer relationships and prices.

If our relationship with our employees were to deteriorate, we may be faced with labor disruptions or stoppages, which could have a material adverse effect on our business, financial condition and results of operations and place us at a disadvantage relative to non-union competitors.

Virtually all of our operating subsidiaries have employees who are represented by the International Brotherhood of Teamsters (the "IBT"). These employees represent approximately 70% of our workforce.

Each of Yellow Transportation, Roadway, New Penn and USF Holland employ most of their unionized employees under the terms of a common national master freight agreement with the IBT, as supplemented by additional regional supplements and local agreements. The IBT members have ratified a new five-year agreement that will take effect on April 1, 2008 and will expire on March 31, 2013. The IBT also represents a

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number of employees at USF Reddaway under more localized agreements, which have wages, benefit contributions and other terms and conditions that better fit the cost structure and operating models of these business units.

Certain of our subsidiaries are regularly subject to grievances, arbitration proceedings and other claims concerning alleged past and current non-compliance with applicable labor law and collective bargaining agreements.

Neither we nor any of our subsidiaries can predict the outcome of any of the matters discussed above. These matters, if resolved in a manner unfavorable to us, could have a material adverse effect on our business, financial condition and results of operations.

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Ongoing self-insurance and claims expenses could have a material adverse effect on our business, financial condition and results of operations.

Our future insurance and claims expenses might exceed historical levels. We currently self-insure for a majority of our claims exposure resulting from cargo loss, personal injury, property damage and workers' compensation. If the number or severity of claims for which we are self-insured increases, our business, financial condition and results of operations could be adversely affected and we may have to post additional letters of credit to support our insurance policies. If we lose our ability to self-insure, our insurance costs could materially increase and we may find it difficult to obtain adequate levels of insurance coverage.

We have significant ongoing capital requirements that could reduce our income if we are unable to generate sufficient cash from operations.

Our business is capital intensive. If we are unable to generate sufficient cash from operations to fund our capital requirements, we may have to limit our growth, utilize our existing, or enter into additional, financing arrangements, including leasing arrangements, or operate our revenue equipment (including tractors and trailers) for longer periods resulting in increased maintenance costs, any of which could reduce our income. If our cash from operations and existing financing arrangements are not sufficient to fund our capital requirements, we may not be able to obtain additional financing at all or on terms acceptable to us.

We operate in an industry subject to extensive government regulations, and costs of compliance with, or liability for violation of, existing or future regulations could significantly increase our costs of doing business.

The U.S. Departments of Transportation and Homeland Security and various federal, state, local and foreign agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and permits to conduct transportation business. We may also become subject to new or more restrictive regulations that the Departments of Transportation and Homeland Security, the Occupational Safety and Health Administration, the Environmental Protection Agency or other authorities impose, including regulations relating to engine exhaust emissions, the hours of service that our drivers may provide in any one time period, security and other matters. Compliance with these regulations could substantially impair equipment productivity and increase our costs.

We are subject to various environmental laws and regulations, and costs of compliance with, or liabilities for violations of, existing or future laws and regulations could significantly increase our costs of doing business.

Our operations are subject to environmental laws and regulations dealing with, among other things, the handling of hazardous materials, underground fuel storage tanks and discharge and retention of stormwater. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination may have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable environmental laws or regulations, it could significantly increase our cost of doing business. Under specific environmental laws and regulations, we could be held responsible for all of the costs relating to any contamination at our past or present terminals and at third party waste disposal sites. If we fail to comply with applicable environmental laws and regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

In addition, as global warming issues become more prevalent, federal and local governments and our customers are beginning to respond to these issues. This increased focus on sustainability may result in new regulations and customer requirements that could negatively affect us. This could cause us to incur additional direct costs or to make changes to our operations in order to comply with any new regulations and customer requirements, as well as increased indirect costs or loss of revenue resulting from, among other things, our customers incurring additional compliance costs that affect our costs and revenues. We could also lose revenue if our customers divert business from us because we haven't complied with their sustainability requirements. These costs, changes and loss of revenue could have a material adverse affect on our business, financial condition and results of operations.

We may be obligated to make additional contributions to multi-employer pension plans.

If a surcharge is assessed on any of the multi-employer pension plans to which our operating subsidiaries contribute and the funds available under our collective bargaining agreements are insufficient, we may have to contribute more to the plans than our contracted amounts. See the Employee Benefits note to our consolidated financial statements.

Our management team is an important part of our business and loss of key personnel could impair our success.

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We benefit from the leadership and experience of our senior management team and depend on their continued services to successfully implement our business strategy. Other than William D. Zollars, our President and Chief Executive Officer, we have not entered into employment agreements for a fixed period with members of our current management. The loss of key personnel could have a material adverse effect on our business, financial condition and results of operations.

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Our business may be harmed by anti-terrorism measures.

In the aftermath of the terrorist attacks on the United States, federal, state and municipal authorities have implemented and are implementing various security measures, including checkpoints and travel restrictions on large trucks. Although many companies will be adversely affected by any slowdown in the availability of freight transportation, the negative impact could affect our business disproportionately. For example, we offer specialized services that guarantee on-time delivery. If the security measures disrupt or impede the timing of our deliveries, we may fail to meet the needs of our customers, or may incur increased expenses to do so. We cannot assure you that these measures will not significantly increase our costs and reduce our operating margins and income.

The outcome of legal proceedings and IRS audits to which the Company and its subsidiaries are a party could have a material adverse effect on our businesses, financial condition and results of operations.

The Company and its subsidiaries are a party to various legal proceedings, including claims related to personal injury, property damage, cargo loss, workers' compensation, employment discrimination, breach of contract, multi-employer pension plan withdrawal liability and antitrust violations. See the Commitments, Contingencies and Uncertainties note to our consolidated financial statements. The IRS may issue adverse tax determinations in connection with its audit of our prior year tax returns or the returns of a consolidated group that we acquired in 2005. See the Income Taxes note to our consolidated financial statements. We may incur significant expenses defending these legal proceedings and IRS audits. In addition, we may be required to pay significant awards, settlements or taxes in connection with these proceedings and audits, which could have a material adverse effect on our businesses, financial condition and results of operations.

We may not obtain the projected benefits and cost savings from operational changes and performance improvement initiatives.

In response to our business environment, we initiated operational changes and process improvements to reduce costs and improve financial performance. The changes and initiatives included reorganizing our management, reducing corporate overhead, closing redundant offices and eliminating unnecessary activities. There is no assurance that these changes and improvements will be successful or that we will not have to initiate additional changes and improvements in order to achieve the projected benefits and cost savings.

Our credit agreement and other financing arrangements subject us to various covenants and restrictions that could limit our operating flexibility.

Our credit agreement and other financing arrangements contain covenants and other restrictions that, among other things, require us to satisfy certain financial ratios and restrict our ability to take certain actions, including incur additional indebtedness. The covenants and restrictions in our financing arrangements may limit our ability to respond to market conditions or take advantage of business opportunities by limiting, among other things, the amount of additional borrowings we may incur. See Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition Liquidity for additional information regarding our liquidity.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

At December 31, 2007, we operated a total of 845 transportation service centers located in 50 states, Puerto Rico, Canada and Mexico. Of this total, 504 were owned and 341 were leased, generally with renewal terms of three years or less. The number of vehicle back-in doors totaled 34,173, of which 23,011 were at owned facilities and 11,162 were at leased facilities. The transportation service centers vary in size ranging from one to three doors at small local facilities, to over 426 doors at the largest consolidation and distribution facility. We own substantially all of the larger facilities which contain the greatest number of doors. In addition, we and our subsidiaries own and occupy general office buildings in Overland Park, Kansas; Akron, Ohio; Lebanon, Pennsylvania; Carlisle, Pennsylvania; Holland, Michigan; and Winnipeg, Manitoba. Our owned transportation service centers and office buildings are unencumbered.

Our facilities and equipment are adequate to meet current business requirements in 2008. Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for a more detailed discussion of expectations regarding capital spending in 2008.

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Item 3. Legal Proceedings

We discuss legal proceedings in the Commitments, Contingencies, and Uncertainties note to our consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. Common Stock**

As of January 31, 2008, approximately 16,200 shareholders of record held YRC Worldwide common stock. Our only class of stock outstanding is common stock, traded through the NASDAQ Stock Market. Trading activity averaged 1,490,000 shares per day during 2007, up from 1,324,000 per day in 2006. The NASDAQ Stock Market quotes prices for our common stock under the symbol YRCW. The high and low prices at which YRC Worldwide common stock traded for each calendar quarter in 2007 and 2006 are shown below.

Quarterly Financial Information (unaudited)

| (in thousands, except per share data) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|-------------------------------------------|------------------|-------------------|------------------|-------------------|
| 2007 ^(a) | | | | |
| Operating revenue | \$ 2,328,342 | \$ 2,486,505 | \$ 2,457,731 | \$ 2,348,738 |
| Losses (gains) on property disposals, net | 2,949 | (2,788) | 1,400 | (7,381) |
| Operating income (loss) | 20,400 | 108,422 | 87,651 | (781,599) |
| Net income (loss) | 1,279 | 55,367 | 40,744 | (735,771) |
| Diluted earnings (loss) per share | 0.02 | 0.95 | 0.70 | (12.99) |
| Common stock: | | | | |
| High | 47.09 | 45.99 | 38.51 | 28.83 |
| Low | 37.95 | 36.59 | 26.43 | 15.87 |
| 2006 ^(b) | | | | |
| Operating revenue | \$ 2,374,161 | \$ 2,565,779 | \$ 2,571,087 | \$ 2,407,663 |
| Losses (gains) on property disposals, net | 882 | (3,226) | 2,427 | (8,443) |
| Operating income | 87,828 | 172,281 | 177,591 | 107,734 |
| Net income | 42,136 | 92,252 | 95,785 | 46,459 |
| Diluted earnings per share | 0.71 | 1.58 | 1.64 | 0.80 |
| Common stock: | | | | |
| High | 51.54 | 45.32 | 44.43 | 42.49 |
| Low | 37.10 | 36.07 | 35.27 | 36.40 |

(a) The 2007 fourth quarter amounts include an impairment charge of \$782 million, additional depreciation expense of \$8 million related to the abandonment of certain in-process technology projects and reorganization charges, primarily severance, of \$9 million.

(b) The 2006 fourth quarter amounts reflect lower employee benefits expense of \$12 million for a change in a non-union vacation payout practice, lower depreciation expense of \$14 million for revised depreciation policies and higher acquisition charges of \$13 million related to the USF Red Star multi-employer pension plan withdrawal liability.

Purchases of Equity Securities by the Issuer

In April 2006, our Board of Directors approved a stock repurchase program that authorized the Company to repurchase up to \$100 million of its common stock. During 2007, the Company purchased 1.1 million shares under this program at a weighted-average cost of \$31.13 per share for a total cost of \$35.0 million. In 2006, the Company purchased 521,100 shares under this program at a weighted-average cost of \$38.34 per share for a total cost of \$20.0 million. At December 31, 2007, \$45 million remains available under the authorized program.

We did not declare any cash dividends on our common stock in 2007 or 2006.

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The information required by this item with respect to information regarding our equity compensation plans is included under the caption "Equity Compensation Plan Information" in our Proxy Statement related to the 2008 Annual Meeting of Stockholders and is incorporated herein by reference.

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Common Stock Performance

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder return of the Company's common stock against the cumulative total return of the S&P Composite-500 Stock Index and the Dow Jones Transportation Average Stock Index for the period of five years commencing December 31, 2002 and ending December 31, 2007.

Table of Contents**Item 6. Selected Financial Data**

| (in thousands except per share data) | 2007 | 2006 | 2005 ^(a) | 2004 | 2003 ^(b) |
|------------------------------------------------------|--------------|--------------|---------------------|----------------------|-----------------------|
| For the Year | | | | | |
| Operating revenue | \$ 9,621,316 | \$ 9,918,690 | \$ 8,741,557 | \$ 6,767,485 | \$ 3,068,616 |
| Operating income (loss) | (565,126) | 545,434 | 536,310 | 361,601 | 88,602 |
| Gains on property disposals, net | (5,820) | (8,360) | (5,388) | (4,547) | (167) |
| Reorganization and settlements | 22,385 | 26,302 | 13,029 | | 3,124 |
| Impairment charges | 781,875 | | | | |
| Interest expense | 88,760 | 87,760 | 63,371 | 43,954 | 20,606 |
| Net income (loss) | (638,381) | 276,632 | 288,130 | 184,327 | 40,683 |
| Depreciation and amortization expense ^(c) | 255,603 | 274,184 | 250,562 | 171,468 | 87,398 |
| Net capital expenditures | 338,424 | 303,057 | 256,435 | 164,289 | 99,134 |
| Net cash from operating activities | 392,598 | 532,304 | 497,677 | 435,718 | 155,736 |
| At Year-End | | | | | |
| Net property and equipment | 2,380,473 | 2,269,846 | 2,205,792 | 1,422,718 | 1,403,268 |
| Total assets | 5,062,623 | 5,851,759 | 5,734,189 | 3,627,169 | 3,463,229 |
| Long-term debt, less current portion | 822,048 | 1,058,496 | 1,113,085 | 403,535 | 836,082 |
| ABS facility | 180,000 | 225,000 | 374,970 | | 71,500 |
| Total debt | 1,234,003 | 1,283,496 | 1,488,055 | 657,935 | 909,339 |
| Total shareholders' equity ^(d) | 1,612,304 | 2,192,549 | 1,936,488 | 1,214,191 | 1,002,085 |
| Measurements | | | | | |
| Basic per share data: | | | | | |
| Net income (loss) | (11.17) | 4.82 | 5.30 | 3.83 | 1.34 |
| Average common shares outstanding - basic | 57,154 | 57,361 | 54,358 | 48,149 | 30,370 |
| Diluted per share data: | | | | | |
| Net income (loss) | (11.17) | 4.74 | 5.07 | 3.75 | 1.33 |
| Average common shares outstanding - diluted | 57,154 | 58,339 | 56,905 | 49,174 | 30,655 |
| Debt to capitalization | 43.4% | 36.9% | 43.5% | 35.1% | 47.6% |
| Shareholders' equity per share | 28.43 | 38.33 | 33.80 | 24.66 | 20.97 |
| Common stock price range: | | | | | |
| High | 47.09 | 51.54 | 63.40 | 56.49 | 36.96 |
| Low | 15.87 | 35.27 | 39.25 | 29.77 | 21.18 |
| Other Data | | | | | |
| Average number of employees | 63,000 | 66,000 | 68,000 | 50,000 | 50,000 ^(e) |
| Operating ratio: | | | | | |
| National Transportation | 97.6% | 93.8% | 93.1% | 94.4% | 96.1% |
| Regional Transportation | n/m | 94.2% | 94.5% | 87.0% ^(f) | |
| YRC Logistics | 99.2% | 97.8% | 96.6% | 98.2% | 99.8% |

(a) Includes the results of all YRC Worldwide entities including USF entities from the date of acquisition, May 24, 2005.

(b) Includes the results of all YRC Worldwide entities including Roadway and New Penn entities from the date of acquisition, December 11, 2003.

(c) Depreciation lives and salvage values were revised effective July 1, 2006. See Property and Equipment footnote.

(d) SFAS No. 158 was adopted effective December 31, 2006. See Employee Benefits - Pension and Other Postretirement Benefit Plans footnote.

(e) In 2003, prior to the acquisition of Roadway on December 11, 2003, we had an average of 25,000 employees.

(f) Includes the results of New Penn only in 2004.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. See the introductory section immediately prior to Part I of this report regarding these statements.

Overview

YRC Worldwide Inc., one of the largest transportation service providers in the world, is a holding company that through wholly owned operating subsidiaries offers its customers a wide range of transportation services. These operating subsidiaries are primarily represented by National Transportation, a holding company that includes Yellow Transportation and Roadway, both leading transportation service providers offering a full range of regional, national and international services; Regional Transportation, a holding company for our transportation service providers focused on business opportunities in the regional and next-day delivery markets; and YRC Logistics, a global logistics management company that plans and coordinates the movement of goods worldwide to provide customers a single source for logistics management solutions. These companies represent our reporting segments and are more fully described in Item 1 Business.

The following management's discussion and analysis explains the main factors impacting our results of operations, liquidity and capital expenditures and the critical accounting policies of YRC Worldwide. This information should be read in conjunction with the accompanying financial statements and notes thereto, as well as our detailed discussion of risk factors included in Item 1A.

Our Operating Environment

We operate in a highly competitive environment, yet one where we believe the right value proposition for our customers permits us to recover our cost of capital over the business cycle. Over the last several years, significant changes have occurred in our environment, including: consolidation and liquidation of LTL carriers; the increased presence of large global, service providers; and increasing needs and demands of our customers. We continue to proactively address these changes through our strategy of being a global transportation services provider. Over the last few years, we have expanded our service offerings and completed multiple acquisitions of asset and non-asset-based companies. While growth domestically is always a focus, we have more recently expanded our operations in a global manner initially by completing a freight forwarding joint venture with a Chinese corporation in September 2005. In 2007, we entered into a definitive agreement to acquire a Shanghai based LTL ground transportation provider. This transaction is expected to close in the second quarter of 2008. In 2007, we continued to realign our management structure to identify the best composition of experience and efficiency. In that regard, we announced the consolidation of management of our national LTL companies, Yellow Transportation and Roadway, and the creation of our Enterprise Solutions Group to increase customer focus and service improvements. This combination was designed to allow more focus on offering our entire portfolio of services to our customers. We also announced the formation of YRC North American Transportation, a holding company for all domestic asset based operating companies. This alignment was intended to create one unified management structure for this significant portion of our business.

We will continue to face challenges in the environment that we operate, primarily due to the changing competitive landscape and meeting our stakeholders' demands. Specific economic areas that impact our ability to generate profits and cash flows include the levels of consumer spending, manufacturing and overall economic activity. We monitor these areas primarily through several common economic indices, including the gross domestic product (GDP) and the industrial production index (IPI). Real GDP measures the value of goods and services produced in the U.S., excluding inflation, and the IPI measures the physical units and inputs into the U.S. production process. Over time the IPI has been a relatively good indicator for general levels of freight volume available in our markets. We manage the impact of our customers' spending, manufacturing and economic activity through, among others, pricing discipline, cost management programs, maintaining adequate debt capacity, investment in technology and continuous improvement programs. In 2007, market conditions were especially weak and contributed to a resulting impairment charge in both our National Transportation and Regional Transportation operating segments totaling \$781.9 million.

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Acquisitions and Investments

Shanghai Jiayu Logistics Co., Ltd.

In December 2007, we entered into a definitive agreement to acquire majority ownership of Shanghai Jiayu Logistics Co., Ltd., a Shanghai, China ground transportation company. We plan to acquire 65% of the stock of Jiayu for between US \$29.5 million to US \$43 million, based upon Jiayu's final 2007 financial performance. Pursuant to the definitive agreement, YRC Logistics will acquire 65% of the stock of Jiayu for Chinese Yuan (CNY) 228.6 million plus an additional payment of up to CNY 104.6 million (approximately \$29.5 million to \$43 million) based upon Jiayu's 2007 financial performance. If Jiayu meets certain financial performance targets during 2008 and 2009, YRC Logistics will purchase the remaining 35% interest in 2010 for an amount not to exceed CNY 248.0 million (approximately \$32 million), as determined by the level of the financial performance. If Jiayu does not meet these financial targets, YRC Logistics has a call option to purchase the remaining 35% of the shares of Jiayu in 2010 for the greater of CNY 77.5 million (approximately \$10 million) and 35% of the appraised value of the net assets of Jiayu at that time. All payments will be made in Chinese Yuan, and their estimated dollar equivalents are provided herein. The acquisition is subject to Chinese regulatory approvals, restructuring of certain of Jiayu's operations and other ordinary conditions to closing. We expect the first step of this acquisition to be completed in 2008. We are capitalizing transaction costs incurred related to this acquisition, the balance of which is not significant at December 31, 2007.

USF Corporation

On May 24, 2005, YRC Worldwide completed the acquisition of USF Corporation (USF), headquartered in Chicago, IL, through the merger (the Merger) of a wholly owned subsidiary of YRC Worldwide with and into USF, resulting in USF becoming a wholly owned subsidiary of YRC Worldwide. USF, a leader in the transportation industry, specialized in high-value next-day, regional and national LTL transportation, third-party logistics, and premium regional and national truckload transportation. The company serves the North American market, including the United States, Canada and Mexico, as well as the U.S. territories of Puerto Rico and Guam under the following brands: USF Holland, USF Reddaway, USF Glen Moore and USF Logistics (now part of YRC Logistics). The combined entity offers customers a broad range of transportation services including next day, inter-regional, national and international capabilities.

Pursuant to the Merger, each share of common stock of USF was converted into the right to receive \$29.25 in cash and 0.31584 shares of YRC Worldwide common stock resulting in consideration of approximately \$835.4 million in cash and 9 million shares for a total purchase price of \$1.3 billion. The purchase price also included approximately \$14.6 million for investment banking, legal and accounting fees that YRC Worldwide incurred to consummate the acquisition, resulting in total cash consideration of \$743.1 million, net of cash acquired. The cash portion of the merger consideration was financed with a combination of proceeds from the issuance of floating rate notes, borrowings under our ABS facility and cash on hand.

GPS Asia

In March 2005, YRC Logistics purchased GPS Logistics Group Ltd., the Asian freight forwarding operations of GPS Logistics and in turn, made a payment of \$5.7 million (\$3.2 million net of cash acquired). Under the terms of the purchase agreement, this payment was subject to subsequent upward and downward adjustments based on the financial performance of the Asia business through March 2007. Additional earn-out payments could have been required based on the financial performance of the Asia business during the period March 2007 to March 2009.

In January 2006, we paid an additional \$11.1 million and issued a promissory note in the amount of \$10.8 million representing a buyout of the earn out arrangements and potential purchase price adjustments. These amounts were allocated to goodwill in the consolidated balance sheet. In December 2006, we paid \$10.8 million to satisfy the promissory note in full.

JHJ

On September 1, 2005, the Company completed the purchase of a 50% equity interest in JHJ International Transportation Co., Ltd., (JHJ) a Shanghai, China-based freight forwarder, with a purchase price of \$46.0 million including transaction costs. The Company accounts for its ownership in JHJ using the equity method of accounting.

Table of Contents**Results of Operations**

This section focuses on the highlights and significant items that impacted our operating results over the last three years. We will discuss the areas that caused material fluctuations and required specific evaluation by management. Our discussion will also explain the adjustments to operating income that management excludes when internally evaluating segment performance because the items are not related to the segments core operations.

Consolidated Results

Our consolidated results include the results of each of the operating segments discussed below and corporate charges for the periods presented. In 2005, consolidated results also included the results of USF from the date of acquisition, May 24, through December 31. A more detailed discussion of the operating results of our segments is presented below.

The following table summarizes the Statement of Consolidated Operations for the three years ended December 31:

| (in millions) | 2007 | 2006 | 2005 | Percent Change | |
|----------------------------|------------|------------|------------|--------------------|---------------|
| | | | | 2007 vs. 2006 | 2006 vs. 2005 |
| Operating revenue | \$ 9,621.3 | \$ 9,918.7 | \$ 8,741.6 | (3.0)% | 13.5% |
| Operating income (loss) | (565.1) | 545.4 | 536.3 | n/m ^(a) | 1.7% |
| Nonoperating expenses, net | 86.6 | 89.5 | 64.0 | (3.2)% | 39.8% |
| Net income (loss) | \$ (638.4) | \$ 276.6 | \$ 288.1 | n/m | (4.0)% |

(a) Not meaningful.
2007 compared to 2006

Our consolidated revenue declined 3% in 2007 versus 2006 as reflected in each of our asset-based operating segments. This decrease was primarily a function of decreased shipments resulting from the slowing economy, weak consumer spending trends and the resulting intense competitive pricing environment. While we have experienced lower volumes throughout our entire network, the industrial Midwest has been especially challenging largely due to its dependence on the automotive and related industries. In general, pricing or yield, including fuel surcharge revenue, increased modestly for our National Transportation segment yet was relatively flat for our Regional Transportation segment, which suffered more dramatic competitive pricing pressure.

Consolidated operating revenue includes fuel surcharge revenue. Fuel surcharges are common throughout our industry and represent an amount that we charge to customers that adjusts with changing fuel prices. We base our fuel surcharge on a published national index and adjust it weekly. Rapid material changes in the index or our cost of fuel can positively or negatively impact our revenue and operating income versus prior periods as there is a lag in the Company's adjustment of base rates in response to changes in fuel surcharge. Fuel surcharge is an accepted and important component of the overall pricing of our services to our customers. Without an industry accepted fuel surcharge program, our base pricing for our transportation services would require changes. We believe the distinction between base rates and fuel surcharge has been blurring over time, and it is impractical to clearly separate all the different factors that influence the price that our customers are willing to pay. In general, under our present fuel surcharge program, we believe rising fuel costs are beneficial to us in the short term.

Consolidated operating income decreased significantly from 2006 resulting in an operating loss of \$565.1 million in 2007. Included in this operating loss are impairment charges of \$781.9 million representing a complete write off of goodwill associated with our Regional Transportation segment as well as reductions in the tradename values attributed to USF (a part of the Regional Transportation segment) and Roadway (a part of the National Transportation segment.) Absent this charge, consolidated operating income was \$216.8 million for 2007 versus \$545.4 million for 2006. This significant downturn in earnings was experienced by all of our operating companies; however, our Regional Transportation segment experienced the greatest percentage decline on a year-over-year basis. Given its regional concentration, the weak economy in the Upper Midwest impacted this segment more severely. Additionally, we were less effective in reducing our variable costs in the regional market in response to the decline in revenue than in our national market. This is partly attributable to continued challenges associated with the USF Reddaway and USF Bestway February 2007 consolidation. In response to these and other challenges, in February 2008 USF Reddaway closed 21 service centers primarily representing the former USF Bestway footprint. USF Holland closed 6 service centers at this same time.

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Our 2007 consolidated operating results were negatively impacted by \$27.3 million of reorganization charges, primarily severance and acceleration of stock compensation charges related to terminated executives, of which \$9.5 million was included in the Corporate results. Our 2006 consolidated operating results included \$10.2 million of similar charges as well as \$13.3 million

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related to a USF Red Star multi-employer pension plan matter. In 2007, we successfully settled certain of these USF Red Star multi-employer pension plan obligations resulting in a gain of \$6.4 million. Consolidated operating income also included gains on the sale of property and equipment of \$5.8 million and \$8.4 million for the years ended December 31, 2007 and 2006, respectively.

Our 2007 nonoperating expenses of \$86.6 million included \$88.8 million of interest expense as compared to \$87.8 million in 2006. Included in the 2007 interest amount is \$5.6 million attributed to income tax items. In conjunction with our adoption of FIN No. 48, Accounting for Uncertainty in Income Taxes effective January 1, 2007, we now classify interest related to income tax items in interest expense as opposed to the 2006 classification in income tax provision (benefit). Interest expense attributed to financing arrangements is down slightly from 2006 due to decreased borrowings. Other nonoperating charges in 2007 included foreign currency losses of \$5.4 million offset by interest income of \$4.4 million and other gains of \$3.2 million while 2006 included \$4.6 million of charges related to the write down of certain nonoperating assets offset by interest income of \$3.1 million.

Our effective tax rate for 2007 was 2.0% compared to 39.3% for 2006. The 2007 rate reflects a \$638.6 million goodwill impairment charge that is non deductible for tax purposes. The 2007 rate was favorably impacted by a \$1.8 million alternative fuel tax credit related to 2006 and reflects a benefit of \$7.1 million for the same type of credit in 2007.

2006 compared to 2005

Our consolidated revenue increased during 2006 as a result of the 2005 USF acquisition and moderate growth at all of our operating segments, including fuel surcharge revenue. In general, pricing or yield increased modestly while overall volumes were down slightly compared to 2005. The volume decline is reflective of a weaker economy especially during the second half of 2006.

Consolidated operating income for 2006 improved slightly versus 2005 primarily due to the USF acquisition; however our consolidated operating ratio declined 0.6 percentage points. Operating ratio refers to a common industry measurement calculated by dividing a company's operating expenses by its operating revenue. Our 2006 results were impacted by adverse development in prior years workers compensation claims offset by favorable accounting changes related to a change in depreciable lives and salvage values of revenue equipment and a change in employees vacation benefit at Roadway as more fully described in our segment discussion. Overall, our operating results were below our internal expectations. As a result, we reduced our performance incentive awards for nearly all employees thereby reducing our expense by \$56.3 million versus the prior year period. Our consolidated operating income in 2006 was also unfavorably impacted by a \$13.3 million charge related to a USF Red Star multi-employer pension plan matter, \$10.2 million of restructuring and reorganization charges and \$2.8 million due to the loss on sale of a subsidiary. These amounts were offset by \$8.4 million of gains generated from the sale of property and equipment.

Our 2006 nonoperating expenses of \$89.5 million included \$87.8 million of interest expense while the 2005 comparable amount was \$63.4 million. The increase is reflective of our higher interest rates on variable rate debt in 2006 as compared to 2005 and our higher average debt levels due to the USF acquisition. We did reduce our overall indebtedness by \$204.6 million during 2006. The 2006 nonoperating expense amount also includes \$4.6 million of impairment charges relating to certain nonoperating assets with no corresponding amount in the prior year.

Our effective tax rate for 2006 was 39.3% compared to 39.0% for 2005. The 2006 amount is reflective of a slightly higher effective state rate.

National Transportation Results

National Transportation represented approximately 69%, 69% and 77% of our consolidated revenue in 2007, 2006 and 2005, respectively. The table below provides summary information for National Transportation for the three years ended December 31:

| (in millions) | 2007 | 2006 | 2005 | Percent Change | |
|-------------------|------------|------------|------------|----------------|----------------------|
| | | | | 2007 vs. 2006 | 2006 vs. 2005 |
| Operating revenue | \$ 6,657.8 | \$ 6,878.6 | \$ 6,735.3 | (3.2)% | 2.1% |
| Operating income | 159.3 | 423.3 | 464.4 | (62.4)% | (8.9)% |
| Operating ratio | 97.6% | 93.8% | 93.1% | 3.8pp | 0.7pp ^(a) |

(a) Percentage points.

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National Transportation revenue decreased \$220.8 million or 3.2% in 2007 compared to 2006. The two primary components of operating revenue are volume, comprised of the number of shipments and weight per shipment, and price or yield, usually evaluated on a per hundred weight basis for LTL business. The decline in operating revenue was largely driven by a 6.1% decline in total picked up tonnage per day, with truckload tonnage per day down more dramatically at 7.5% and LTL tonnage per day down 5.8%. The tonnage decline is primarily the result of a slowing economy, and we believe that the freight transportation sector has also experienced softening business levels in 2007 based on reports of tonnage declines. As the economy has slowed, capacity has become more readily available and competition for available loads has increased. The decline in LTL tonnage was made up of a 4.4% decrease in shipments per day and a 1.6% decline in weight per shipment. Partially offsetting the reduction in volume was a 2.4% increase in LTL revenue per hundred weight which includes higher fuel surcharge revenue.

Operating income for National Transportation decreased \$264.0 million or 62.4% in 2007 compared to the previous year. The decrease was primarily a result of lower revenue, a tradename impairment charge of \$76.6 million and higher purchased transportation of \$34.6 million, partially offset by lower salaries, wages and benefits of \$45.7 million, lower depreciation and amortization expense of \$17.2 million and lower other operating expenses of \$6.8 million. Additionally, the prior year results included a \$4.0 million recovery of business interruption insurance related to hurricane Katrina and \$3.5 million of costs associated with hosting an industry conference. No such conference was held in 2007, resulting in lower costs compared to the prior year period.

The impairment charge resulted from a reduction in the calculated fair value of the Roadway tradename. The fair value decline in our tradename was largely the result of a change in the assumptions (primarily discount rate and long-term revenue growth) used in the valuation model versus those used at the original acquisition date in 2003. Assumptions are reflective of current economic conditions, including the slow recovery in sectors impacting transportation.

Purchased transportation costs were higher primarily due to a change in administering certain intercompany transactions, certain new business initiatives with one of our largest customers and a contractual increase with our primary rail provider, partially offset by lower rail usage due largely to lower volumes. Effective July 2007, we began recording both revenue and intercompany expense, primarily purchased transportation, for transactions serviced by YRC Logistics that we otherwise could not service within our network. We also pay a transaction fee to YRC Logistics that is included in purchased transportation. Previously the revenue and purchased transportation were recorded by YRC Logistics. This change does not affect the consolidated financial statements of YRC Worldwide.

Salaries, wages and benefits were lower due to lower workers' compensation costs of \$24.9 million and lower hourly wages and benefits of \$17.7 million. Hourly wages and benefits declined due to lower volumes and were partially offset by the annual contractual wage and benefit increase combined with having fewer new hire employees on the lower end of the union wage progression scale and having fewer casual (i.e. part time, supplemental) employees. As volumes decline, it is more challenging to utilize casual employees who are used to supplement our regular workforce and have a lower overall cost as employees with greater seniority at higher wage rates must be utilized first under our labor agreement. Additionally, there have been fewer newly hired employees who have a lower initial cost than regular employees due to the wage progression. The prior year results included a reduction to expense of \$11.8 million due to a change in our vacation practices. The reduced workers' compensation cost is attributed to the absence of material unfavorable changes in the development of prior year claims that we experienced in 2006.

Depreciation expense was lower primarily because of a change in depreciable lives and salvage values of revenue equipment effective July 1, 2006 reducing 2007 depreciation expense by \$26.5 million. This reduction was offset by \$9.3 million of technology amortization expense related to certain abandoned internal technology projects previously considered in process. As National Transportation moves to a common technology platform, these projects were identified as non-strategic and not a part of the future direction of the reporting unit.

Other operating expenses decreased mostly due to lower operating taxes and licenses of \$4.3 million. Cargo claims expense in 2007 was flat when compared to 2006. Additional resources were allocated for improving cargo claim frequency and resulted in lower year over year claims expense primarily during the second half of 2007.

During the year ended December 31, 2007, National Transportation reported net gains of property disposals of \$8.3 million versus \$6.4 million in 2006. The primary contributor to the 2007 amount was a gain of \$5.7 million on the sale of a property in California.

Reorganization charges in 2007, primarily severance costs, of \$6.7 million were largely the result of combining management structures of Yellow Transportation and Roadway to form National Transportation, as discussed in the Overview. During the year ended 2006, we incurred \$4.3 million of severance costs associated with a significant realignment in operations and a related reduction in workforce.

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Operating expenses as a percentage of revenue increased during the year ended 2007 by 3.8 percentage points compared to 2006, resulting in a year-to-date 2007 operating ratio of 97.6%.

2006 compared to 2005

National Transportation revenue increased by \$143.3 million or 2.1% in 2006 compared to 2005 due to a firm pricing environment including higher fuel surcharge revenue but was partially offset by lower tonnage. LTL revenue per hundred weight, which includes increased fuel surcharge revenue, increased in 2006 by 3.1% compared to the prior year. In 2006, LTL shipments per day declined 1.8% and LTL tonnage per day decreased 0.5% from 2005 which resulted in LTL weight per shipment increasing by 1.4%. The decline in volume was primarily attributable to slower economic growth in 2006 than in 2005.

National Transportation operating income declined by \$41.1 million or 8.9% in 2006 compared to 2005. This decline resulted from higher wages and benefits of \$81.3 million due primarily to contractual labor increases, higher operating expenses and supplies (mainly fuel) of \$53.2 million, higher workers compensation expense of \$33.8 million associated with unfavorable development of prior year claims, and higher purchased transportation costs of \$43.8 million.

Other cost increases during 2006 included increase cargo claims expense of \$9.5 million due to higher claim frequency and \$4.3 million of expense related to a realignment of operations during 2006. In January 2006, we hosted an industry conference incurring \$3.5 million of costs that were not present in 2005. Additionally, depreciation expense was \$0.6 million higher than 2005 despite the favorable impact of useful life and salvage changes described below.

A portion of the purchased transportation increase is due to the railroad providers discontinuing their business practice of providing rail-owned trailers for intermodal movement. This change led to leasing and purchasing of additional trailers, additional costs for repositioning trailers and declining productivity.

The decline in operating income was partially offset by higher operating revenues, including higher fuel surcharge revenue, as well as lower nonunion incentive compensation of \$40.5 million, the favorable impact of \$11.8 million associated with a change in the vacation payout practice during the year, the favorable impact of \$19.7 million associated with lower depreciation due to the increase in useful lives and salvage values as well as \$4.0 million related to the recovery of business interruption insurance related to hurricane Katrina.

Operating expenses as a percentage of revenue increased by 0.7 percentage points in 2006 compared to 2005 and resulted in an operating ratio of 93.8% for 2006.

Regional Transportation Results

Regional Transportation represented approximately 25%, 25% and 18% of our consolidated revenue in 2007, 2006 and 2005, respectively. This segment includes the results of New Penn and, effective May 24, 2005, the results of the LTL and truckload (TL) operating companies of USF. Beginning in 2006, results do not include USF Red Star and USF Dugan, entities that have ceased operations, that are now included in the Corporate results.

The table below provides summary financial information for Regional Transportation for the three years ended December 31:

| (in millions) | 2007 | 2006 | 2005 | Percent Change | |
|-------------------------|------------|------------|------------|----------------|------------------------|
| | | | | 2007 vs. 2006 | 2006 vs. 2005 |
| Operating revenue | \$ 2,369.6 | \$ 2,441.4 | \$ 1,570.8 | (2.9)% | n/m ^(a) |
| Operating income (loss) | (706.7) | 142.2 | 85.8 | n/m | n/m |
| Operating ratio | n/m | 94.2% | 94.5% | n/m | (0.3pp) ^(b) |

(a) Not meaningful.

(b) Percentage points.

2007 compared to 2006

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Regional Transportation reported 2007 operating revenue of \$2,369.6 million, representing a decrease of \$71.8 million or 2.9% from 2006. With the same number of workdays in both years, the decline in operating revenue was largely driven by a 3.8%

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decline in total tonnage picked up, with truckload tonnage being down more dramatically at 9.7% and LTL tonnage down 2.4%. Regional Transportation volume decline is consistent with that experienced by National Transportation and also heavily concentrated in the industrial Midwest. As the economy slowed, capacity became more readily available, particularly in the truckload portion of the business, and competition for available loads increased. The decline in LTL tonnage was made up of a 0.9% decrease in shipments per day and a 1.6% decline in weight per shipment.

Partially offsetting the reduction in volume was a 0.8% increase in LTL revenue per hundred weight, which includes increased fuel surcharge revenue. Although pricing remains slightly positive on a year-over-year basis, it continues to be a challenge to obtain sustainable increases due to the amount of capacity in the market and increased pricing pressure from competitors.

Operating loss in 2007 for Regional Transportation was \$706.7 million, compared to \$142.2 million operating income for 2006. Although revenue declined \$71.8 million, operating expenses increased \$777.1 million. The largest factor was a \$705.3 million non-cash charge taken in the fourth quarter relating to impairment of goodwill and intangible assets on Regional Transportation's balance sheet. Other expense increases were in salaries, wages and benefits of \$39.3 million, operating expenses and supplies of \$34.3 million, and other operating expenses of \$3.4 million. Slightly offsetting these increases were decreases in purchased transportation of \$9.3 million and depreciation of \$5.3 million.

Salaries, wages and benefits expense increased despite lower LTL tonnage and reductions in non-union incentive accruals and salaried headcount. The primary reasons for the increase were higher contractual wage expenses and associated benefits. Inefficiencies in the networks of USF Holland and USF Reddaway drove higher wages because of their negative impact on productivity.

Operating expenses and supplies were higher due to several unfavorable factors including higher fuel costs, vehicle maintenance costs and corporate overhead, offset by reductions in uncollectible revenue. Other operating expenses were higher due to higher fuel taxes driven by correspondingly higher fuel costs, and a higher provision for bodily injury and property damage claims.

Purchased transportation was lower due mainly to the in-sourcing of linehaul carriage from third-party providers. Depreciation was lower due to a change in depreciable life policy beginning in July 2006, reduction in assets due to terminal consolidation at USF Reddaway and lower equipment counts.

During 2007, Regional Transportation incurred impairment charges of \$705.3 million as previously discussed. Additionally, Regional Transportation incurred \$7.9 million of reorganization expenses related to the closure of USF Bestway and the consolidation of terminals into USF Reddaway's California network. Regional Transportation also reported net gains on property disposals in 2007 of \$1.4 million compared to net gains on property disposals of \$3.0 million in 2006.

2006 compared to 2005

Regional Transportation's 2005 results reflect the inclusion of the USF companies as of May 24, 2005. This makes the comparison of 2006 to 2005 less meaningful. Due to the lack of comparability, management evaluated the segment's results in 2006 and 2005 primarily based on a combination of sequential growth month over month and attainment of plan performance.

Regional Transportation reported revenue of \$2,441.4 million for 2006, as compared to \$1,570.8 million for 2005. The increased revenue, including higher fuel surcharge revenue, is primarily attributed to the USF acquisition reduced by the impact of a slowing economy.

Regional Transportation reported operating income of \$142.2 million for 2006 as compared to \$85.8 million, for 2005. The 2006 operating income reflects the contribution from the USF acquisition for a full year, higher fuel surcharge revenue and continued cost management.

For 2006 net adjustments to operating income were a negative \$3.0 million representing gains from the disposal of property and equipment, primarily related to the sale of USF Bestway's headquarters. For 2005, net adjustments to operating income were a positive \$8.8 million representing \$8.3 million of shut down and acquisition charges as well as \$0.5 million of losses on fixed asset disposals. Regional Transportation reported a 2006 operating ratio of 94.2% compared to 94.5% in 2005 which included New Penn for the entire year, and the USF companies after the May 24, 2005 acquisition.

Table of Contents**YRC Logistics Results**

YRC Logistics represented approximately 6%, 6% and 5% of our consolidated revenue in 2007, 2006 and 2005, respectively. This segment includes the results of YRC Logistics and, effective May 24, 2005, the results of the USF Logistics group of entities. The table below provides summary financial information for YRC Logistics for the three years ended December 31:

| (in millions) | 2007 | 2006 | 2005 | Percent Change | |
|-------------------|----------|----------|----------|----------------------|---------------|
| | | | | 2007 vs. 2006 | 2006 vs. 2005 |
| Operating revenue | \$ 623.2 | \$ 609.7 | \$ 447.6 | 2.2% | 36.2% |
| Operating income | 5.2 | 13.7 | 15.2 | (62.4)% | (9.9)% |
| Operating ratio | 99.2% | 97.8% | 96.6% | 1.4pp ^(a) | (1.2pp) |

(a) Percentage points.
2007 compared to 2006

For the year 2007, YRC Logistics revenue increased by \$13.5 million or 2.2%. Revenue and expense associated with the fulfillment of certain of National Transportation's domestic forwarding business line were recorded within the National Transportation segment effective July 2007. Previously such revenue and related expense were recorded in the YRC Logistics segment. The transfer of this revenue resulted in a decrease of revenue of \$27.2 million for 2007 compared to the same period in 2006 with minimal impact on operating income as the corresponding purchased transportation was also transferred. Excluding this revenue, YRC Logistics revenue increased by \$40.7 million or 6.7% driven by increases in transportation services and distribution services.

Operating income decreased \$8.5 million in 2007 including \$3.3 million in reorganization charges in 2007. Despite the 6.7% growth discussed above, in the current year YRC Logistics was challenged with pressure from an economic slowdown which hampered revenue growth as it relates to our expectations. Operating expenses were not reduced as quickly in response to sluggish revenue growth rates. Distribution services however performed better than our other offerings with stronger revenue gains. As a result, operating expenses for this business line increased \$5.4 million or 9.7% in 2007 as compared to 2006. Claims and insurance expenses increased approximately \$3.6 million in 2007 compared to 2006, primarily attributable to a favorable adjustment in 2006 relating to prior year claims development.

2006 compared to 2005

For the year 2006, YRC Logistics revenue increased by \$162.1 million or 36.2% from 2005. A significant portion of this increase is attributable to the USF Logistics acquisition which occurred May 24, 2005. In addition to the acquisition growth, the Global Services and Transportation Services business lines all had significant organic gains (approximately \$9 million and \$15 million, respectively). Operating income decreased from \$15.2 million in 2005 to \$13.7 million in 2006 yet reflects \$7.0 million in reorganization charges in 2006. Absent these charges operating income would have increased 37.7% from 2005.

In the second quarter of 2006 YRC Logistics decided to relocate substantially all of its operations in Greenwood, Indiana to Overland Park, Kansas. This relocation was completed in 2006 and reorganization charges of \$4.2 million were incurred.

In September 2006, YRC Logistics sold its mainland China freight forwarding operations into the joint venture that it maintains with JHJ. YRC Logistics acquired this freight forwarding operation in 2005 as part of the acquisition of GPS Logistics. In 2005 we acquired a 50% stake in the freight forwarding operations of JHJ, which is one of the largest freight forwarders in China. The two organizations had overlapping capabilities in multiple locations in China, and therefore a decision was made to combine the operations to increase operational focus. Reorganization charges of \$2.8 million were recorded as a result of the loss on the sale of this subsidiary.

Table of Contents**Financial Condition****Liquidity**

Our liquidity needs arise primarily from capital investment in new equipment, land and structures and information technology, as well as funding working capital requirements and acquisitions. To provide short-term and longer-term liquidity, we maintain capacity under a \$1.1 billion unsecured bank credit agreement, which includes a fully drawn \$150 million term loan and a \$950 million revolving loan, and a \$700 million asset backed securitization (ABS) facility involving the accounts receivable of Yellow Transportation, Roadway, USF Holland and USF Reddaway.

The following table provides details of the outstanding components and unused capacity under the unsecured revolving credit facility and the ABS facility at December 31:

| (in millions) | 2007 | 2006 |
|-----------------------------------------------------|----------|----------|
| Capacity: | | |
| Revolving loan | \$ 950.0 | \$ 850.0 |
| ABS facility | 700.0 | 650.0 |
| Total capacity | 1,650.0 | 1,500.0 |
| Amounts outstanding: | | |
| Revolving loan | (5.1) | |
| Letters of credit | (473.2) | (482.0) |
| ABS facility | (180.0) | (225.0) |
| ABS usage for captive insurance company (see below) | (201.4) | (189.4) |
| Total outstanding | (859.7) | (896.4) |
| Unused capacity | \$ 790.3 | \$ 603.6 |

As shown above, the ABS facility permits borrowings of up to \$700 million based on qualifying accounts receivable of the Company. However, at December 31, 2007, our underlying accounts receivable supported total capacity under the ABS facility of \$598.9 million. Considering this limitation, our unused capacity at December 31, 2007 was \$689.2 million.

While the above reflects the stipulated unused capacity per the respective agreements, our borrowing ability is further restricted by our performance covenants, specifically the leverage ratio, that limits total outstanding indebtedness to three times our trailing twelve months earnings before interest, taxes, depreciation and amortization or EBITDA, as defined. Given this requirement, total indebtedness could only have been increased by approximately \$245 million at December 31, 2007 despite the unused capacity reflected above in order for us to remain in compliance with the leverage ratio covenant.

YRC Assurance Co. Ltd. (YRC Assurance) is the Company's captive insurance company domiciled in Bermuda and a wholly owned and consolidated subsidiary of YRC Worldwide. YRC Assurance provides insurance services to certain wholly owned subsidiaries of YRC Worldwide. As a part of the structure of YRC Assurance, certain qualifying investments are periodically made by YRC Assurance as defined by Bermuda regulations. These investments can include taking an ownership position in certain receivables that secure our ABS facility. As a result, as shown in the table above, our capacity under the ABS facility is reduced by YRC Assurance's investment in receivables of \$201.4 million at December 31, 2007.

Contingent Convertible Notes

The balance sheet classification of our contingent convertible notes between short-term and long-term is dependent upon certain conversion triggers, as defined in the applicable indentures. At December 31, 2007 and 2006, the conversion triggers had not been met. Accordingly, based on the effective maturity dates pursuant to noteholder put rights as more fully described in Note 6. Debt and Financing, this obligation has been classified as a long-term liability on the accompanying balance sheets.

Table of Contents*Credit Rating*

As of the date of this filing, the credit rating and outlook assigned to us by the three major rating agencies were as follows:

| | Corporate/Issuer Rating | Outlook |
|---------|------------------------------------|----------------|
| Fitch | BB+ | Negative |
| Moody's | Ba1 | Negative |
| S&P | BB | Negative |

A credit rating reflects an assessment by the rating agency of the credit risk associated with a corporate entity or particular securities issued by that entity. Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating risk, and therefore, ratings should be evaluated independently. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets. The agencies have indicated that our lower ratings are primarily a reflection of the rating agencies' concerns regarding ongoing weakness in the U.S. economy pressuring our financial performance, specifically cash flow and profitability.

As a result of the credit rating actions by the rating agencies since December 2007, our borrowing costs under our Credit Facility have increased up to .25%. If our credit rating is lowered by Moody's to Ba2 or by Fitch to BB, our borrowing costs will increase by an additional .25%. Further downgrades by the three major rating agencies would not result in additional increased borrowing costs.

None of our debt agreements require accelerated repayment as a result of lower credit ratings. However, our Contingent Convertible Senior Notes have a conversion right if our note rating is lower than B2 by Moody's or B by S&P or if the notes are no longer rated by at least one rating service. Despite our existing credit ratings, we believe we will continue to have adequate access to the capital markets sufficient to meet our expected needs for financial flexibility.

Cash Flow Measurements

We use free cash flow as a measurement to determine the amounts available to fund strategic capital allocation alternatives. Free cash flow indicates cash available to fund additional capital expenditures, to reduce outstanding debt (including current maturities), repurchase outstanding common shares, or to invest in our growth strategies. This measurement is used for internal management purposes and should not be construed as a better measurement than net cash from operating activities as defined by generally accepted accounting principles.

The following table illustrates our calculation for determining free cash flow for the years ended December 31:

| (in millions) | 2007 | 2006 | 2005 |
|--------------------------------------|-------------|-------------|-------------|
| Net cash from operating activities | \$ 392.6 | \$ 532.3 | \$ 497.7 |
| Net property and equipment additions | (338.4) | (303.1) | (256.4) |
| Proceeds from stock options | 6.5 | 5.7 | 11.2 |
| Free cash flow | \$ 60.7 | \$ 234.9 | \$ 252.5 |

Net cash provided by operating activities decreased from 2006 to 2007 and is reflective of our decreased operating results. During 2007 we made pension contributions of \$134.3 million and accrued pension expense of \$48.7 million versus \$72.1 million of pension contributions and accrued pension expense of \$61.5 million in 2006. Additionally, we settled certain obligations with multi-employer pension plans and remitted payments of \$45.5 million related to this withdrawal liability in 2007 compared to \$16.2 million of payments remitted and accrued expense of \$13.3 million in 2006. Our accounts receivable declined in the current year due to a combination of lower business volumes and increased efforts at improving our cash collections. Further, in 2007 we received net tax refunds of \$48.1 million, included in Prepaid expenses and other in the accompanying balance sheets, versus net tax payments in 2006 of \$109.5 million.

Net cash provided by operating activities increased \$34.6 million from 2005 to 2006. Pre-tax operating income adjusted for non-cash items such as depreciation, amortization and gains/losses on dispositions increased \$34.8 million during 2006 as compared to 2005. This earnings-based

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increase was offset by increases in pension contributions of \$23.1 million, interest payments of \$27.9 million and income tax payments of \$9.1 million. Additionally, positive trends in accounts receivable resulting in cash provided of \$42.1 million was offset by a reduction in incentive bonus accruals of \$42.0 million. Prepaid amounts decreased by \$11.0 million and a USF investment account of \$7 million was liquidated, both of which provided cash in 2006.

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In 2007, net property and equipment additions increased by \$35.3 million compared to 2006. Gross property and equipment additions for 2007 were \$393.8 million versus \$377.7 million for 2006 with the increase primarily due to technology investments and terminal and facility construction. Revenue equipment purchases of \$268.9 million were consistent with 2006 which is in line with our fleet replacement patterns. See a more detailed discussion of 2007 activity below in Capital Expenditures .

In 2006, net property and equipment additions increased by \$46.7 million compared to 2005. Gross property and equipment additions for 2006 were \$377.7 million versus \$304.7 million for 2005 with the increase primarily due to increased revenue equipment purchases at Roadway of \$37.4 million and Yellow Transportation of \$15.0 million in an effort to continue to reduce the overall age of our fleet.

Other than property and equipment activity discussed above, cash used in investing activities in 2007 also includes transaction costs associated with the pending acquisition of Shanghai Jiayu Logistics Co., Ltd. and other immaterial investments. The amounts reported in 2006 include the additional payments of \$21.9 million to the seller of GPS Asia and \$2.5 million to GPS Logistics (EU) Limited, both under contractual earn-out obligations. The amounts reported for 2005 reflect our acquisition of the USF companies of \$742.7 million and our investment in the JHJ joint venture of \$46.0 million.

Net cash used in financing activities was \$69.7 million in 2007 versus \$209.3 million for 2006. The 2007 activity is a result of \$35.0 million of treasury stock repurchases, \$39.9 million of net debt reduction and \$1.3 million of debt issuance costs related to the modification and expansion of our credit facility, offset by stock option proceeds of \$6.5 million. The 2006 activity is the result of \$20.0 million of treasury stock repurchases and \$195.0 million of debt pay down offset by stock option proceeds of \$5.7 million. Cash provided by financing activities of \$522.5 million in 2005 reflect the borrowings related to the acquisition of the USF companies and stock option proceeds of \$11.2 million offset by treasury stock repurchases of \$50.0 million.

Capital Expenditures

Our capital expenditures focus primarily on the replacement of revenue equipment, land and structures, investments in information technology and acquisitions. As reflected on our Consolidated Balance Sheets, our business is capital intensive with significant investments in service center facilities and a fleet of tractors and trailers. We determine the amount and timing of capital expenditures based on numerous factors, including anticipated growth, economic conditions, new or expanded services, regulatory actions and availability of financing.

The table below summarizes our actual net capital expenditures by type and investments for the years ended December 31:

| (in millions) | 2007 | 2006 | 2005 |
|-----------------------------------------|----------|----------|------------|
| Revenue equipment | \$ 261.4 | \$ 268.2 | \$ 180.4 |
| Land, structures and technology | 77.0 | 34.9 | 76.0 |
| Total net capital expenditures | 338.4 | 303.1 | 256.4 |
| Acquisition of companies and affiliates | | 25.6 | 799.9 |
| Total | \$ 338.4 | \$ 328.7 | \$ 1,056.3 |

Capital expenditures for revenue equipment in 2007 were consistent with 2006. Our 2007 technology expenditures increased \$11.5 million versus 2006 as we continue to invest in common platforms for our asset-based operating companies. Proceeds on land sales in 2007 were \$47.7 million versus \$74.6 million in 2006. Capital expenditures for 2006 reflect a full year of revenue equipment purchases for Regional Transportation as well as continued reinvestment in the National Transportation fleet. The 2006 amount also reflects \$21.9 million related to the acquisition of GPS Asia. Capital expenditures for 2005 reflect the inclusion of \$63.7 million net expenditures of USF activity at Regional Transportation and the cash portion of the USF acquisition of \$742.7 million. We expect 2008 net capital spending to approximate \$200 to \$250 million. We believe our financial condition and access to capital, as they exist today, are adequate to fund our anticipated capital expenditures and future growth opportunities.

Our expectation regarding our ability to fund capital expenditures out of existing financing facilities and cash flow is only our forecast regarding this matter. This forecast may be substantially different from actual results. In addition to the factors previously described in the Forward-Looking Statements section, the following factors could affect levels of capital expenditures: the accuracy of our estimates regarding our spending requirements; the occurrence of any unanticipated acquisition opportunities; changes in our strategic direction; the need to spend additional capital on cost reduction opportunities; the need to replace any unanticipated losses in capital assets and our ability to dispose of

excess real estate at our anticipated sales price.

Table of Contents**Nonunion Pension Obligations**

We provide defined benefit pension plans for certain employees not covered by collective bargaining agreements. The two largest plans are the qualified plans for Yellow Transportation and Roadway. The Yellow Transportation and Roadway qualified plans cover approximately 4,000 employees each. On January 1, 2004, the existing qualified benefit plans were closed to new participants. All new U.S. salaried nonunion employees (except those currently participating in other profit sharing plans) and all YRC Logistics employees now participate in a defined contribution retirement plan.

We expect pension funding and expense to remain an area of management focus over the next several years. The Pension Protection Act of 2006 encourages companies to fully fund their benefit obligation by 2011. Based on discussions with our pension advisors, we made significant contributions in 2007 and expect to continue to accelerate our contributions in the near term to better meet the fully funded requirement. Given the dependence on the economy and the significant amounts involved, pension funding could have a material impact on our liquidity. Using our current plan assumptions, which include an assumed 8.50% return on assets and discount rate of 6.61%, we either recorded or expect to record the following for all YRC sponsored pension plans.

| (in millions) | Cash Funding | Pension Expense | Under Funded Status at December 31 |
|---------------|--------------|-----------------|------------------------------------|
| 2007 Actual | \$ 134.3 | \$ 48.7 | \$ 137.0 |
| 2008 Expected | 58.6 | 34.7 | 108.2 |
| 2009 Expected | 46.4 | 30.3 | 86.9 |
| 2010 Expected | 44.9 | 27.9 | 62.9 |

Due to the impact of economic conditions on the Company's plan assumptions it is reasonably possible that such assumptions may change in the near term and that such changes could materially impact amounts recorded or expected to be recorded in the consolidated financial statements.

The above discussion includes forward-looking statements as indicated by "expect" and "estimate" and the actual results may be materially different. Factors that affect these results include actual return on plan assets and discount rate changes among others.

Contractual Obligations and Other Commercial Commitments

The following tables provide aggregated information regarding our contractual obligations and commercial commitments as of December 31, 2007. Most of these obligations and commitments have been discussed in detail either in the preceding paragraphs or the notes to the financial statements. The tables do not include expected pension funding as disclosed separately in the previous section.

Contractual Cash Obligations

| (in millions) | Payments Due by Period | | | | Total |
|------------------------------------------------------------------------------|------------------------|-----------|-----------|---------------|------------|
| | Less than 1 year | 2-3 years | 4-5 years | After 5 years | |
| Balance sheet obligations: ^(a) | | | | | |
| ABS borrowings | \$ 180.0 | \$ | \$ | \$ | \$ 180.0 |
| Current and long-term debt including interest ^(b) | 297.5 | 582.0 | 325.5 | | 1,205.0 |
| USF Red Star multi-employer pension withdrawal obligation including interest | 1.7 | 3.5 | 3.5 | 1.2 | 9.9 |
| Off balance sheet obligations: | | | | | |
| Operating leases | 101.7 | 109.6 | 37.4 | 19.2 | 267.9 |
| Capital expenditures | 80.0 | | | | 80.0 |
| Total contractual obligations | \$ 660.9 | \$ 695.1 | \$ 366.4 | \$ 20.4 | \$ 1,742.8 |

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- (a) Total liabilities for unrecognized tax benefits as of December 31, 2007, were \$75.9 million and are classified on the Company's consolidated balance sheet within Other Current and Accrued Liabilities.
- (b) Long-term debt maturities are reflected by contractual maturity for all obligations other than the contingent convertible senior notes. These notes are instead presented based on the earliest possible redemption date defined as the first date on which the note holders have the option to require us to purchase their notes.

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As previously discussed in *Acquisitions and Investments*, we entered into a definitive agreement to acquire Shanghai Jiayu Logistics Co., Ltd. We anticipate this transaction closing in 2008 at which time we will pay between \$29.5 million to \$43 million. Further, in 2010 we could pay an additional amount not to exceed \$32 million.

We expect in the ordinary course of business that our operating leases will be renewed or replaced as they expire. The leases provide for fixed and escalating rentals and contingent escalating rentals based on the Consumer Price Index not to exceed certain specified amounts. We record rent expense for our operating leases on a straight-line basis over the base term of the lease agreements. In many cases our subsidiaries enter into leases and a parent guarantee is issued. The maximum amount of undiscounted future payments under the guarantee are the same as the contractual cash obligations disclosed above.

Other Commercial Commitments

The following table reflects other commercial commitments or potential cash outflows that may result from a contingent event, such as a need to borrow short-term funds due to insufficient free cash flow.

| (in millions) | Amount of Commitment Expiration Per Period | | | | Total |
|-------------------------------------|--------------------------------------------|---------------|-----------------|---------------|-------------------|
| | Less than 1 year | 2-3 years | 4-5 years | After 5 years | |
| Unused line of credit | \$ 190.9 | \$ | \$ 599.4 | \$ | \$ 790.3 |
| Letters of credit | 473.2 | | | | 473.2 |
| Lease guarantees | 0.4 | | | | 0.4 |
| Surety bonds | 105.3 | 0.1 | 0.1 | | 105.5 |
| Total commercial commitments | \$ 769.8 | \$ 0.1 | \$ 599.5 | \$ | \$ 1,369.4 |

Critical Accounting Policies

Preparation of our financial statements requires accounting policies that involve significant estimates and judgments regarding the amounts included in the financial statements and disclosed in the accompanying notes to the financial statements. We continually review the appropriateness of our accounting policies and the accuracy of our estimates including discussion with the Audit/Ethics Committee of our Board of Directors who make recommendations to management regarding these policies. Even with a thorough process, estimates must be adjusted based on changing circumstances and new information. Management has identified the policies described below as requiring significant judgment and having a potential material impact to our financial statements.

Revenue Reserves

We consider our policies regarding revenue-related reserves as critical based on their significance in evaluating our financial performance by management and investors. We have an extensive system that allows us to accurately capture, record and control all relevant information necessary to effectively manage our revenue reserves.

For shipments in transit, National Transportation and Regional Transportation record revenue based on the percentage of service completed as of the period end and accrue delivery costs as incurred. In addition, National Transportation and Regional Transportation recognize revenue on a gross basis because the entities are the primary obligors even when they use other transportation service providers who act on their behalf. National Transportation and Regional Transportation remain responsible to their customers for complete and proper shipment, including the risk of physical loss or damage of the goods and cargo claims issues. YRC Logistics recognizes revenue upon the completion of services. In certain logistics transactions where YRC Logistics acts as an agent, revenue is recorded on a net basis. Net revenue represents revenue charged to customers less third party transportation costs. Where YRC Logistics acts as principal, it records revenue from these transactions on a gross basis, without deducting transportation costs. Management believes these policies most accurately reflect revenue as earned. Our revenue-related reserves involve three primary estimates: shipments in transit, rerate reserves and uncollectible accounts.

Shipments in Transit

We assign pricing to bills of lading at the time of shipment based primarily on the weight, general classification of the product, the shipping destination and individual customer discounts. This process is referred to as rating. At the end of each period, we estimate the amount of revenue earned on shipments in transit based on actual shipments picked up and scheduled delivery dates. We calculate a percentage of completion using

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this data and the day of the week on which the period ends. Management believes this provides a reasonable estimation of the revenue actually earned.

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At various points throughout our customer invoicing process, incorrect ratings could be identified based on many factors, including weight verifications or updated customer discounts. Although the majority of rerating occurs in the same month as the original rating, a portion occurs during the following periods. We accrue a reserve for rerating based on historical trends. At December 31, 2007 and 2006, our financial statements included a rerate reserve of \$35.7 million and \$37.9 million, respectively. The modest decrease in the rerate reserve from 2006 to 2007 resulted primarily from the decrease in operating revenue in 2007.

Uncollectible Accounts

We record an allowance for doubtful accounts primarily based on historical uncollectible amounts. We also take into account known factors surrounding specific customers and overall collection trends. Our process involves performing ongoing credit evaluations of customers, including the market in which they operate and the overall economic conditions. We continually review historical trends and make adjustments to the allowance for doubtful accounts as appropriate. Our allowance for doubtful accounts totaled \$34.9 million and \$35.7 million as of December 31, 2007 and 2006, respectively.

Claims and Self-Insurance

We are self-insured up to certain limits for workers' compensation, cargo loss and damage, property damage and liability claims. We measure the liabilities associated with workers' compensation and property damage and liability claims primarily through actuarial methods that an independent third party performs. Actuarial methods include estimates for the undiscounted liability for claims reported, for claims incurred but not reported and for certain future administrative costs. These estimates are based on historical loss experience and judgments about the present and expected levels of costs per claim and the time required to settle claims. The effect of future inflation for costs is implicitly considered in the actuarial analyses. Actual claims may vary from these estimates due to a number of factors, including but not limited to, accident frequency and severity, claims management, changes in healthcare costs and overall economic conditions. We discount the actuarial calculations of claims liabilities for each calendar year to present value based on the average U.S. Treasury rate, during the calendar year of occurrence, for maturities that match the initial expected payout of the liabilities. As of December 31, 2007 and 2006, we had \$478.3 million and \$504.4 million accrued for claims and insurance, respectively. The decrease in claims and insurance from 2006 to 2007 is a result of favorable development in prior year workers' compensation claims and increased payments on property damage and liability claims.

Pension

With the exception of YRC Logistics, Regional Transportation, Reimer and certain of our foreign operations, YRC Worldwide and its operating subsidiaries sponsor qualified and nonqualified defined benefit pension plans for most employees not covered by collective bargaining agreements. YRC Logistics and Regional Transportation do not offer defined benefit pension plans and instead offer retirement benefits through either contributory 401(k) savings plans or profit sharing plans. Effective January 1, 2004, the existing YRC Worldwide qualified defined benefit plans were closed to new participants, and all new U.S. salaried nonunion employees (except those currently participating in other profit sharing plans) and all YRC Logistics employees participate in a defined contribution retirement plan. We account for pension benefits using actuarial methods based on numerous estimates, including employee turnover, mortality and retirement ages, expected return on plan assets, discount rates, and future salary increases. The most critical of these factors, due to their potential impact on pension cost, are discussed in more detail below.

Return on Plan Assets

The assumption for expected return on plan assets represents a long-term assumption of our portfolio performance that can impact our pension expense. With \$929 million of plan assets for the YRC Worldwide funded pension plans, a 50-basis-point decrease in the assumption for expected rate of return on assets would increase annual pension expense by approximately \$4.3 million and would have no effect on the underfunded pension liability reflected on the balance sheet.

In determining the expected rate of return on assets, we consider our historical experience in the plans' investment portfolio, historical market data and long-term historical relationships as well as a review of other objective indices including current market factors such as inflation and interest rates. Although plan investments are subject to short-term market volatility, we believe they are well diversified and closely managed. Our asset allocation as of December 31, 2007 consisted of 64% in equities, 31% in debt securities and 5% in real estate. Our asset allocation as of December 31, 2006 consisted of 65% of equities, 29% of debt securities, 5% of real estate and 1% in other investments. These allocations are consistent with the targeted long-term asset allocation for the plans. Based on various market factors, we have selected an expected rate of return on assets of 8.5% for 2008. We will continue to review our expected long-term rate of return on an annual basis and revise appropriately. The

pension trust holds no YRC Worldwide securities.

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Discount Rate

The discount rate refers to the interest rate used to discount the estimated future benefit payments to their present value, also referred to as the benefit obligation. The discount rate allows us to estimate what it would cost to settle the pension obligations as of the measurement date, December 31, and impacts the following year's pension cost. We determine the discount rate by choosing a portfolio of high quality (those rated AA- or higher by Standard & Poors) non-callable bonds such that the coupons and maturities approximate our expected benefit payments. When developing the bond portfolio, there are some years when benefit payments are expected with no corresponding bond maturing. In these instances, we estimated the appropriate bond by interpolating yield characteristics between the bond maturing in the immediately preceding year and the bond maturing in the next available year. This analysis is reperformed on a bi-annual basis. For the years that we do not prepare a bond matching analysis, we utilize a spread against a specific index, the Citigroup Pension Liability Index, which is consistent with the actual spread observed in the year the analysis is performed.

Although the discount rate used requires little judgment, changes in the discount rate can significantly impact our pension cost. For example, a 50-basis-point decrease in our discount rate would increase annual pension expense by approximately \$6.0 million and increase our underfunded pension liability reflected in shareholders' equity by approximately \$75.3 million, net of tax, assuming all other factors remain constant. The discount rate can fluctuate considerably over periods depending on overall economic conditions that impact long-term corporate bond yields. At December 31, 2007 and 2006, we used a discount rate of 6.61% and 6.12%, respectively.

Future Salary Increases

We make assumptions of future salary increases for plan participants based on general inflation and cost of living expectations. As pension benefits are based on participants' earned wages, estimated levels of our future performance also factor into the calculation. We believe these increases require less judgment than other pension estimates but can have a significant impact on our future pension expense. Our 2007 assumed rate of future annual increases of 4.2% reflects the recent experience of our plans.

Gains and Losses

Gains and losses occur due to changes in the amount of either the projected benefit obligation or plan assets from experience different than assumed and from changes in assumptions. We recognize computed amortization of the unrecognized net gain or loss as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds ten percent of the greater of the benefit obligation or the market-related value of plan assets. If amortization is required, it equals the amount of unrecognized net gain or loss that exceeds the ten percent corridor, amortized over the average remaining service period of active employees.

As of year end 2007, the pension plans have an unrecognized net loss of \$19.5 million and a projected benefit obligation of \$1,065.9 million. The average remaining service period is approximately 11 years.

Multi-Employer Pension Plans

Yellow Transportation, Roadway, New Penn, USF Holland and USF Reddaway contribute to approximately 20 separate multi-employer pension plans for employees that our collective bargaining agreements cover (approximately 70% of total YRC Worldwide employees). The pension plans provide defined benefits to retired participants.

We do not directly manage multi-employer plans. Trustees, half of whom the International Brotherhood of Teamsters (the Teamsters) appoints and half of whom various contributing employers appoint, manage the trusts covering these plans.

Our labor agreements with the Teamsters determine the amounts of our contributions to these plans. We recognize as net pension cost the contractually required contribution for the period and recognize as a liability any contributions due and unpaid.

In 2006, the Pension Protection Act became law and modified both the Internal Revenue Code (as amended, the Code) as it applies to multi-employer pension plans and the Employment Retirement Income Security Act of 1974 (as amended, ERISA). The Code and ERISA (in each case, as so modified) and related regulations establish minimum funding requirements for multi-employer pension plans. The funding status of these plans is determined by the following factors:

the number of participating active and retired employees

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the number of contributing employers

the amount of each employer's contractual contribution requirements

the investment returns of the plans

plan administrative costs

the number of employees and retirees participating in the plan who no longer have a contributing employer

the discount rate used to determine the funding status

the actuarial attributes of plan participants (such as age, estimated life and number of years until retirement)

the benefits defined by the plan

If any of our multi-employer pension plans fails to:

meet minimum funding requirements

meet a required funding improvement or rehabilitation plan that the Pension Protection Act may require for certain of our underfunded plans

obtain from the IRS certain changes to or a waiver of the requirements in how the applicable plan calculates its funding levels or

reduce pension benefits to a level where the requirements are met

the Pension Protection Act could require us to make additional contributions to the multi-employer pension plan from five to ten percent of the contributions that our collective bargaining agreement requires until the collective bargaining agreement expires. Our new labor agreement, however, provides that if additional contributions are required, that money designated for certain other benefits would be reallocated to pay for the additional contributions.

If we fail to make our required contributions to a multi-employer plan under a funding improvement or rehabilitation plan or if the benchmarks that an applicable funding improvement plan provides are not met by the end of a prescribed period, the IRS could impose an excise tax on us with respect to the plan. These excise taxes are not contributed to the deficient funds, but rather are deposited in the United States general treasury funds.

Depending on the amount involved, a requirement to increase contributions beyond our contractually agreed rate or the imposition of an excise tax on us could have a material adverse impact on the financial results of YRC Worldwide.

Funded status of the Central States Plan

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The plan administrators and trustees of multi-employer plans do not routinely provide us with current information regarding the status of each multi-employer pension plan's funding. This will change in the near future because the Pension Protection Act requires multi-employer pension plans to file more current and expanded, routine reports with the IRS, the Department of Labor and other interested parties for plan years beginning after January 1, 2008. At this time, the information that we are providing in this Form 10-K regarding the funding status, funded percentage or our portion of multi-employer plan theoretical withdrawal liabilities is based on publicly available information, which is often dated, and on the limited information available from plan administrators or plan trustees, which may not be independently validated.

The Pension Protection Act provides that certain plans with a funded percentage of less than 65% will be deemed to be in critical status. Plans in critical status must create a rehabilitation plan to exit critical status within periods that the Pension Protection Act prescribes. The Central States Southeast and Southwest Areas Pension Plan (the Central States Plan) provides retirement benefits to approximately 41% of our total employees. We believe that the funded percentage of the Central States Plan is approximately 70%. Under the Pension Protection Act, even if the funded percentage exceeds 65%, a plan may be in critical status if it has an accumulated funding deficiency for the current year or certain following years (in each case, excluding the impact of certain IRS permitted extensions of a plan's amortization of unfunded liabilities).

The IRS has granted the Central States Plan an extension on the amortization of its unfunded liabilities through 2014, subject to Central States Plan improving its funding levels during that period and certain other conditions. Assuming that the Central States Plan meets these conditions, it is expected to meet the minimum funding requirements, as the IRS has modified them, through at least 2014. Even so, we understand that the Central States Plan believes it will be in critical status under the accumulated funding deficiency test. As a result, we understand that the Central States Plan believes that it will adopt a rehabilitation plan within the time periods that the Pension Protection Act requires, which could be prior to the effective date of our new labor agreement with the Teamsters. Our current labor agreement expires on March 31, 2008 and our new labor agreement commences on April 1, 2008. We understand that the Central States Plan believes that the funding levels that the IRS set forth in its amortization extension could form the basis of the rehabilitation plan.

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Contingent Withdrawal Liabilities

We believe that our portion of the contingent liability in the case of a full withdrawal or termination from all of the multi-employer pension plans to which we contribute would be an estimated \$4 billion on a pre-tax basis. If the Company were subject to withdrawal liability with respect to a plan, ERISA provides that a withdrawing employer can pay the obligation over time determined by the employer's contribution rate prior to withdrawal, which, in some cases, could be up to 20 years. Even so, our applicable subsidiaries have no current intention of taking any action that would subject us to withdrawal obligations.

Property and Equipment and Definite Life Intangibles

Impairment Testing

We review property and equipment and definite life intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We evaluate recoverability of assets to be held and used by comparing the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

We believe that the accounting estimate related to asset impairment is a critical accounting estimate because: (1) it requires our management to make assumptions about future revenues over the life of the asset, and (2) the impact that recognizing an impairment would have on our financial position, as well as our results of operations, could be material. Management's assumptions about future revenues require significant judgment because actual revenues have fluctuated in the past and may continue to do so.

In estimating future revenues, we use our internal business forecasts. We develop our forecasts based on recent revenue data for existing services and other industry and economic factors.

Depreciable Lives of Assets

We review the appropriateness of depreciable lives for each category of property and equipment. These studies utilize models, which take into account actual usage, physical wear and tear, and replacement history to calculate remaining life of our asset base. We also make assumptions regarding future conditions in determining potential salvage values. These assumptions impact the amount of depreciation expense recognized in the period and any gain or loss once the asset is disposed.

In 2006, we revised the estimated useful lives and salvage values of certain classes of property and equipment to more appropriately reflect how the assets are expected to be used over time. Effective July 1, 2006, we increased revenue equipment lives to a range of ten to twenty years from three to fourteen years and modified certain salvage values. If we had not changed the estimated useful lives and salvage values of such property and equipment, additional depreciation expense of approximately \$54.3 million and \$26.3 million would have been recorded during the years ended December 31, 2007 and 2006, respectively. Accordingly, the changes in estimates resulted in an increase in income from continuing operations of approximately \$54.3 million and \$26.3 million (a \$34.3 million and \$16.0 million increase in net income) for the years ended December 31, 2007 and 2006, respectively. The change in estimate also increased diluted earnings per share by \$0.60 and \$0.27 for the years ended December 31, 2007 and 2006, respectively.

Goodwill and Indefinite Life Intangibles

Goodwill and indefinite life intangibles are assessed at least annually for impairment, or more frequently if indicators of impairment exist. Goodwill is tested by comparing the aggregate carrying amount of the reporting unit (identified as our reportable segments) to fair value. The fair value is determined primarily based on valuation studies which utilize a discounted cash flow methodology (an income approach). Indefinite life intangibles, primarily tradenames, are tested by comparing the carrying amount to fair value generally using the relief from royalty method (an income approach).

We believe that the accounting estimate related to goodwill and indefinite life intangibles is a critical accounting estimate because (1) it requires our management to make assumptions about fair values, and (2) the impact of recognizing an impairment could be material to our financial position, as well as our results of operations. Management's assumptions about fair values require considerable judgment because changes in broad economic factors and industry factors can result in variable and volatile fair values. Assumptions with respect to rates used to discount cash flows, a key input, are dependent upon interest rates and the cost of capital at a point in time.

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Recent Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 141 (revised 2007) (SFAS 141R), Business Combinations and SFAS No. 160 (SFAS 160), Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51 . SFAS 141R will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 141R and SFAS 160 are effective for us beginning in the first quarter of 2009. Early adoption is not permitted. We are currently evaluating the impact that SFAS 141R and SFAS 160 will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities . Under SFAS 159, companies may elect to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. SFAS 159 is effective for us beginning in the first quarter of 2008 and will not have a material impact on our consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157 (SFAS 157), Fair Value Measurements, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. However, on February 12, 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2 which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. Effective for 2008, we will adopt SFAS 157 except as it applies to those nonfinancial assets and nonfinancial liabilities as noted in FSP FAS 157-2. The partial adoption of SFAS 157 will not have a material impact on our consolidated financial position, results of operations or cash flows.

Outlook

In general, economists expect modest growth in capital spending during 2008. U.S. economic growth is projected to slow in the first half of the year, but accelerate in the second half. The median forecast anticipates gross domestic product (GDP) to grow but at a below-trend pace of 2.1 to 2.5 percent in 2008 as the economy works through the housing sector contraction and the effect of credit market turbulence. Growth in business capital spending, along with consumer spending, is expected to be slightly lower than 2007. Business spending is expected to continue to benefit from generally solid corporate balance sheets and cash balances accumulated during the recent period of strong corporate profits, but growth is expected to be well below the rates seen in recent years. The price of oil is expected to decline but remain elevated by historical standards. We expect competitive LTL pricing trends to continue during the upcoming year.

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Market Risk Position

We have exposure to a variety of market risks, including the effects of interest rates, foreign exchange rates and fuel prices.

Risk from Interest Rates

To provide adequate funding through seasonal business cycles and minimize overall borrowing costs, we utilize both fixed rate and variable rate financial instruments with varying maturities. At December 31, 2007, we had approximately 73% of our outstanding debt at fixed rates. If interest rates for our variable rate long-term debt had averaged 10% more during the year, our interest expense would have increased, and income before taxes would have decreased by \$2.4 million for the year ended December 31, 2007.

The table below provides information regarding our interest rate risk related to fixed-rate debt as of December 31, 2007. Principal cash flows are by contractual maturity for other than our contingent convertible senior notes. These notes are instead presented based on the earliest possible redemption date defined as the first date on which the note holders have the option to require us to purchase their notes (the "put date"). For the \$250 million notes the stated maturity is August 2023 with an initial put date of August 2010 and for the \$150 million notes the stated maturity is November 2023 with an initial put date of November 2012. The fair values of our Roadway senior notes, USF senior notes and contingent convertible senior notes have been calculated based on the quoted market prices at December 31, 2007. The market price for the contingent convertible senior notes reflects the combination of debt and equity components of the convertible instrument.

| (in millions) | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter | Total | Fair value |
|-----------------------|----------|----------|----------|------|----------|------------|----------|------------|
| Fixed-rate debt | \$ 227.5 | \$ 101.0 | \$ 406.0 | \$ | \$ 150.0 | \$ | \$ 884.5 | \$ 856.5 |
| Average interest rate | 8.22% | 6.5% | 6.31% | | 3.38% | | | |

Foreign Exchange Rates

Revenue, operating expenses, assets and liabilities of our Canadian, Mexican, Asian, South American and United Kingdom subsidiaries are denominated in local currencies, thereby creating exposure to fluctuations in exchange rates. The risks related to foreign currency exchange rates are not material to our consolidated financial position or results of operations. During 2007, we entered into a foreign currency hedge that matured December 31, 2007. The purpose of this instrument was to effectively hedge our exposure to foreign currency fluctuations on certain intercompany debt with GPS Logistics (EU) Limited, a wholly owned subsidiary. We have continued to hedge this exposure in 2008.

Fuel Price Volatility

National Transportation and Regional Transportation currently have effective fuel surcharge programs in place. As discussed previously, these programs are well established within the industry and customer acceptance of fuel surcharges remains high. Since the amount of fuel surcharge is based on average, national diesel fuel prices and is reset weekly, our exposure to fuel price volatility is significantly reduced.

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CONSOLIDATED BALANCE SHEETS

YRC Worldwide Inc. and Subsidiaries

| (in thousands except per share data) | December 31, 2007 | December 31, 2006 |
|---------------------------------------------------------------|----------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 58,233 | \$ 76,391 |
| Accounts receivable, less allowances of \$34,933 and \$35,742 | 1,073,915 | 1,190,818 |
| Fuel and operating supplies | 29,051 | 26,600 |
| Deferred income taxes, net | 41,019 | 34,261 |
| Prepaid expenses and other | 175,316 | 162,543 |
| Total current assets | 1,377,534 | 1,490,613 |
| Property and Equipment: | | |
| Land | 449,696 | 468,119 |
| Structures | 1,127,189 | 1,103,885 |
| Revenue equipment | 1,919,443 | 1,742,897 |
| Technology equipment and software | 327,629 | 283,193 |
| Other | 259,834 | 243,563 |
| | 4,083,791 | 3,841,657 |
| Less accumulated depreciation | (1,703,318) | (1,571,811) |
| Net property and equipment | 2,380,473 | 2,269,846 |
| Goodwill | 700,659 | 1,326,583 |
| Intangibles, net | 533,327 | 691,417 |
| Other assets | 70,630 | 73,300 |
| Total assets | \$ 5,062,623 | \$ 5,851,759 |
| Liabilities and Shareholders Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 387,740 | \$ 397,586 |
| Wages, vacations and employees benefits | 426,119 | 413,759 |
| Claims and insurance accruals | 167,875 | 189,657 |
| Other current and accrued liabilities | 201,850 | 134,467 |
| Asset backed securitization borrowings | 180,000 | 225,000 |
| Current maturities of long-term debt | 231,955 | |
| Total current liabilities | 1,595,539 | 1,360,469 |
| Other Liabilities: | | |
| Long-term debt, less current portion | 822,048 | 1,058,496 |
| Deferred income taxes, net | 521,615 | 508,715 |
| Pension and postretirement | 180,166 | 349,723 |
| Claims and other liabilities | 330,951 | 381,807 |
| Commitments and Contingencies | | |
| Shareholders Equity: | | |

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| | | | | |
|---------------------------------------------------|------------------------------------------------------------|--|---------------------|---------------------|
| Common stock, \$1 par value per share | authorized 120,000 shares, issued 61,514 and 60,876 shares | | 61,514 | 60,876 |
| Preferred stock, \$1 par value per share | authorized 5,000 shares, none issued | | | |
| Capital surplus | | | 1,211,956 | 1,180,578 |
| Retained earnings | | | 471,119 | 1,115,246 |
| Accumulated other comprehensive income (loss) | | | 12,329 | (54,534) |
| Treasury stock, at cost (4,802 and 3,679 shares) | | | (144,614) | (109,617) |
| Total shareholders' equity | | | 1,612,304 | 2,192,549 |
| Total liabilities and shareholders' equity | | | \$ 5,062,623 | \$ 5,851,759 |

The notes to consolidated financial statements are an integral part of these statements.

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STATEMENTS OF CONSOLIDATED OPERATIONS

YRC Worldwide Inc. and Subsidiaries

For the years ended December 31

| (in thousands except per share data) | 2007 | 2006 | 2005 |
|-------------------------------------------------------------|---------------------|-------------------|-------------------|
| Operating Revenue | \$ 9,621,316 | \$ 9,918,690 | \$ 8,741,557 |
| Operating Expenses: | | | |
| Salaries, wages and employees benefits | 5,741,078 | 5,735,720 | 5,111,113 |
| Operating expenses and supplies | 1,864,957 | 1,819,030 | 1,438,426 |
| Purchased transportation | 1,089,041 | 1,090,504 | 991,157 |
| Depreciation and amortization | 255,603 | 274,184 | 250,562 |
| Other operating expenses | 437,323 | 435,876 | 406,348 |
| Gains on property disposals, net | (5,820) | (8,360) | (5,388) |
| Reorganization and settlements | 22,385 | 26,302 | 13,029 |
| Impairment charges | 781,875 | | |
| Total operating expenses | 10,186,442 | 9,373,256 | 8,205,247 |
| Operating income (loss) | (565,126) | 545,434 | 536,310 |
| Nonoperating (Income) Expenses: | | | |
| Interest expense | 88,760 | 87,760 | 63,371 |
| Interest income | (4,372) | (3,127) | (3,506) |
| Other | 2,203 | 4,845 | 4,182 |
| Nonoperating expenses, net | 86,591 | 89,478 | 64,047 |
| Income (Loss) Before Income Taxes | (651,717) | 455,956 | 472,263 |
| Income Tax Provision (Benefit) | (13,336) | 179,324 | 184,133 |
| Net Income (Loss) | \$ (638,381) | \$ 276,632 | \$ 288,130 |
| Weighted Average Common Shares Outstanding - Basic | 57,154 | 57,361 | 54,358 |
| Weighted Average Common Shares Outstanding - Diluted | 57,154 | 58,339 | 56,905 |
| Basic Earnings (Loss) Per Share | \$ (11.17) | \$ 4.82 | \$ 5.30 |
| Diluted Earnings (Loss) Per Share | \$ (11.17) | \$ 4.74 | \$ 5.07 |

The notes to consolidated financial statements are an integral part of these statements.

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STATEMENTS OF CONSOLIDATED CASH FLOWS

YRC Worldwide Inc. and Subsidiaries

For the years ended December 31

| (in thousands except per share data) | 2007 | 2006 | 2005 |
|------------------------------------------------------------|------------------|------------------|--------------------|
| Operating Activities: | | | |
| Net income (loss) | \$ (638,381) | \$ 276,632 | \$ 288,130 |
| Noncash items included in net income (loss): | | | |
| Depreciation and amortization | 255,603 | 274,184 | 250,562 |
| Impairment charges | 781,875 | | |
| Deferred income tax provision, net | 8,533 | 161,223 | 52,600 |
| Loss on sale of subsidiary | | 2,843 | |
| Gains on property disposals, net | (7,547) | (8,360) | (5,388) |
| Other noncash items | 9,925 | 9,315 | 7,093 |
| Changes in assets and liabilities, net: | | | |
| Accounts receivable | 107,497 | (26,292) | (68,395) |
| Accounts payable | (9,320) | (9,618) | (13,185) |
| Other operating assets | (3,904) | (59,514) | (7,882) |
| Other operating liabilities | (111,683) | (88,109) | (5,858) |
| Net cash provided by operating activities | 392,598 | 532,304 | 497,677 |
| Investing Activities: | | | |
| Acquisition of property and equipment | (393,763) | (377,687) | (304,718) |
| Proceeds from disposal of property and equipment | 55,339 | 74,630 | 48,283 |
| Acquisition of companies | | (25,627) | (753,892) |
| Investment in affiliate | | | (46,043) |
| Other | (2,663) | (287) | 12,075 |
| Net cash used in investing activities | (341,087) | (328,971) | (1,044,295) |
| Financing Activities: | | | |
| Asset backed securitization borrowings, net | (45,000) | (149,970) | 374,970 |
| Issuance of long-term debt | 155,096 | | 190,561 |
| Debt issuance costs | (1,298) | | (4,245) |
| Repayment of long-term debt | (150,000) | (45,022) | |
| Treasury stock purchases | (34,997) | (19,997) | (49,999) |
| Proceeds from exercise of stock options | 6,530 | 5,686 | 11,203 |
| Net cash (used in) provided by financing activities | (69,669) | (209,303) | 522,490 |
| Net Decrease In Cash and Cash Equivalents | (18,158) | (5,970) | (24,128) |
| Cash and Cash Equivalents, Beginning of Year | 76,391 | 82,361 | 106,489 |
| Cash and Cash Equivalents, End of Year | \$ 58,233 | \$ 76,391 | \$ 82,361 |
| Supplemental Cash Flow Information: | | | |
| Income taxes paid (refund), net | \$ (48,132) | \$ 109,500 | \$ 100,354 |
| Interest paid | 84,076 | 90,072 | 62,145 |
| Issuance of common stock for USF acquisition | | | 448,125 |
| Employer 401(k) contributions settled in common stock | 9,548 | 7,383 | 8,332 |

The notes to consolidated financial statements are an integral part of these statements.

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STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

YRC Worldwide Inc. and Subsidiaries

For the years ended December 31

| (in thousands except per share data) | 2007 | 2006 | 2005 |
|------------------------------------------------------------------------------------|-----------|-----------|-----------|
| Common Stock | | | |
| Beginning balance | \$ 60,876 | \$ 60,450 | \$ 51,303 |
| Exercise of stock options | 221 | 185 | 368 |
| Issuance of equity awards, net | 119 | 64 | 23 |
| Issuance of common stock for acquisition | | | 9,020 |
| Employer contribution to 401(k) plan | 298 | 177 | 138 |
| Other | | | (402) |
| Ending balance | 61,514 | 60,876 | 60,450 |
| Capital Surplus | | | |
| Beginning balance | 1,180,578 | 1,154,654 | 684,025 |
| Exercise of stock options, including tax benefits | 6,309 | 5,501 | 10,836 |
| Share-based compensation | 14,748 | 12,265 | 10,890 |
| Issuance of common stock for acquisition | | | 439,105 |
| Employer contribution to 401(k) plan | 9,250 | 7,206 | 7,767 |
| Other, net | 1,071 | 952 | 2,031 |
| Ending balance | 1,211,956 | 1,180,578 | 1,154,654 |
| Retained Earnings | | | |
| Beginning balance | 1,115,246 | 838,614 | 550,484 |
| Cumulative effect - adoption of FIN 48, Accounting for Uncertainty in Income Taxes | (5,746) | - | - |
| Net income (loss) | (638,381) | 276,632 | 288,130 |
| Ending balance | 471,119 | 1,115,246 | 838,614 |
| Accumulated Other Comprehensive Income (Loss) | | | |
| Beginning balance | (54,534) | (27,610) | (33,159) |
| Adjustment to initially apply SFAS No. 158, net of tax | | (56,505) | - |
| Pension, net of tax: | | | |
| Net pension gains | 45,345 | | |
| Reclassification of net losses to net income | 5,452 | | |
| Minimum pension liability adjustment | | 28,000 | 3,371 |
| Foreign currency translation adjustments | 16,066 | 1,581 | 2,178 |
| Ending balance | 12,329 | (54,534) | (27,610) |
| Treasury Stock, At Cost | | | |
| Beginning balance | (109,617) | (89,620) | (38,462) |
| Treasury stock purchases | (34,997) | (19,997) | (49,999) |
| Employer contribution to 401(k) plan | | | 427 |
| Forfeited equity awards | | | (1,586) |

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| | | | |
|----------------------------------|---------------------|---------------------|---------------------|
| Ending balance | (144,614) | (109,617) | (89,620) |
| Total Shareholders Equity | \$ 1,612,304 | \$ 2,192,549 | \$ 1,936,488 |

The notes to consolidated financial statements are an integral part of these statements.

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STATEMENTS OF COMPREHENSIVE INCOME

YRC Worldwide Inc. and Subsidiaries

For the years ended December 31

| (in thousands except per share data) | 2007 | 2006 | 2005 |
|------------------------------------------|---------------------|-------------------|-------------------|
| Net income (loss) | \$ (638,381) | \$ 276,632 | \$ 288,130 |
| Other comprehensive income, net of tax: | | | |
| Minimum pension liability adjustment | | 28,000 | 3,371 |
| Net prior service cost | 980 | | |
| Net actuarial gains | 49,817 | | |
| Foreign currency translation adjustments | 16,066 | 1,581 | 2,178 |
| Other comprehensive income | 66,863 | 29,581 | 5,549 |
| Comprehensive income (loss) | \$ (571,518) | \$ 306,213 | \$ 293,679 |

The notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

YRC Worldwide Inc. and Subsidiaries

Description of Business

YRC Worldwide Inc. (also referred to as YRC Worldwide, the Company, we or our), one of the largest transportation service providers in the world, is a holding company that through wholly owned operating subsidiaries offers its customers a wide range of transportation services. The Company adopted the name YRC Worldwide in January 2006 to reflect the fact that its services have expanded to encompass logistics as well as global, national and regional transportation. Our operating subsidiaries include the following:

YRC National Transportation (National Transportation) is a holding company for our transportation service providers focused on business opportunities in regional, national and international services. National Transportation is comprised of Yellow Transportation and Roadway. These companies each provide for the movement of industrial, commercial and retail goods, primarily through regionalized and centralized management and customer facing organizations. National Transportation also includes Reimer Express Lines, a Roadway subsidiary located in Canada that specializes in shipments into, across and out of Canada. Approximately 37% of National Transportation shipments are completed in two days or less. In addition to the United States (U.S.) and Canada, National Transportation also serves parts of Mexico, Puerto Rico and Guam.

YRC Regional Transportation (Regional Transportation) is a holding company for our transportation service providers focused on business opportunities in the regional and next-day delivery markets. Regional Transportation is comprised of New Penn Motor Express (New Penn), USF Holland and USF Reddaway. These companies each provide regional, next-day ground services in their respective regions through a network of facilities located across the United States; Quebec, Canada; Mexico and Puerto Rico. USF Glen Moore, a provider of truckload services throughout the U.S., is also a subsidiary of Regional Transportation. Approximately 90% of Regional Transportation less-than-truckload shipments are completed in two days or less. In 2006, Regional Transportation also included USF Bestway. In February 2007, the majority of USF Bestway's operations were consolidated into USF Reddaway.

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YRC Logistics (formerly Meridian IQ) plans and coordinates the movement of goods worldwide to provide customers a single source for logistics management solutions. YRC Logistics delivers a wide range of global logistics management services, with the ability to provide customers improved return-on-investment results through flexible, fast and easy-to-implement logistics services and technology management solutions.

1. Principles of Consolidation and Summary of Accounting Policies

The accompanying consolidated financial statements include the accounts of YRC Worldwide and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. We report on a calendar year basis. The quarters of the Regional Transportation companies (with the exception of New Penn) consist of thirteen weeks that end on a Saturday either before or after the end of March, June and September, whereas all other operating segment quarters end on the

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natural calendar quarter end. Investments in non-majority owned affiliates where the entity is either not a variable interest entity or YRC Worldwide is not the primary beneficiary are accounted for on the equity method. Management makes estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. Actual results could differ from those estimates.

Accounting policies refer to specific accounting principles and the methods of applying those principles to fairly present our financial position and results of operations in accordance with generally accepted accounting principles. The policies discussed below include those that management has determined to be the most appropriate in preparing our financial statements and are not otherwise discussed in a separate note.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and highly liquid investments purchased with maturities of three months or less.

Concentration of Credit Risks and Other

We sell services and extend credit based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We monitor our exposure for credit losses and maintain allowances for anticipated losses.

At December 31, 2007, after giving consideration to the February 2008 contract ratification, approximately 70% of our labor force is subject to collective bargaining agreements, which predominantly expire in 2013.

Revenue Recognition

For shipments in transit, National Transportation and Regional Transportation record revenue based on the percentage of service completed as of the period end and accrue delivery costs as incurred. In addition, National Transportation and Regional Transportation recognize revenue on a gross basis because the entities are the primary obligors even when they use other transportation service providers who act on their behalf. National Transportation and Regional Transportation remain responsible to their customers for complete and proper shipment, including the risk of physical loss or damage of the goods and cargo claims issues. We assign pricing to bills of lading at the time of shipment based primarily on the weight, general classification of the product, the shipping destination and individual customer discounts. This process is referred to as rating. At various points throughout our process, incorrect ratings could be identified based on many factors, including weight verifications or updated customer discounts. Although the majority of rerating occurs in the same month as the original rating, a portion occurs during the following periods. We accrue a reserve for rerating based on historical trends.

YRC Logistics recognizes revenue upon the completion of services. In certain transactions where YRC Logistics acts as an agent, revenue is recorded on a net basis. Net revenue represents revenue charged to customers less third party transportation costs. Where YRC Logistics acts as principal, it records revenue from these transactions on a gross basis, without deducting transportation costs. Management believes these policies most accurately reflect revenue as earned.

Foreign Currency

Our functional currency is the U.S. dollar, whereas, our foreign operations utilize the local currency as their functional currency. Accordingly, for purposes of translating foreign subsidiary financial statements to the U.S. dollar reporting currency, assets and liabilities of our foreign operations are translated at the fiscal year end exchange rates and income and expenses are translated at the average exchange rates for the fiscal year. Foreign currency gains and losses resulting from foreign currency transactions resulted in a \$5.4 million loss during 2007 and is included in other nonoperating expense in the accompanying consolidated statement of operations. The amounts for 2006 and 2005 were not material.

Financial and Derivative Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximates their fair value due to the short-term nature of these instruments.

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SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires companies to recognize all derivative financial instruments as either assets or liabilities at their fair value. During 2007, we entered into a forward contract to hedge our exposure to foreign currency risk related to an intercompany note between a U.S. subsidiary and a United Kingdom subsidiary. This contract expired December 31, 2007 and did not have a material impact to our operations. We have continued to hedge this exposure in 2008.

Claims and Insurance Accruals

Claims and insurance accruals, both current and long-term, reflect the estimated cost of claims for workers' compensation, cargo loss and damage, and property damage and liability that insurance does not cover. We base reserves for workers' compensation and property damage and liability claims primarily upon actuarial analyses that independent actuaries prepare. These reserves are discounted to present value using a risk-free rate at the date of occurrence. The risk-free rate is the U.S. Treasury rate for maturities that match the expected payout of such claims. The process of determining reserve requirements utilizes historical trends and involves an evaluation of accident frequency and severity, claims management, changes in health care costs and certain future administrative costs. The effect of future inflation for costs is implicitly considered in the actuarial analyses. Adjustments to previously established reserves are included in operating results in the year of adjustment. As of December 31, 2007 and 2006, we had \$478.3 million and \$504.4 million, respectively, accrued for claims and insurance.

During the year ended December 31, 2006, we received \$4.0 million of business-interruption insurance recoveries related to the August 2005 hurricane Katrina. This amount has been classified as revenue in the accompanying consolidated statement of operations for our National Transportation segment.

Stock-Based Compensation

We have various stock-based employee compensation plans, which are described more fully in the *Stock Compensation Plans* note. We have a long-term incentive and equity award plan, which is shareholder approved, that authorized the issuance of up to a total of 3.43 million shares and provides for awards to be made in cash and performance share units at the discretion of the Board of Directors. Though not widely used, this plan also provides for the award of options. Prior to January 1, 2006, we accounted for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, as amended (APB 25), and related Interpretations, as permitted by SFAS No. 123, *Accounting for Stock-Based Compensation*. No stock-based employee compensation cost relative to options was recognized in the Statement of Operations for the year ended December 31, 2005, as all options granted under our plan had an exercise price equal to the market value of the underlying common stock on the date of grant. During the year ended December 31, 2005, we recognized expense for performance share units (nonvested shares) on a straight-line basis over the respective vesting period and performance period, if applicable, based on the grant date fair value. Effective, January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payment*, using the modified-prospective-transition method. Under that transition method, in addition to the compensation costs related to nonvested shares, compensation cost recognized during the years ended December 31, 2007 and 2006 also includes: (a) compensation cost for all share-based payments (*i.e.* options) granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, if any, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for prior periods have not been restated.

As a result of adopting SFAS No. 123(R) on January 1, 2006, our income before income taxes is \$1.3 million lower for the year ended December 31, 2006, and net income is \$0.8 million lower for the year ended December 31, 2006, than if we had continued to account for share-based compensation under APB 25. The impact of the adoption of SFAS No. 123(R) on basic and diluted earnings per share for the year ended December 31, 2006 is \$0.01 per share. The adoption of SFAS No. 123(R) was not material to our 2007 operating results.

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We estimated the pro forma calculations in the table below using the Black-Scholes option pricing model with the following weighted average assumptions:

| | 2005 |
|------------------------------|-------------|
| Dividend yield | % |
| Expected volatility | 34.0% |
| Risk-free interest rate | 4.4% |
| Expected option life (years) | 2.7 |
| Fair value per option | \$ 11.62 |

Pro forma information is not presented for 2007 or 2006 as we adopted SFAS No. 123(R) effective January 1, 2006, and would have recorded expense for any option awards. No such options were awarded during 2007 or 2006.

Pro Forma Information

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123 to options granted under our long-term incentive and equity award plan. For purposes of this pro forma disclosure, the value of the options is estimated using a Black-Scholes-Merton option-pricing formula and amortized to expense over the options' vesting periods.

| (in millions except per share data) | 2005 |
|-------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Net income as reported | \$ 288.1 |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax effects | |
| Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (1.0) |
| Pro forma net income | \$ 287.1 |
| Basic earnings per share | |
| Net income as reported | \$ 5.30 |
| Net income pro forma | 5.28 |
| Diluted earnings per share: | |
| Net income as reported | \$ 5.07 |
| Net income pro forma | 5.05 |

Property and Equipment

We carry property and equipment at cost less accumulated depreciation. We compute depreciation using the straight-line method based on the following service lives:

| | Years |
|-----------------------------------|--------------|
| Structures | 10 30 |
| Revenue equipment | 10 20 |
| Technology equipment and software | 3 7 |
| Other | 3 10 |

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We charge maintenance and repairs to expense as incurred, and capitalize replacements and improvements when these costs extend the useful life of the asset. We utilize certain terminals and equipment under operating leases. Leasehold improvements are capitalized and amortized over the original lease term.

Our investment in technology equipment and software consists primarily of customer service and freight management equipment and related software. We capitalize certain costs associated with developing or obtaining internal-use software. Capitalizable costs include external direct costs of materials and services utilized in developing or obtaining the software, payroll and payroll-related costs for employees directly associated with the project. For the years ended December 31, 2007, 2006 and 2005, we capitalized \$26.8 million, \$14.7 million, and \$8.2 million, respectively, which were primarily payroll and payroll-related costs.

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In 2006, we revised the estimated useful lives and salvage values of certain classes of property and equipment to more appropriately reflect how the assets are expected to be used over time. Effective July 1, 2006, we increased revenue equipment lives to a range of ten to twenty years from three to fourteen years and modified certain salvage values. If we had not changed the estimated useful lives and salvage values of such property and equipment, additional depreciation expense of approximately \$54.3 million and \$26.3 million would have been recorded during the years ended December 31, 2007 and 2006, respectively. Accordingly, the changes in estimates resulted in an increase in income from continuing operations of approximately \$54.3 million and \$26.3 million (a \$34.3 million and \$16.0 million increase in net income) for the years ended December 31, 2007 and 2006, respectively. The change in estimate also increased diluted earnings per share by \$0.60 and \$0.27 for the years ended December 31, 2007 and 2006, respectively.

For the years ended December 31, 2007, 2006, and 2005, depreciation expense was \$237.3 million, \$251.7 million, and \$232.1 million, respectively.

Impairment of Long-Lived Assets

If facts and circumstances indicate that the carrying amount of identifiable amortizable intangibles and property, plant and equipment may be impaired, we would perform an evaluation of recoverability in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. If an evaluation were required, we would compare the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a reduction to the carrying amount is required. The carrying amount of an impaired asset would be reduced to fair value.

Asset Retirement Obligations

We record estimated liabilities for the cost to remove underground storage tanks and to return leased property to its original condition at the end of a lease term. Revisions to these liabilities for such costs may occur due to changes in the estimates for fuel tank removal costs and real property lease restoration costs, or changes in regulations or agreements affecting these obligations. Our accrual also includes amounts for restoration of U.S. federal Superfund sites. When we have been identified as a potentially responsible party in a Superfund site, we accrue our share of the estimated remediation costs of the site based on the ratio of the estimated volume of waste contributed to the site by us to the total volume of waste at the site. At December 31, 2007 and 2006, our estimated asset retirement obligations totaled \$7.6 million and \$7.2 million, respectively. These amounts are included in Other current and accrued liabilities in the accompanying consolidated balance sheet.

Assets Held for Sale

When we plan to dispose of property by sale, the asset is carried in the financial statements at the lower of the carrying amount or estimated fair value, less cost to sell, and is reclassified to assets held for sale. Additionally, after such reclassification, there is no further depreciation taken on the asset. In order for an asset to be classified as held for sale, management must approve and commit to a formal plan, the sale should be anticipated during the ensuing year and the asset must be actively marketed, be available for immediate sale, and meet certain other specified criteria. At December 31, 2007 and 2006, the net book value of assets held for sale was approximately \$28 million and \$43 million, respectively. This amount is included in Property and equipment in the accompanying consolidated balance sheet.

Reorganization and Settlements

Reorganization and settlements in 2007 included severance and acceleration of stock-based compensation related to certain terminated executives of \$10.7 million, other USF Bestway closure related charges of \$4.0 million and costs associated with the YRC Logistics name change of \$1.4 million. Reorganization and settlements in 2006 included \$13.3 million due to the unsuccessful abatement of a multi-employer pension plan withdrawal liability related to USF Red Star, \$1.8 million related to a reduction in workforce and \$2.8 million related to the loss on the sale of Meridian IQ China Co., Ltd. Reorganization and settlements in 2005 included \$4.0 million in executive severance, \$6.4 million in operational shutdown costs, and \$2.6 million in restructuring costs related primarily to the acquisition of USF Corporation (USF).

Table of Contents**Reclassifications**

Certain amounts within the prior year have been reclassified to conform with the current year presentation. We reclassified certain deferred tax amounts related to our captive insurance company to reflect the amounts on a net basis versus a gross basis. This change in presentation results in a decrease to deferred income taxes in both current assets and other liabilities of \$100.5 million at December 31, 2006.

2. Acquisitions

In accordance with SFAS No. 141, Business Combinations, we allocate the purchase price of our acquisitions to the tangible and intangible assets and liabilities of the acquired entity based on their fair values. We record the excess purchase price over the fair values as goodwill. The fair value assigned to intangible assets acquired is based on valuations that independent third party appraisal firms prepared using estimates and assumptions provided by management.

The results of the entities acquired as discussed below have been included in our financial statements since the respective date of acquisition.

USF Corporation

On May 24, 2005, YRC Worldwide completed the acquisition of USF, headquartered in Chicago, IL, through the merger (the Merger) of a wholly owned subsidiary of YRC Worldwide with and into USF, resulting in USF becoming a wholly owned subsidiary of YRC Worldwide. USF, a leader in the transportation industry, specialized in delivering comprehensive supply chain management solutions, including high-value next-day, regional and national LTL transportation, third-party logistics, and premium regional and national truckload transportation. The company serves the North American market, including the United States, Canada and Mexico, as well as the U.S. territories of Puerto Rico and Guam under the following brands: USF Holland, USF Reddaway, USF Glen Moore and USF Logistics (now part of YRC Logistics). The acquisition further advanced YRC Worldwide as one of the leading transportation services companies in the world. The combined entity offers customers a broad range of transportation services including next day, inter-regional, national and international capabilities.

Pursuant to the Merger, each share of common stock of USF was converted into the right to receive \$29.25 in cash and 0.31584 shares of YRC Worldwide common stock, resulting in consideration of approximately \$835.4 million in cash and 9 million shares for a total purchase price of \$1.3 billion. The purchase price also included approximately \$14.6 million for investment banking, legal and accounting fees that YRC Worldwide incurred to consummate the acquisition, resulting in total cash consideration of \$743.1 million, net of cash acquired. The cash portion of the merger consideration was financed with a combination of proceeds from the issuance of floating rate notes, borrowings under our ABS facility, and cash on hand.

The final allocation of the total consideration for the USF acquisition is as follows (in millions):

| | |
|---------------------------------------------------------|-------------------|
| Current assets, net of cash acquired of \$106.9 million | \$ 349.5 |
| Property and equipment | 751.1 |
| Goodwill | 695.5 |
| Intangible assets | 253.0 |
| Other assets | 19.1 |
| Current liabilities | (410.0) |
| Long-term debt (\$250 million principal) | (272.2) |
| Other liabilities | (194.8) |
| Net assets acquired | \$ 1,191.2 |

Of the \$253.0 million of acquired intangible assets, \$156.4 million was assigned to trade names that are not subject to amortization. The remaining \$96.6 million of acquired intangible assets has a weighted-average useful life of approximately thirteen years. The intangible assets that make up that amount include customer relationships of \$88.4 million (fourteen-year weighted average useful life) and computer software of \$8.2 million (five-year weighted average useful life). The \$695.5 million of goodwill was assigned to the Regional Transportation and YRC Logistics segments in the amounts of \$585.5 million and \$110.0 million, respectively. None of the goodwill is expected to be deductible for tax purposes. (See Note 3. Goodwill and Intangibles for a discussion of the 2007 impairment charges.)

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In connection with the acquisition and our overall business strategy, on June 20, 2005 we announced the planned shut down of USF Dugan, a subsidiary of USF, effective July 11, 2005. Additionally, we have significantly reduced the personnel requirements in

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Chicago, IL, USF's former headquarters and centralized several support services functions. As a result of these planned events, we incurred \$45.6 million in 2005 and an additional \$8.4 million in 2006 of restructuring costs as a result of severance (administrative, sales and operations personnel primarily from USF Dugan and the former USF corporate office) and contract terminations. We have recognized these costs as a liability assumed as of the acquisition date, resulting in additional goodwill. These restructuring costs consisted of \$30.9 million of employee termination (including wages, health benefits and outplacement services) for approximately 1,720 employees and \$23.1 million for contract terminations and other closure activities. All of these restructuring items were contemplated at the acquisition date and were effectuated within one year of the acquisition in accordance with purchase accounting requirements.

The following unaudited pro forma data summarizes the results of operations for the periods indicated as if the USF acquisition had occurred as of the beginning of the period presented for the year ended December 31.

| (in millions except per share data) | 2005 |
|-------------------------------------|------------|
| Revenue | \$ 9,699.8 |
| Net income | 269.0 |
| Diluted earnings per share | \$ 4.45 |

The pro forma data gives effect to actual operating results prior to the acquisition and adjustments to interest expense and amortization expense, net of tax. Included in the pro forma results is approximately \$18.3 million (\$11.0 million net of tax) of acquisition charges that USF incurred that are considered unusual. The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated results of operations of YRC Worldwide that would have been reported had the acquisition been completed as of the date presented, and should not be taken as representative of the future consolidated results of operations of YRC Worldwide.

GPS Logistics, LLC

In March 2005, YRC Logistics exercised and closed its option to purchase GPS Logistics Group Ltd., the Asian freight forwarding operations of GPS Logistics and in turn, made a payment of \$5.7 million (\$3.2 million net of cash acquired). Under the terms of the original purchase agreement, this payment was subject to subsequent upward and downward adjustments based on the financial performance of the Asia business through March 2007. Additional earn-out payments could have been required based on the financial performance of the Asia business during the period March 2007 to March 2009.

In January 2006, we paid an additional \$11.1 million and issued a promissory note in the amount of \$10.8 million representing a buyout of all aforementioned earn-out arrangements and potential purchase price adjustments. These amounts were allocated to goodwill in the consolidated balance sheet. The pro forma effect of this acquisition is not material to our results of operations. The \$10.8 million promissory note was paid in full in December 2006.

JHJ International Transportation Co., Ltd.

On September 1, 2005, we completed the purchase of a 50% equity interest in JHJ International Transportation Co., Ltd., (JHJ), a Shanghai, China-based freight forwarder, with a purchase price of \$46 million including transaction costs which is presented in other assets in the consolidated balance sheet. The Company accounts for its ownership in JHJ using the equity method of accounting. As of December 31, 2007, the excess of the Company's investment over the Company's interest in JHJ's equity is approximately \$24 million. As part of our 2006 impairment review process, we determined the fair value of our investment in JHJ exceeded its carrying value and as such, we recorded an impairment charge of \$2.4 million in December 2006. This amount is included in other nonoperating expense in the accompanying consolidated statement of operations. No impairment was recognized in 2007.

Other

In June 2006, YRC Logistics acquired a company in Chile and formed a company in Colombia, in each case to support contractual customer activities. The collective purchase price and formation costs are not significant, and the pro forma effects of this activity are not material to our results of operations.

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In September 2006, YRC Logistics sold Meridian IQ China Co., Ltd., a 100% owned subsidiary that conducted a freight forwarding business in mainland China, to JHJ International Transportation Co., Ltd., an entity in which the Company owns a 50% equity interest. The proceeds, in the form of a promissory note, were approximately \$4.0 million and resulted in a loss on disposition of approximately \$2.8 million. Payment on the promissory note was received in full in December 2006.

3. Goodwill and Intangibles

Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. In accordance with SFAS No. 142, we test goodwill for impairment on an annual basis in the fourth quarter or more frequently if we believe indicators of impairment exist. The performance of the test involves a two-step process. First, a comparison of the fair value of the applicable reporting unit with their aggregate carrying values, including goodwill, is performed. We generally determine the fair value of our reporting units using the income approach valuation methodology that includes a discounted cash flow method as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss. The second step includes comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

We performed our annual impairment test of goodwill during the fourth quarter based on market conditions as of the beginning of our fourth quarter in 2007 and determined that our Regional Transportation segment goodwill was impaired requiring a charge of \$638.6 million. No tax benefit was recognized on the goodwill impairment charge. The impairment was primarily due to decreased operating income, both actual and forecasted, the estimated timing of economic recovery of this sector triangulated with a specific, point-in-time fair value using current market conditions. Impairment tests performed during the fourth quarter of 2006 and 2005 indicated that no goodwill impairment was necessary based on the conditions at those times.

The following table shows the changes in the carrying amount of goodwill attributable to each applicable segment:

| (in millions) | National Transportation | Regional Transportation | YRC Logistics | Total |
|---------------------------------------------|----------------------------|----------------------------|------------------|------------|
| Balances at December 31, 2005 | \$ 539.9 | \$ 526.0 | \$ 164.9 | \$ 1,230.8 |
| Final purchase price allocation | | 118.1 | (21.4) | 96.7 |
| Goodwill resulting from acquisitions | | | 25.3 | 25.3 |
| Disposition of Meridian IQ China | | | (6.4) | (6.4) |
| Tax related purchase accounting adjustments | (9.1) | (8.4) | (3.5) | (21.0) |
| Change in foreign currency exchange rates | 0.1 | | 1.1 | 1.2 |
| Balances at December 31, 2006 | \$ 530.9 | \$ 635.7 | \$ 160.0 | \$ 1,326.6 |
| Tax related purchase accounting adjustments | 9.1 | 2.9 | (2.2) | 9.8 |
| Impairment charge | | (638.6) | | (638.6) |
| Change in foreign currency exchange rates | 2.7 | | 0.2 | 2.9 |
| Balances at December 31, 2007 | \$ 542.7 | \$ | \$ 158.0 | \$ 700.7 |

During 2007 and 2006, adjustments were made to deferred taxes at Roadway (included in National Transportation), Regional Transportation and USF Logistics (a part of YRC Logistics) relating to pre-acquisition balances. In addition, in conjunction with our adoption of FIN 48,

Accounting for Uncertainty in Income Taxes, we adjusted certain pre-acquisition deferred tax amounts. In accordance with purchase accounting rules, all of these adjustments were offset to goodwill.

During the six months ended June 30, 2006, we finalized the purchase price allocation for the USF acquisition. As a part of this process, additional amounts were recognized as goodwill including approximately \$55.1 million related to deferred taxes, \$8.4 million of restructuring charges and \$4.3 million related to the USF Red Star multi-employer pension plan withdrawal liabilities (See Commitments, Contingencies and Uncertainties footnote). Additionally, the allocation of goodwill between USF Logistics and the remaining USF companies was finalized resulting in a \$28.2 million reclassification from USF Logistics (a part of the YRC Logistics segment) to the remaining USF companies (a part of the Regional Transportation segment). The final purchase price allocation also resulted in additional deferred taxes of \$4.0 million for USF Logistics. Goodwill resulting from acquisitions during the year ended December 31, 2006 included \$21.9 million related to GPS Asia and \$2.5 million GPS Logistics (EU) Limited contractual payments. Both of these transactions are included in the YRC Logistics segment.

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The components of amortizable intangible assets are as follows at December 31:

| (in millions) | Weighted Average Life (years) | 2007 | | 2006 | |
|-------------------|----------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Customer related | 15.3 | \$ 215.7 | \$ 51.0 | \$ 214.0 | \$ 34.9 |
| Marketing related | 5.6 | 4.4 | 2.9 | 4.4 | 1.6 |
| Technology based | 5.0 | 25.7 | 21.7 | 25.6 | 19.4 |
| Intangible assets | | \$ 245.8 | \$ 75.6 | \$ 244.0 | \$ 55.9 |

Total marketing related intangible assets with indefinite lives, primarily tradenames, were \$363.1 million and \$503.3 million as of December 31, 2007 and 2006, respectively. These intangible assets are not subject to amortization, but are subjected to an impairment test at least annually and as triggering events may occur. The impairment test for tradenames consists of a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying amount exceeds the fair value of the asset. In making this assessment, we utilized the relief from royalty method, an income approach, that includes assumptions as to future revenue, applicable royalty rate and cost of capital, among others. As a part of this 2007 process, we determined that an impairment charge of \$66.7 million (\$42.8 million, net of tax) was necessary related to the USF tradename (included in the Regional Transportation segment) and \$76.6 million (\$48.3 million, net of tax) related to the Roadway tradename (included in the National Transportation segment.) We did not recognize an impairment charge related to tradenames during 2006 or 2005.

Amortization expense, recognized on a straight line basis, for intangible assets was \$18.3 million, \$22.5 million and \$18.5 million for the years ending December 31, 2007, 2006 and 2005, respectively. Estimated amortization expense for the next five years is as follows:

| (in millions) | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------------|---------|---------|---------|---------|---------|
| Estimated amortization expense | \$ 17.5 | \$ 17.3 | \$ 14.7 | \$ 13.7 | \$ 13.7 |

4. Restructuring

During the year ended December 31, 2007, we announced several changes in our operations and incurred related restructuring charges. These organizational changes initially included bringing the management of Yellow Transportation and Roadway under one organization established as YRC National Transportation. We incurred employee separation charges related to these changes.

In 2007, we also announced the consolidation of USF Reddaway and USF Bestway, two subsidiaries within our Regional Transportation segment. As part of the consolidation, effective February 12, 2007, we no longer market the USF Bestway brand. We incurred certain restructuring and other closure related charges in conjunction with this organizational change consisting primarily of employee separation and contract termination costs.

A final 2007 change resulted from YRC Logistics announcing the closure of its Montgomery, Alabama flow through and warehousing facility.

As a part of our 2005 acquisition of USF, we closed an operating subsidiary (USF Dugan) and consolidated certain administrative functions and locations. We incurred restructuring and other closure related charges related to these actions as more fully described in Note 2. Acquisitions. During 2007, we have continued to make payments under these obligations.

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We reassess the accrual requirements under the above restructuring efforts at the end of each reporting period. Restructuring charges are included in the Reorganization and settlements line in the consolidated Statements of Operations. A rollforward of the restructuring accrual is set forth below:

| (in millions) | Employee Separation | Contract Termination and Other Costs | Total |
|------------------------------|------------------------|-----------------------------------------|--------|
| Balance at December 31, 2005 | \$ 2.4 | \$ 5.3 | \$ 7.7 |
| Restructuring charges | 1.6 | 6.8 | 8.4 |
| Payments | (3.0) | (5.6) | (8.6) |
| Balance at December 31, 2006 | 1.0 | 6.5 | 7.5 |
| Restructuring charges | 8.9 | 2.4 | 11.3 |
| Adjustments ^(a) | (0.5) | (2.9) | (3.4) |
| Payments | (5.8) | (3.6) | (9.4) |
| Balance at December 31, 2007 | \$ 3.6 | \$ 2.4 | \$ 6.0 |

^(a) Included in adjustments are amounts credited to goodwill in accordance with purchase accounting requirements and reduction to severance accruals.

5. Employee Benefits**Pension and Other Postretirement Benefit Plans***Qualified and Nonqualified Defined Benefit Pension Plans*

With the exception of YRC Logistics, Regional Transportation, Reimer and certain of our other foreign subsidiaries, YRC Worldwide and its operating subsidiaries sponsor qualified and nonqualified defined benefit pension plans for most employees not covered by collective bargaining agreements (approximately 8,000 employees). Qualified and nonqualified pension benefits are based on years of service and the employees covered earnings. Employees covered by collective bargaining agreements participate in various multi-employer pension plans to which YRC Worldwide contributes, as discussed later in this section. YRC Logistics and Regional Transportation do not offer defined benefit pension plans and instead offer retirement benefits through either contributory 401(k) savings plans or profit sharing plans, as discussed later in this footnote. Effective January 1, 2004, all new U.S. salaried nonunion employees (except those currently participating in other profit sharing plans) and all YRC Logistics employees participate in a new defined contribution retirement plan. The existing YRC Worldwide defined benefit pension plans closed to new participants effective January 1, 2004.

Our actuarial valuation measurement date for our pension plans and postretirement benefit plan is December 31.

Other Postretirement Benefit Plan

Roadway sponsors a postretirement healthcare benefit plan that covers nonunion employees of Roadway hired before February 1, 1997. Health care benefits under this plan end when the participant attains age 65.

Definitions

We have defined the following terms to provide a better understanding of our pension and other postretirement benefits:

Projected benefit obligation: The projected benefit obligation is the present value of future benefits to employees attributed to service as of the measurement date, including assumed future salary increases through retirement.

Plan assets: Represents the assets currently invested in the plans. Assets used in calculating the funded status are measured at the current market value at December 31.

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Funded status: The funded status represents the difference between the projected benefit obligation and plan assets.

Accumulated postretirement benefit obligation: The accumulated postretirement benefit obligation is the present value of other postretirement benefits to employees attributed to service as of the measurement date.

Adoption of SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans An Amendment of FASB Statements No. 87, 88, 106 and 132(R)

On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS No. 158. SFAS No. 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the December 31, 2006 balance sheet, with a corresponding adjustment to accumulated other

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comprehensive income, net of tax. The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses and unrecognized prior service costs remaining from the initial adoption of SFAS No. 87, both of which were previously netted against the plan's funded status in the Company's balance sheet pursuant to the provisions of SFAS No. 87. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension costs in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income at adoption of SFAS No. 158.

The incremental effects of adopting the provisions of SFAS No. 158 on the Company's consolidated balance sheet at December 31, 2006 are presented in the following table. The adoption of SFAS No. 158 had no effect on the Company's consolidated statement of operations for the year ended December 31, 2006, or for any prior period presented, and it will not effect the Company's operating results in future periods. Had the Company not been required to adopt SFAS No. 158 at December 31, 2006, it would have recognized an additional minimum liability pursuant to the provisions of SFAS No. 87. The effect of recognizing the additional minimum liability is included in the table below in the column labeled Prior to Application of SFAS No. 158.

| (in millions) | At December 31, 2006 | | As Reported at December 31, 2006 |
|--------------------------------------------------|-----------------------------------------------|------------------------------------------|----------------------------------------|
| | Prior to Application of SFAS No. 158 | Effect of Adopting SFAS No. 158 | |
| Intangible asset | \$ 9.2 | \$ (9.2) | \$ |
| Pension and postretirement liabilities | (256.9) | (80.3) | (337.2) |
| Deferred income tax asset | 3.7 | 33.0 | 36.7 |
| Accumulated other comprehensive loss, net of tax | \$ (5.7) | \$ (56.5) | \$ (62.2) |

Funded Status

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the years ended December 31, 2007 and 2006 and the accumulated benefit obligation at December 31, 2007 and 2006 is as follows:

| (in millions) | Pension Benefits | | Other Postretirement Benefits | |
|---------------------------------------------|------------------|------------|-------------------------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| Change in benefit obligation: | | | | |
| Benefit obligation at prior year end | \$ 1,104.8 | \$ 1,110.8 | \$ 34.4 | \$ 34.7 |
| Service cost | 39.3 | 44.2 | 0.4 | 0.5 |
| Interest cost | 65.5 | 63.4 | 1.9 | 1.9 |
| Participant contributions | | | 1.6 | 1.4 |
| Benefits paid | (77.3) | (82.3) | (4.6) | (4.3) |
| Actuarial (gain) loss | (69.7) | (28.7) | (1.4) | 0.2 |
| Special termination benefit cost | 1.5 | | | |
| Other | 1.8 | (2.6) | | |
| Benefit obligation at year end | \$ 1,065.9 | \$ 1,104.8 | \$ 32.3 | \$ 34.4 |
| Change in plan assets: | | | | |
| Fair value of plan assets at prior year end | \$ 802.0 | \$ 714.6 | \$ | \$ |
| Actual return on plan assets | 67.8 | 97.6 | | |
| Employer contributions | 134.3 | 72.1 | 3.0 | 2.9 |
| Participant contributions | | | 1.6 | 1.4 |
| Benefits paid | (77.3) | (82.3) | (4.6) | (4.3) |
| Other | 2.1 | | | |

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| | | | | |
|---------------------------------------|------------|------------|-----------|-----------|
| Fair value of plan assets at year end | \$ 928.9 | \$ 802.0 | \$ | \$ |
| Funded status at year end | \$ (137.0) | \$ (302.8) | \$ (32.3) | \$ (34.4) |

The underfunded status of the plans of \$169.3 and \$337.2 million at December 31, 2007 and 2006, respectively, is recognized in the accompanying consolidated balance sheet as shown in the table below. No plan assets are expected to be returned to the Company during the fiscal year-ended December 31, 2008.

Table of Contents*Benefit Plan Obligations*

Amounts recognized in the consolidated balance sheets at December 31 are as follows:

| (in millions) | Pension Benefits | | Other Postretirement Benefits | |
|------------------------|------------------|----------|-------------------------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| Noncurrent assets | \$ 5.8 | \$ 5.0 | \$ | \$ |
| Current liabilities | 3.5 | 1.0 | | |
| Noncurrent liabilities | \$ 139.3 | \$ 306.8 | \$ 32.3 | \$ 34.4 |

Amounts recognized in accumulated other comprehensive income at December 31 consist of:

| (in millions) | Pension Benefits | | Other Postretirement Benefits | |
|---------------------------|------------------|----------|-------------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| Net actuarial loss (gain) | \$ 19.5 | \$ 97.0 | \$ (5.7) | \$ (4.5) |
| Prior service cost | 4.6 | 5.9 | 0.3 | 0.5 |
| | \$ 24.1 | \$ 102.9 | \$ (5.4) | \$ (4.0) |

As shown above, included in accumulated other comprehensive income at December 31, 2007 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service costs of \$4.9 million (\$3.1 million, net of tax) and unrecognized actuarial losses of \$13.8 million (\$8.7 million, net of tax). The prior service cost and actuarial loss included in accumulated other comprehensive income and expected to be recognized in net periodic pension cost during the fiscal year-ended December 31, 2008 is \$1.5 million (\$0.9 million, net of tax) and \$1.7 million (\$1.0 million, net of tax), respectively.

The total accumulated benefit obligation for all plans was \$977.8 million and \$979.0 million at December 31, 2007 and 2006, respectively.

Information for pension plans with an accumulated benefit obligation (ABO) in excess of plan assets at December 31:

| (in millions) | 2007 | | | 2006 | | |
|--------------------------------|--------------------|-------------------|------------|--------------------|-------------------|------------|
| | ABO Exceeds Assets | Assets Exceed ABO | Total | ABO Exceeds Assets | Assets Exceed ABO | Total |
| Projected benefit obligation | \$ 505.9 | \$ 560.0 | \$ 1,065.9 | \$ 1,098.5 | \$ 6.3 | \$ 1,104.8 |
| Accumulated benefit obligation | 427.8 | 517.7 | 945.5 | 939.3 | 5.3 | 944.6 |
| Fair value of plan assets | 395.5 | 533.4 | 928.9 | 790.7 | 11.3 | 802.0 |

Assumptions

Weighted average actuarial assumptions used to determine benefit obligations at December 31:

| | Pension Benefits | | Other Postretirement Benefits | |
|-----------------------------------------|------------------|-------|-------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| Discount rate | 6.61% | 6.12% | 6.61% | 6.12% |
| Rate of increase in compensation levels | 4.2% | 3.77% | | |

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

| | Pension Benefits | | | Other Postretirement Benefits | | |
|-----------------------------------------|------------------|-------|-------|-------------------------------|-------|-------|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| Discount rate | 6.12% | 5.75% | 5.75% | 6.12% | 5.75% | 5.75% |
| Rate of increase in compensation levels | 3.74% | 3.77% | 3.77% | | | |
| Expected rate of return on assets | 8.75% | 8.75% | 8.75% | | | |

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The discount rate refers to the interest rate used to discount the estimated future benefit payments to their present value, also referred to as the benefit obligation. The discount rate allows us to estimate what it would cost to settle the pension obligations as of the measurement date, December 31, and is used as the interest rate factor in the following year's pension cost. We determine the discount rate by choosing a portfolio of high quality (those rated AA- or higher by Standard & Poors) non-callable bonds such that the coupons and maturities approximate our expected benefit payments. When developing the bond portfolio, there are some years when benefit payments are expected with no corresponding bond maturing. In these instances, we estimated the appropriate bond by interpolating yield characteristics between the bond maturing in the immediately preceding year and the bond maturing in the next available year. This analysis is performed on a biannual basis.

In determining the expected rate of return on assets, we consider our historical experience in the plans' investment portfolio, historical market data and long-term historical relationships as well as a review of other objective indices including current market factors such as inflation and interest rates. Although plan investments are subject to short-term market volatility, we believe they are well diversified and closely managed. Our asset allocation as of December 31, 2007 consisted of 64% in equities, 31% in debt securities and 5% in real estate. Our asset allocation as of December 31, 2006 consisted of 65% of equities, 29% of debt securities, 5% of real estate and 1% in other investments. These allocations are consistent with the targeted long-term asset allocation for the plans. Based on various market factors, we have selected an expected rate of return on assets of 8.5% for 2008. We will continue to review our expected long-term rate of return on an annual basis and revise appropriately. The pension trust holds no YRC Worldwide securities.

Future Contributions and Benefit Payments

We expect to contribute approximately \$58.6 million to our pension plans in 2008.

Expected benefit payments for each of the next five years ended December 31 are as follows:

| (in millions) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013-2017 |
|---------------------------|---------|---------|---------|---------|---------|-----------|
| Expected benefit payments | \$ 49.3 | \$ 52.3 | \$ 55.6 | \$ 60.5 | \$ 66.3 | \$ 416.0 |

Pension and Other Postretirement Costs

The components of our net periodic pension cost, other postretirement costs and other amounts recognized in other comprehensive income for the years ended December 31, 2007, 2006 and 2005, were as follows:

| (in millions) | Pension Costs | | | Other Postretirement Costs | | |
|------------------------------------------------------------------------------------------------|---------------|-----------|---------|----------------------------|----------|--------|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| Net periodic benefit cost: | | | | | | |
| Service cost | \$ 39.3 | \$ 44.2 | \$ 42.8 | \$ 0.4 | \$ 0.5 | \$ 0.6 |
| Interest cost | 65.5 | 63.4 | 60.4 | 1.9 | 1.9 | 1.9 |
| Expected return on plan assets | (69.7) | (59.0) | (55.8) | | | |
| Amortization of prior service cost | 1.4 | 1.5 | 1.5 | 0.2 | 0.2 | 0.2 |
| Amortization of net loss | 7.9 | 11.4 | 10.7 | (0.2) | (0.1) | (0.2) |
| Settlement cost | 4.3 | | | | | |
| Net periodic pension cost | \$ 48.7 | \$ 61.5 | \$ 59.6 | \$ 2.3 | \$ 2.5 | \$ 2.5 |
| Other changes in plan assets and benefit obligations recognized in other comprehensive income: | | | | | | |
| Net gain | \$ (77.5) | \$ (48.5) | | \$ (1.2) | \$ (0.2) | |
| Prior service cost | (1.3) | 4.1 | | (0.2) | 0.2 | |
| Total recognized in other comprehensive income | (78.8) | (44.4) | | (1.4) | | |
| Total recognized in net periodic benefit cost and other comprehensive income | \$ (30.1) | \$ 17.1 | | \$ 0.9 | \$ 2.5 | |

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During the year ended December 31, 2007, certain executives separated from the Company resulting in special termination benefit costs of \$1.5 million and settlement costs of \$2.8 million. These amounts are presented above as settlement costs of \$4.3 million and are classified as Reorganization and settlements in the accompanying consolidated statement of operations.

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During the years ended December 31, 2007, 2006 and 2005, the income tax provision related to amounts in other comprehensive income (net gain and prior service cost) was \$29.4 million, \$16.4 million and \$2.2 million, respectively.

Other Postretirement Benefit Plans

Assumed health care cost trend rates at December 31 are as follows:

| | 2007 | 2006 |
|-----------------------------------------------------------------------------------|------|------|
| Health care cost trend used in the current year | 8.0% | 9.0% |
| Health care cost trend rate assumed for next year | 7.0% | 8.0% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 5.0% | 5.0% |
| Year that the rate reaches the ultimate trend rate | 2010 | 2010 |

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. The policy of Roadway, the plan sponsor, regarding the management of health care costs passes the increase beyond a fixed threshold to the plan participants. As a result, a one percentage point increase in the assumed health care cost trend rate would have no effect on the accumulated postretirement benefit obligation or the service and the interest cost components.

A one-percentage-point decrease in assumed health care cost trend rates would have the following effects:

| (in millions) | 2007 |
|----------------------------------------------|--------|
| Effect on total of service and interest cost | \$ 0.1 |
| Effect on postretirement benefit obligation | 1.7 |

The estimated employer contributions during the year ended December 31, 2008 are approximately \$4.5 million.

Expected benefit payments for each of the next five years ended December 31 are as follows:

| (in millions) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013-2017 |
|---------------------------|--------|--------|--------|--------|--------|-----------|
| Expected benefit payments | \$ 4.5 | \$ 4.6 | \$ 4.7 | \$ 4.8 | \$ 4.3 | \$ 14.8 |

Executive Supplemental Retirement Benefits

We maintain individual benefit arrangements for a limited number of current and former senior executives that is accounted for in accordance with APB No. 12, *Deferred Compensation Contracts*. The obligation is unfunded and is actuarially determined using a discount rate of 8.25%, a lump sum rate based on the Moody's bond rate and the RP-2000 mortality table. At December 31, 2007 and 2006, we have accrued \$10.5 million (\$1.9 million as a short-term obligation) and \$8.5 million, respectively, for this plan. The long-term obligation is classified in noncurrent pension and postretirement liabilities in the accompanying balance sheets.

Multi-Employer Plans

Yellow Transportation, Roadway, New Penn, USF Holland and USF Reddaway contribute to approximately 90 separate multi-employer health, welfare and pension plans for employees that our collective bargaining agreements cover (approximately 70% of total YRC Worldwide employees), including 20 pension plans. Our labor agreements with the International Brotherhood of Teamsters (the *Teamsters*) determine the amounts of these contributions. The pension plans provide defined benefits to retired participants. We recognize as net pension cost the contractually required contribution for the period and recognize as a liability any contributions due and unpaid. We do not directly manage multi-employer plans. The trusts covering these plans are generally managed by trustees, half of whom the *Teamsters* appoints and half of whom various contributing employers appoint. We expensed the following amounts to these plans for the years ended December 31:

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| (in millions) | 2007 | 2006 | 2005 |
|----------------------|-------------------|-------------------|-----------------|
| Health and welfare | \$ 555.3 | \$ 549.5 | \$ 500.2 |
| Pension | 578.0 | 542.0 | 472.7 |
| Total | \$ 1,133.3 | \$ 1,091.5 | \$ 972.9 |

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In 2006, the Pension Protection Act became law and modified both the Internal Revenue Code (as amended, the Code) as it applies to multi-employer pension plans and the Employment Retirement Income Security Act of 1974 (as amended, ERISA). The Code and ERISA (in each case, as so modified) and related regulations establish minimum funding requirements for multi-employer pension plans. The funding status of these plans is determined by the following factors:

the number of participating active and retired employees

the number of contributing employers

the amount of each employer's contractual contribution requirements

the investment returns of the plans

plan administrative costs

the number of employees and retirees participating in the plan who no longer have a contributing employer

the discount rate used to determine the funding status

the actuarial attributes of plan participants (such as age, estimated life and number of years until retirement)

the benefits defined by the plan

If any of our multi-employer pension plans fails to:

meet minimum funding requirements

meet a required funding improvement or rehabilitation plan that the Pension Protection Act may require for certain of our underfunded plans

obtain from the IRS certain changes to or a waiver of the requirements in how the applicable plan calculates its funding levels or

reduce pension benefits to a level where the requirements are met

the Pension Protection Act could require us to make additional contributions to the multi-employer pension plan from five to ten percent of the contributions that our collective bargaining agreement requires until the collective bargaining agreement expires. Our new labor agreement, however, provides that if additional contributions are required that money designated for certain other benefits would be reallocated to pay for the additional contributions.

If we fail to make our required contributions to a multi-employer plan under a funding improvement or rehabilitation plan or if the benchmarks that an applicable funding improvement plan provides are not met by the end of a prescribed period, the IRS could impose an excise tax on us with respect to the plan. These excise taxes are not contributed to the deficient funds, but rather are deposited in the United States general treasury funds.

Depending on the amount involved, a requirement to increase contributions beyond our contractually agreed rate or the imposition of an excise tax on us could have a material adverse impact on the financial results of YRC Worldwide.

401(k) Savings Plans and Profit Sharing Plans

YRC Worldwide and its operating subsidiaries sponsor defined contribution plans, primarily for employees that collective bargaining agreements do not cover. The plans principally consist of contributory 401(k) savings plans and noncontributory plans. The YRC Worldwide contributory 401(k) savings plan consists of both a fixed matching percentage and a discretionary amount. The maximum nondiscretionary company match for the YRC Worldwide plan is equal to 25% of the first 6% in cash and 25% of the first 6% in YRC Worldwide common stock, for a total match of 50% of the first 6% of before-tax participant contributions. Any discretionary contributions for the YRC Worldwide 401(k) savings plan are determined annually by the Board of Directors and may be in the form of cash, stock or other property. USF sponsored (now sponsored by YRC Regional Transportation) a 401(k) plan for its operating companies where eligible employees can contribute up to 50% of their cash compensation and each of the operating companies may also contribute a discretionary amount. New Penn sponsors a 401(k) plan that, effective January 1, 2007, provides for a company match similar to that provided by the YRC Worldwide plan. Employer contributions for the year ended December 31, 2007, 2006 and 2005 were \$22.9 million, \$25.5 million and \$19.4 million, respectively.

For the YRC Worldwide noncontributory profit sharing plan, which was established effective January 1, 2004, the nondiscretionary company contribution is based on years of participation service and compensation, with a maximum fixed contribution of 5% of compensation for more than ten years of participation service. The YRC Worldwide profit sharing plan also provides for a discretionary performance based contribution of a maximum of 2 1/2% of compensation. The Board of Directors determines any discretionary contributions annually. Contributions under the YRC Worldwide profit sharing plan may be made in cash or other property, as the Board of Directors determines, however we will generally make nondiscretionary contributions in cash. New Penn

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provides a noncontributory profit sharing plan for employees not covered by collective bargaining agreements. Any contributions are discretionary employer contributions. Employer contributions to our noncontributory profit sharing plans in 2007, 2006 and 2005 totaled \$3.8 million, \$2.9 million and \$2.3 million, respectively.

Our employees covered under collective bargaining agreements may also participate in union-sponsored 401(k) plans. We do not make employer contributions to the plan on their behalf.

Performance Incentive Awards

YRC Worldwide and its operating subsidiaries each provide annual performance incentive awards to nonunion employees, which are based primarily on actual operating results achieved compared to targeted operating results and are paid in cash. Operating income in 2007, 2006, and 2005 included performance incentive expense for nonunion employees of \$22.7 million, \$39.2 million, and \$95.5 million, respectively. The decrease in 2007 is reflective of our lower operating results. The reduction in the 2006 as compared to 2005 expense, is reflective of our actual results not meeting our internal expectations resulting in a discretionary adjustment to the 2006 award. We pay annual performance incentive awards primarily in the first quarter of the following year.

Other

We provide a performance based long-term incentive plan to key management personnel that annually awards cash and restricted stock units based on a certain defined performance period. In addition, we utilize restricted stock units to further compensate certain levels of management and our Board of Directors. The restricted stock units are more fully described in the Stock Compensation Plans footnote. During the years ended December 31, 2007, 2006 and 2005, compensation expense related to these such awards was \$14.3 million, \$15.9 million and \$19.9 million, respectively.

During the fourth quarter of 2006, we implemented a change related to the non-union vacation payment policy at Roadway to conform to practices at our other subsidiaries. The change in the vacation payment practice resulted in lower employee benefits expense for the National Transportation segment of \$11.8 million for the year ended December 31, 2006.

6. Debt and Financing

At December 31, total debt consisted of the following:

| (in millions) | 2007 | 2006 |
|------------------------------------------------|-------------------|-------------------|
| ABS borrowings, secured by accounts receivable | \$ 180.0 | \$ 225.0 |
| Floating rate notes | | 150.0 |
| USF senior notes | 259.9 | 264.7 |
| Roadway senior notes | 229.5 | 234.3 |
| Contingent convertible senior notes | 400.0 | 400.0 |
| Term loan | 150.0 | |
| Revolving credit facility | 5.1 | |
| Industrial development bonds | 9.5 | 9.5 |
| Total debt | \$ 1,234.0 | \$ 1,283.5 |
| Current maturities of long-term debt | (232.0) | |
| ABS borrowings | (180.0) | (225.0) |
| Long-term debt | \$ 822.0 | \$ 1,058.5 |

Asset Backed Securitization Facility

On August 17, 2007, we amended our asset backed securitization (ABS) facility to increase the financing limit to \$700 million, up from the previous limit of \$650 million. The ABS facility continues to provide a letter of credit sublimit of \$325 million. Under the terms of this agreement, the ABS facility involves receivables of National Transportation as well as USF Holland and USF Reddaway, two operating

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companies within Regional Transportation. The interest rate continues to be a variable rate based on A1/P1 rated commercial paper (5.30% at December 31, 2007), plus a fixed increment for utilization. No other material changes were made to the ABS facility. The expiration of the 364-day facility is May 16, 2008. On December 7, 2007, we amended our ABS facility to among other things, conform the financial covenant definitions in the accounts receivable purchase agreement to the financial covenant definitions in our Credit Agreement dated as of August 17, 2007. The covenants are more fully described below.

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Yellow Roadway Receivables Funding Corporation (YRRFC), a special purpose entity and wholly owned subsidiary of YRC Worldwide operates the ABS facility. Under the terms of the agreement, we may transfer trade receivables to YRRFC, which is designed to isolate the receivables for bankruptcy purposes. The third-party conduit must purchase from YRRFC an undivided ownership interest in those receivables. The percentage ownership interest in receivables that the conduit purchases may increase or decrease over time, depending on the characteristics of the receivables, including delinquency rates and debtor concentrations. Management will continue to evaluate the financial position of the participating operating companies, including the transferred receivables and related borrowings.

The table below provides the borrowing and repayment activity under the ABS facility, as well as the resulting balances, for the years ending December 31 of each period presented:

| (in millions) | 2007 | 2006 |
|-------------------------------------------------|--------------|--------------|
| ABS obligations outstanding at January 1 | \$ 225.0 | \$ 375.0 |
| Transfer of receivables to conduit (borrowings) | 968.0 | 664.5 |
| Redemptions from conduit (repayments) | (1,013.0) | (814.5) |
| ABS obligations outstanding at December 31 | \$ 180.0 | \$ 225.0 |

At December 31, 2007, our underlying accounts receivable supported total capacity under the ABS facility of \$598.9 million. In addition to the \$180.0 million outstanding above, the ABS facility capacity was also reduced by commitments related to our captive insurance company of \$201.4 million and outstanding letters of credit of \$127.7 million resulting in unused capacity of \$89.8 million at December 31, 2007.

Credit Agreement

On August 17, 2007, we entered into a Credit Agreement with certain banks, expiring August 17, 2012, that provides us with a \$1.1 billion senior unsecured credit facility, including sublimits available for borrowings under certain foreign currencies and a \$150 million senior unsecured term loan. The Credit Agreement also provides for letters of credit to be issued that would, in turn, reduce the borrowing capacity under the revolving credit facility. This agreement replaces our existing Amended and Restated Credit Agreement, dated as of May 19, 2005, that provided us with, among other things, an \$850 million senior unsecured revolving credit facility. As of December 31, 2007, \$5.1 million was drawn under the revolving credit facility, the term loan of \$150 million was outstanding and \$345.5 million letters of credit were issued. The proceeds from the term loan were used to redeem our Floating Rate Notes in December 2007.

Interest related to the Credit Agreement is based on our credit rating and is subject to change. Currently, amounts borrowed under the revolving credit facility and term loan bear interest at LIBOR plus 0.60% (5.2% at December 31, 2007) and LIBOR plus 0.875% (5.475% at December 31, 2007), respectively. Additionally, we are currently obligated to pay a facility fee equal to 0.15% of the total revolving credit facility commitment. In accordance with the terms of the Credit Agreement, we must comply with certain performance covenants. These covenants, specifically a leverage ratio, limit our overall indebtedness to the product of three times trailing twelve-month EBITDA, as defined. We also must comply with the requirements of an interest coverage ratio. As of December 31, 2007, we were in compliance with all terms of the Credit Agreement.

Floating Rate Notes

On May 24, 2005, we completed the private placement of \$150 million in aggregate principal amount of senior floating rate notes due 2008 (the Floating Rate Notes). We used the proceeds from the \$150 million private placement as a part of the financing for the acquisition of USF. The notes were later exchanged for registered notes as a part of an exchange offer in June 2005. On December 28, 2007, we redeemed the Floating Rate Notes in full.

USF Senior Notes

As part of our acquisition of USF and by virtue of the merger agreement, we assumed \$150 million aggregate principal amount of 8.5% senior notes due April 15, 2010, with interest payments due semi-annually on April 15 and October 15, and \$100 million aggregate principal amount of 6.5% senior notes due May 1, 2009 (collectively USF Senior Notes), with interest payments due semi-annually on May 1 and November 1. The USF Senior Notes were revalued as part of purchase accounting and assigned a fair value of \$272.2 million on May 24, 2005, with \$18.6 million fair value adjustment to the 2010 notes and \$3.6 million fair value adjustment to the 2009 notes. The premium over the face value of the USF Senior Notes is being amortized as a reduction to interest expense over the remaining life of the notes. The unamortized premium at

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December 31, 2007 and 2006 was \$9.9 million and \$14.7 million, respectively.

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Roadway Senior Notes

As part of our acquisition of Roadway and by virtue of the merger agreement, we assumed \$225.0 million face value of 8.25% senior notes due in full on December 1, 2008 (Roadway Senior Notes), with interest payments due semi-annually on June 1 and December 1. The Roadway Senior Notes were revalued as part of purchase accounting and assigned a fair value of \$249.2 million on December 11, 2003. The premium over the face value of the Roadway Senior Notes is being amortized as a reduction to interest expense over the remaining life of the notes. The unamortized premium at December 31, 2007 and 2006 was \$4.5 million and \$9.3 million, respectively.

Contingent Convertible Notes

On August 8, 2003, we closed the sale of \$200 million of 5.0% contingent convertible senior notes due 2023 (contingent convertible senior notes) and on August 15, 2003 we closed the sale of an additional \$50 million of the notes pursuant to the exercise of the option of the initial purchasers. We received net proceeds from the sales of \$242.5 million, after fees.

The \$250 million contingent convertible senior notes have an annual interest rate of 5.0% and are convertible into shares of our common stock at a conversion price of \$39.24 per share only upon the occurrence of certain other events. The contingent convertible senior notes may not be redeemed by us for seven years from the date of issuance but are redeemable at any time thereafter at par. Holders of the contingent convertible senior notes have the option to require us to purchase their notes at par on August 8, 2010, 2013 and 2018, and upon a change in control of the Company. These terms and other material terms and conditions applicable to the contingent convertible senior notes are set forth in the indenture governing the notes.

On November 25, 2003, we closed the sale of \$150 million of 3.375% contingent convertible senior notes due 2023. We received net proceeds from the offering of \$145.5 million, after fees, and used the proceeds to fund the acquisition of Roadway.

The \$150 million contingent convertible senior notes have an annual interest rate of 3.375% and are convertible into shares of our common stock at a conversion price of \$46.00 per share only upon the occurrence of certain other events. The contingent convertible senior notes may not be redeemed by us for nine years from the date of issuance but are redeemable at any time thereafter at par. Holders of the contingent convertible senior notes have the option to require us to purchase their notes at par on November 25, 2012, 2015 and 2020, and upon a change in control of the Company. These terms and other material terms and conditions applicable to the contingent convertible senior notes are set forth in the indenture governing the notes.

In December 2004, we completed exchange offers pursuant to which holders of the 5% contingent convertible senior notes and the 3.375% contingent convertible senior notes (collectively, the Existing Notes) could exchange their Existing Notes for an equal amount of our new 5% net share settled contingent convertible senior notes due 2023 and new 3.375% net share settled contingent convertible senior notes due 2023 (collectively, the New Notes), respectively. The New Notes contain a net share settlement feature that, upon conversion, provides for the Company to settle the principal amount of the New Notes in cash and the excess value in common stock, as well as an additional change of control feature. The results of the exchange offer included \$247.7 million aggregate principal amount of the \$250 million of 5% contingent convertible senior notes outstanding and \$144.6 million aggregate principal amount of the \$150 million of 3.375% contingent convertible senior notes outstanding, representing 99.06% and 96.41%, respectively, of the Existing Notes validly and timely tendered in exchange for an equal principal amount of the New Notes.

The accounting for convertible debt with the settlement features contained in our New Notes is addressed in the consensus reached by the Emerging Issues Task Force of the Financial Accounting Standards Board with respect to the accounting for Instrument C as set forth in EITF 90-19, Convertible Bonds with Issuer Option to Settle for Cash Upon Conversion. We are contractually obligated to settle the conversion obligations of the New Notes consistent with Instrument C. Because the accreted value of the New Notes will be settled for cash upon the conversion, only the conversion spread (the excess conversion value over the accreted value), which will be settled in stock, results in potential dilution in our earnings per share computations. (See further discussion of dilution related to the Existing Notes and the New Notes in Note 10. Earnings Per Common Share.)

The balance sheet classification of the New Notes between short-term and long-term is dependent upon certain conversion triggers, as defined. At December 31, 2007 and 2006, no conversion triggers had been met. Accordingly, based on the effective maturity date, this obligation has been classified as a long-term liability in the accompanying consolidated balance sheets. The future balance sheet classification of these liabilities will be monitored at each reporting date, and will be determined based on an analysis of the various conversion rights described above.

Table of Contents**Industrial Development Bonds**

We have loan guarantees, mortgages, and lease contracts in connection with the issuance of industrial development bonds (IDBs) used to acquire, construct or expand terminal facilities. Rates on these bonds range from 5.8% to 6.1%, with principal payments due through 2010.

The principal maturities of total debt for the next five years and thereafter are as follows:

| (in millions) | IDBs | Contingent convertible senior notes | Roadway Senior Notes | USF Senior Notes | Term Loan | Revolver | ABS | Total |
|---------------|---------------|-------------------------------------|-------------------------|----------------------|-----------------|---------------|-----------------|-------------------|
| 2008 | \$ 2.5 | | \$ 225.0 ^(a) | | | \$ 5.1 | \$ 180.0 | \$ 412.6 |
| 2009 | 1.0 | | | 100.0 ^(b) | | | | 101.0 |
| 2010 | 6.0 | 250.0 | | 150.0 ^(c) | | | | 406.0 |
| 2011 | | | | | | | | |
| 2012 | | 150.0 | | | 150.0 | | | 300.0 |
| Thereafter | | | | | | | | |
| Total | \$ 9.5 | \$ 400.0 | \$ 225.0 | \$ 250.0 | \$ 150.0 | \$ 5.1 | \$ 180.0 | \$ 1,219.6 |

(a) As discussed above, the Roadway senior notes had a carrying value of \$229.5 million at December 31, 2007 and a principal maturity value of \$225.0 million.

(b) As discussed above, the USF senior notes due 2009 had a carrying value of \$101.2 million at December 31, 2007 and a principal maturity value of \$100.0 million.

(c) As discussed above, the USF senior notes due 2010 had a carrying value of \$158.7 million at December 31, 2007 and a principal maturity value of \$150.0 million.

The above reflects contractual maturities for all debt other than our contingent convertible senior notes. These notes are instead presented based on the earliest possible redemption date defined as the first date on which the note holders have the option to require us to purchase their notes (the put date). For the \$250 million notes the stated maturity is August 2023 with an initial put date of August 2010 and for the \$150 million notes the stated maturity is November 2023 with an initial put date of November 2012.

Based on the borrowing rates currently available to us for debt with similar terms and remaining maturities and the quoted market prices for the Roadway senior notes and USF senior notes and contingent convertible senior notes, the fair value of fixed-rate debt at December 31, 2007 and 2006, was approximately \$856.5 million and \$987.9 million, respectively. The carrying amount of such fixed-rate debt at December 31, 2007 and 2006 was \$898.9 million and \$908.5 million, respectively.

7. Stock Compensation Plans

We have reserved 3.43 million shares of our common stock for issuance to key management personnel under a long-term incentive and equity award plan implemented in 2004. As of December 31, 2007, 1.2 million shares remain available for issuance. The 2004 plan permits the issuance of restricted stock and restricted stock units, as well as options, SARs, and performance stock and performance stock unit awards. Awards under the plan can be made in cash and performance share units at the discretion of the Board of Directors. According to the plan provisions, the stock units provide the holders the right to receive one share of common stock upon vesting of one stock unit.

The stock option plans generally permit grants of nonqualified stock options and grants of stock options coupled with a grant of stock appreciation rights (SARs). Under the plans, the exercise price of each option equals the closing market price of our common stock on the date of grant. The options vest ratably, generally over a period of four years, and expire ten years from the date of the grant.

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A summary of activity in our stock option plans is presented in the following table:

| | Shares (in thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (years) | Aggregate Intrinsic Value (in millions) |
|----------------------------------|--------------------------|---------------------------------------|--------------------------------------------------------------|--------------------------------------------------|
| Outstanding at December 31, 2004 | 998 | \$ 23.04 | | |
| Granted | 23 | 43.46 | | |
| Exercised | (368) | 21.01 | | |
| Forfeited / expired | (6) | 28.82 | | |
| Outstanding at December 31, 2005 | 647 | \$ 24.87 | | |
| Granted | | | | |
| Exercised | (185) | 25.89 | | |
| Forfeited / expired | (14) | 26.04 | | |
| Outstanding at December 31, 2006 | 448 | \$ 24.48 | | |
| Granted | | | | |
| Exercised | (221) | 22.59 | | |
| Forfeited / expired | (11) | 26.91 | | |
| Outstanding at December 31, 2007 | 216 | \$ 26.29 | 4.25 | \$ 0.1 |
| Exercisable at December 31, 2007 | 210 | 25.78 | 4.15 | 0.1 |

The total intrinsic value of options exercised during the years ended December 31, 2007 and 2006 was \$4.7 million and \$3.0 million, respectively. During the year ended December 31, 2007 and 2006, we did not grant any option awards. Traditionally, the fair value of each option is estimated on the date of grant using the Black-Scholes-Merton pricing model. Expected volatilities are based on implied volatilities from historical volatility of our stock. We use historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of options granted is derived from the output of the valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in the option pricing model.

The following table summarizes information about stock options outstanding as of December 31, 2007:

| Range of exercise prices | Shares (in thousands) | Options Outstanding | | Options Exercisable | |
|--------------------------|--------------------------|----------------------------------------------------|---------------------------------------|--------------------------|---------------------------------------|
| | | Weighted Average Remaining Contractual Years | Weighted Average Exercise price | Shares (in thousands) | Weighted Average Exercise price |
| \$ 0.00 14.06 | 4 | 2.55 | 14.06 | 4 | 14.06 |
| \$ 14.07 22.66 | 58 | 2.33 | 15.59 | 58 | 15.59 |
| \$ 22.67 31.58 | 127 | 4.47 | 28.29 | 127 | 28.29 |
| \$ 31.59 and over | 27 | 7.52 | 41.30 | 21 | 40.67 |

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A summary of the activity of our nonvested shares is presented in the following table:

| | Shares (in thousands) | Weighted Average Grant-Date Fair Value |
|--------------------------------|--------------------------|-------------------------------------------|
| Nonvested at December 31, 2004 | 428 | \$ 38.58 |
| Granted | 355 | 57.67 |
| Vested | (17) | 36.86 |
| Forfeited | (10) | 45.50 |
| Nonvested at December 31, 2005 | 756 | 47.50 |
| Granted | 352 | 47.10 |
| Vested | (106) | 47.47 |
| Forfeited | (14) | 47.47 |
| Nonvested at December 31, 2006 | 988 | 47.36 |
| Granted | 307 | 39.99 |
| Vested | (178) | 40.06 |
| Forfeited | (36) | 47.60 |
| Nonvested at December 31, 2007 | 1,081 | \$ 46.46 |

We recognize expense on a straight-line basis over the vesting term. The vesting provisions for the restricted stock units and the related number of units awarded during the year ended December 31 are as follows:

| Vesting Terms | Units (in thousands) | | |
|-----------------------------------------------------------------------------------------------|----------------------|------|------|
| | 2007 | 2006 | 2005 |
| 50% to vest over three years with remaining 50% to vest over six years from the date of grant | | 142 | 173 |
| 100% on the third anniversary of the date of grant | 275 | 147 | 138 |
| Ratably over three years | 32 | 29 | 23 |
| 40% in the first year, 30% each year for the next two years | | 2 | 21 |
| 100% on the fifth anniversary of the date of grant | | 32 | |
| Total restricted stock units granted | | 307 | 352 |
| | | | 355 |

As of December 31, 2007 and 2006, there was \$13.8 and \$21.0 million, respectively of unrecognized compensation expense related to nonvested share-based compensation arrangements. That expense is expected to be recognized over a weighted-average period of 3.0 years. The fair value of nonvested shares is determined based on the opening trading price of our shares on the grant date. The fair value of shares vested during the years ended December 31, 2007 and 2006 was \$7.1 and \$5.0 million, respectively.

8. Income Taxes

We use the liability method to reflect income taxes on our financial statements. We recognize deferred tax assets and liabilities by applying enacted tax rates to the differences between the carrying value of existing assets and liabilities and their respective tax basis and to loss carryovers. Realizable tax credit carryforwards are recorded as deferred tax assets. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change occurs, other than certain changes related to business combinations. We assess the validity of deferred tax assets and loss and tax credit carryforwards and provide valuation allowances when we determine it is more likely than not that such losses or credits will not be realized within the applicable carryforward period. We have not recognized deferred taxes relative to foreign subsidiaries' earnings that are deemed to be permanently reinvested. Any related taxes associated with such earnings are not material.

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Deferred tax liabilities (assets) were comprised of the following at December 31:

| (in millions) | 2007 | 2006 |
|---------------------------------|----------------|----------------|
| Depreciation | \$ 433.5 | \$ 408.6 |
| Prepays | 0.6 | 3.3 |
| Prepaid employee benefits | 16.9 | 52.0 |
| Revenue on shipments in transit | 34.8 | 29.5 |
| Intangibles | 192.0 | 165.6 |
| Other | 60.5 | 75.7 |
| Gross tax liabilities | 738.3 | 734.7 |
| Claims and insurance | (87.1) | (83.7) |
| Bad debts | (13.9) | (15.9) |
| Employee benefit accruals | (105.7) | (99.2) |
| Revenue reserves | (10.3) | (6.9) |
| Other | (40.7) | (54.6) |
| Gross tax assets | (257.7) | (260.3) |
| Net tax liability | \$ 480.6 | \$ 474.4 |

Current income tax receivable was \$77.5 million and \$92.2 million as of December 31, 2007 and 2006, respectively, and is included in Prepaid expenses and other in the accompanying balance sheets.

A reconciliation between income taxes at the federal statutory rate and the consolidated effective tax rate follows:

| | 2007 | 2006 | 2005 |
|------------------------------------------|--------|-------|-------|
| Federal statutory rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net | 0.2 | 2.7 | 2.2 |
| Goodwill impairment | (34.3) | | |
| Nondeductible business expenses | (0.7) | 1.1 | 1.0 |
| Foreign tax credit and rate differential | (0.1) | 0.2 | 0.1 |
| Alternative fuel tax credit | 1.4 | | |
| Other, net | 0.5 | 0.3 | 0.7 |
| Effective tax rate | 2.0% | 39.3% | 39.0% |

The income tax provision (benefit) consisted of the following:

| (in millions) | 2007 | 2006 | 2005 |
|-----------------------------------------------|------------------|----------------|-----------------|
| Current: | | | |
| U.S federal | \$ (22.3) | \$ 6.5 | \$ 116.3 |
| State | (4.4) | 1.2 | 9.4 |
| Foreign | 4.8 | 10.4 | 5.8 |
| Current income tax provision (benefit) | \$ (21.9) | \$ 18.1 | \$ 131.5 |

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| | | | | |
|-------------------------------------------------|----|---------|----------|----------|
| Deferred: | | | | |
| U.S federal | \$ | 5.4 | \$ 143.9 | \$ 46.8 |
| State | | 2.4 | 19.1 | 6.2 |
| Foreign | | 0.8 | (1.8) | (0.4) |
| Deferred income tax provision (benefit) | \$ | 8.6 | \$ 161.2 | \$ 52.6 |
| Income tax provision (benefit) | \$ | (13.3) | \$ 179.3 | \$ 184.1 |
| Based on the income (loss) before income taxes: | | | | |
| Domestic | \$ | (662.7) | \$ 441.4 | \$ 460.8 |
| Foreign | | 11.0 | 14.6 | 11.5 |
| Income (loss) before income taxes | \$ | (651.7) | \$ 456.0 | \$ 472.3 |

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Uncertain Tax Positions

We adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), on January 1, 2007. As a result, we recognized a \$7.1 million increase in the liability for unrecognized tax benefits, which was accounted for as a reduction of \$5.7 million to the January 1, 2007 balance of retained earnings and an increase of \$1.4 million to goodwill resulting from prior acquisitions. Additionally, we reclassified a \$53 million credit from current assets, Deferred income taxes to Other current and accrued liabilities effective January 1, 2007. We have elected to treat interest and penalties on uncertain tax positions as interest expense and other operating expenses, respectively, rather than continue the treatment prior to the adoption of FIN 48 as components of the income tax provision.

The total amounts of unrecognized tax benefits and accrued interest as of the date of adoption were \$78.3 million and \$2.1 million, respectively. Both amounts are classified on our consolidated balance sheet within Other current and accrued liabilities .

A rollforward of the total amount of unrecognized tax benefits for the year ended December 31, 2007, follows:

| | |
|-------------------------------------------------------|----------------|
| (in millions) | |
| Unrecognized tax benefits at January 1, 2007 | \$ 78.3 |
| Increases related to: | |
| Tax positions taken during a prior period | 1.4 |
| Tax positions taken during the current period | 1.8 |
| Decreases related to: | |
| Tax positions taken during a prior period | (5.0) |
| Lapse of applicable statute of limitations | |
| Settlements with taxing authorities | (0.6) |
| Unrecognized tax benefits at December 31, 2007 | \$ 75.9 |

Included in the \$75.9 million of unrecognized tax benefits at December 31, 2007 was \$6.6 million of benefits that, if recognized, would affect the effective tax rate. We accrued \$5.6 million of interest on uncertain tax positions during the year ended December 31, 2007 and the total amount of interest accrued for uncertain tax positions is \$7.4 million as of December 31, 2007. We have not accrued any penalties relative to uncertain tax positions.

Reasonably possible changes in the next twelve months in the amount of unrecognized tax benefits relate to the following tax positions:

The United States Internal Revenue Service (IRS) has begun an audit of the Company s 2005 tax return and has proposed an adjustment relative to the deduction claimed for contributions to union pension plans. We are protesting the adjustment. The additional tax that could result from the adjustment is approximately \$51.1 million. Pursuant to the provisions of FIN 48, we have posted no tax benefit for this deduction.

The IRS has audited certain pre-acquisition tax returns for a consolidated group acquired in 2005 and disallowed a 2002 loss related to the disposition of the stock of a member of that group. We believe the loss is fully deductible and have protested the IRS adjustment. The additional tax that could result should the loss ultimately be totally denied is approximately \$36.5 million.

Tax years that remain subject to examination for our major tax jurisdictions as of December 31, 2007:

| | Pre-acquisition tax years | | |
|------------------------------------------------------|---------------------------|--------------------------------|------------------------|
| | YRC Worldwide | USF Corporation ^(a) | Roadway ^(b) |
| Statute remains open | 2003-2007 | 2000-2005 | 2001-03 |
| Tax years currently under examination/exam completed | 2003-2005 | 2000-2005 | 2001-03 |
| Tax years not examined | 2006-2007 | None | None |

- (a) Years ending on or before May 24, 2005.
- (b) Years ending on or before December 11, 2003.

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9. Business Segments

We report financial and descriptive information about our reportable operating segments on a basis consistent with that used internally for evaluating segment performance and allocating resources to segments. We evaluate performance primarily on operating income and return on capital.

We have three reportable segments, which are strategic business units that offer complementary transportation services to their customers. National Transportation includes carriers that provide comprehensive regional, national and international transportation services. Regional Transportation is comprised of carriers that focus primarily on business opportunities in the regional and next-day delivery markets. YRC Logistics, previously referred to as our Meridian IQ segment, provides domestic and international freight forwarding, warehousing and cross-dock services, multi-modal brokerage services, and transportation management services.

Information relative to USF Red Star and USF Dugan, previously included in Regional Transportation, has been included in the Corporate segment beginning in 2006 as these entities are no longer operating.

Prior to 2007 we reported four operating segments. In January 2007, we consolidated the management structure of Yellow Transportation and Roadway to form YRC National Transportation. Accordingly, beginning in 2007 these two previously separate segments have been combined. Amounts presented for 2006 and 2005 have been restated to reflect this change.

The accounting policies of the segments are the same as those described in the Principles of Consolidation and Summary of Accounting Policies note. The USF accounting policies have been conformed to YRC Worldwide effective as of May 24, 2005. We charge management fees and other corporate services to our segments based on the direct benefits received or as a percentage of revenue. Corporate operating losses represent operating expenses of the holding company, including compensation and benefits, along with incentive compensation and professional services for all periods presented. In 2007, corporate operating losses included executive severance of \$9.5 million offset by reduced professional services fees and stock compensation expense totaling \$3.5 million. In 2006, corporate operating losses included \$13.3 million of expense related to USF Red Star MEPPA withdrawal liability and \$1.6 million of reorganization charges. In 2005, corporate operating losses included \$4.0 million of executive severance charges and \$0.7 million of acquisition charges. Corporate identifiable assets primarily refer to cash, cash equivalents, technology assets and deferred debt issuance costs. Intersegment revenue relates to transportation services between our segments.

Revenue from foreign sources totaled \$385.5 million, \$370.2 million, and \$328.6 million in 2007, 2006, and 2005 respectively, and is largely derived from Canada, United Kingdom, Asia and Mexico. Long-lived assets located in foreign countries totaled \$41.8 million and \$25.8 million at December 31, 2007 and 2006, respectively.

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The following table summarizes our operations by business segment:

| (in millions) | National Transportation | Regional ^(a) Transportation | YRC Logistics ^(b) | Corporate / Eliminations | Consolidated |
|-------------------------------|----------------------------|-------------------------------------------|---------------------------------|--------------------------------|--------------|
| 2007 | | | | | |
| External revenue | \$ 6,654.7 | \$ 2,369.6 | \$ 597.0 | \$ | \$ 9,621.3 |
| Intersegment revenue | 3.1 | | 26.2 | (29.3) | |
| Operating income (loss) | 159.3 | (706.7) | 5.2 | (22.9) | (565.1) |
| Identifiable assets | 3,139.1 | 1,503.8 | 426.4 | (6.7) | 5,062.6 |
| Capital expenditures, net | 174.0 | 96.7 | 18.6 | 49.1 | 338.4 |
| Depreciation and amortization | 142.4 ^(c) | 77.5 | 15.8 | 19.9 | 255.6 |
| Impairment charges | 76.6 | 705.3 | | | 781.9 |
| 2006 | | | | | |
| External revenue | \$ 6,873.6 | \$ 2,441.4 | \$ 603.7 | \$ | \$ 9,918.7 |
| Intersegment revenue | 5.0 | | 6.0 | (11.0) | |
| Operating income (loss) | 423.3 | 142.2 | 13.7 | (33.8) | 545.4 |
| Identifiable assets | 3,269.1 | 2,179.2 | 413.5 | (10.0) | 5,851.8 |
| Capital expenditures, net | 211.9 | 46.9 | 16.3 | 28.0 | 303.1 |
| Depreciation and amortization | 159.6 | 82.8 | 14.7 | 17.1 | 274.2 |
| 2005 | | | | | |
| External revenue | \$ 6,733.4 | \$ 1,564.4 | \$ 443.8 | \$ | \$ 8,741.6 |
| Intersegment revenue | 1.9 | 6.4 | 3.8 | (12.1) | |
| Operating income (loss) | 464.4 | 85.8 | 15.2 | (29.1) | 536.3 |
| Identifiable assets | 3,140.1 | 2,099.3 | 279.4 | 215.4 | 5,734.2 |
| Capital expenditures, net | 135.6 | 82.3 | 12.0 | 26.5 | 256.4 |
| Depreciation and amortization | 159.1 | 67.1 | 10.7 | 13.7 | 250.6 |

- (a) In 2005, the segment information shown for Regional Transportation represented New Penn results for the fiscal year end and USF income statement and capital expenditure information from the date of acquisition May 24, through December 31, 2005 and identifiable assets as of December 31, 2005.
- (b) In 2005, the segment information shown for YRC Logistics includes the results of USF Logistics from the date of acquisition, May 24, through December 31, 2005 and identifiable assets as of December 31, 2005.
- (c) Included in the depreciation and amortization balance in the National Transportation segment for 2007 is approximately \$9 million of allocated costs related to certain abandoned technology projects previously considered in-process. As National Transportation moves to a common technology platform, these projects were identified as non-strategic and not a part of the future direction of the reporting unit.

10. Earnings per Common Share

We present both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the year which is calculated using the treasury stock method for stock options and restricted stock units and assumes conversion of our convertible senior notes based on the related fiscal year financial data.

| (in thousands except per share data) | 2007 | 2006 | 2005 |
|-----------------------------------------------------------|--------------|------------|------------|
| Numerator: | | | |
| Net income(loss) for basic earnings (loss) per share | \$ (638,381) | \$ 276,632 | \$ 288,130 |
| Interest expense on convertible senior notes (net of tax) | | 182 | 183 |
| Net income (loss) for diluted earnings (loss) per share | (638,381) | \$ 276,814 | \$ 288,313 |

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| | | | | |
|--------------------------------------------------------------------------------------|------------|---------|---------|--|
| Denominator: | | | | |
| Weighted average number of common shares outstanding (basic) | 57,154 | 57,361 | 54,358 | |
| Weighted average dilutive stock options and restricted stock units | | 470 | 658 | |
| Assumed conversion of convertible senior notes | | 508 | 1,889 | |
| Weighted average number of common and common equivalent shares outstanding (diluted) | 57,154 | 58,339 | 56,905 | |
| Basic earnings (loss) per share | \$ (11.17) | \$ 4.82 | \$ 5.30 | |
| Diluted earnings (loss) per share | \$ (11.17) | \$ 4.74 | \$ 5.07 | |

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The impacts of certain options and restricted stock units were excluded from the calculation of diluted earnings per share because the effects are antidilutive. In addition, the computation of the assumed conversion of the convertible senior notes includes inputs of the year-to-date average stock price relative to the stated conversion price. If this relationship is such that the year-to-date average stock price is less than the stated conversion price, the computed shares would be antidilutive under the treasury stock method. Data regarding antidilutive options and restricted stock units is summarized below:

| (in thousands except per share data) | 2007 | 2006 | 2005 |
|------------------------------------------------------------------|----------|----------|------|
| Antidilutive weighted average option shares outstanding | 216 | 23 | |
| Weighted average exercise price | \$ 26.29 | \$ 43.46 | \$ |
| Antidilutive weighted average restricted stock units outstanding | 1,081 | | |
| Weighted average exercise price | \$ 46.46 | \$ | \$ |

Antidilutive convertible senior note conversion shares were 2,128,000 and 348,000 at December 31, 2007 and 2006, respectively. There were no such antidilutive shares at December 31, 2005.

11. Common Stock Repurchase Programs

In April 2006, our Board of Directors approved a stock repurchase program that authorized the Company to repurchase up to \$100 million of its common stock. During 2007, the Company purchased 1.1 million shares under this program at a weighted-average cost of \$31.13 per share for a total cost of \$35.0 million. In 2006, the Company purchased 521,100 shares under this program at a weighted-average cost of \$38.34 per share for a total cost of \$20.0 million. At December 31, 2007, \$45 million remains available under the authorized program.

In September 2005, our Board of Directors approved a stock repurchase program that authorized the Company to repurchase up to \$50 million of our common stock. During 2005, we repurchased approximately 1.1 million shares at a weighted-average cost of \$46.95 per share for a total cost of approximately \$50 million.

12. Commitments, Contingencies, and Uncertainties*Financial Matters*

We incur rental expenses under noncancelable lease agreements for certain buildings and operating equipment. Rental expense is charged to operating expense and supplies or purchased transportation on the Statements of Consolidated Operations. Rental expense was \$144.6 million, \$157.7 million, and \$132.9 million for the years ended December 31, 2007, 2006 and 2005, respectively.

At December 31, 2007, we were committed under noncancelable lease agreements requiring minimum annual rentals payable as follows:

| (in millions) | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter |
|------------------------|----------|---------|---------|---------|---------|------------|
| Minimum annual rentals | \$ 101.7 | \$ 69.0 | \$ 40.6 | \$ 21.5 | \$ 15.9 | \$ 19.2 |

We expect in the ordinary course of business that leases will be renewed or replaced as they expire. The leases provide for fixed and escalating rentals and contingent escalating rentals based on the Consumer Price Index not to exceed certain specified amounts. We record rent expense for our operating leases on a straight-line basis over the base term of the lease agreements. In many cases our leases are entered into by a subsidiary and a parent guarantee is issued. The maximum potential amount of undiscounted future payments under the guarantee are the same as the minimum annual rentals disclosed above.

Projected 2008 net capital expenditures are expected to be \$200 to \$250 million of which approximately \$80.0 million was committed at December 31, 2007.

Shanghai Jiayu Logistics Co., Ltd.

In December 2007, we entered into a definitive agreement to acquire majority ownership of Shanghai Jiayu Logistics Co., Ltd., a Shanghai, China ground transportation company. We plan to acquire 65% of the stock of Jiayu for between US \$29.5 million to

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US \$43 million, based upon Jiayu's final 2007 financial performance. Pursuant to the definitive agreement, YRC Logistics will acquire 65% of the stock of Jiayu for Chinese Yuan (CNY) 228.6 million plus an additional payment of up to CNY 104.6 million (approximately \$29.5 million to \$43 million) based upon Jiayu's 2007 financial performance. If Jiayu meets certain financial performance targets during 2008 and 2009, YRC Logistics will purchase the remaining 35% interest in 2010 for an amount not to exceed CNY 248.0 million (approximately \$32 million), as determined by the level of the financial performance. If Jiayu does not meet these financial targets, YRC Logistics has a call option to purchase the remaining 35% of the shares of Jiayu in 2010 for the greater of CNY 77.5 million (approximately \$10 million) and 35% of the appraised value of the net assets of Jiayu at that time. All payments will be made in Chinese Yuan, and their estimated dollar equivalents are provided herein. The acquisition is subject to Chinese regulatory approvals, restructuring of certain of Jiayu's operations and other ordinary conditions to closing. We expect the first step of this acquisition to be completed in 2008. We are capitalizing transaction costs incurred related to this acquisition, the balance of which is not significant at December 31, 2007.

Class Action Lawsuit

On July 30, 2007, Farm Water Technological Services, Inc. d/b/a Water Tech, and C.B.J.T. d/b/a Agricultural Supply, on behalf of themselves and other plaintiffs, filed a putative class action lawsuit against the Company and 10 other companies engaged in the LTL trucking business in the United States District Court for the Southern District of California. Since that time, other plaintiffs have filed similar cases in various courts across the nation. In December 2007, the courts consolidated these cases in the United States District Court for the Northern District of Georgia. The plaintiffs allege that the defendants, including the Company, conspired to fix fuel surcharges in violation of federal antitrust law and seek unspecified treble damages, injunctive relief, attorneys' fees and costs of litigation. The Company believes that its fuel surcharge practices are lawful and these suits are without factual basis or legal merit. An appropriate defense has begun, and the Company intends to defend these allegations vigorously. Given that the actions are at a very preliminary stage, the Company is not able to determine that any potential liability that might result is probable or estimatable and, therefore, the Company has not recorded a liability related to the actions. If an adverse outcome were to occur, it could have a material adverse effect on the Company's consolidated financial condition, cash flows and results of operations.

Grupo Almex

On May 18, 2007, the Company settled the arbitration proceedings initiated against the Company by Gustavo Gonzalez Garcia and various members of his family (the Gonzalez Family) and Autolneas Mexicanas, S.A. de C.V., Servicios Gerenciales del Norte, S.A. de C.V. and Logistica ALM, S.A. de C.V. (collectively, Grupo Almex). Pursuant to the settlement, the Company paid the Gonzalez Family and Grupo Almex \$2.0 million and forgave approximately \$9.3 million of debt that Soflex, S. de R.L. de C.V. (Soflex) owed to the Company pursuant to a series of notes. The Gonzalez Family wholly owns Soflex. The notes from Soflex were written off as uncollectible debt in 2005 as part of the Company's acquisition consideration for USF Corporation. The Company accrued \$0.6 million in 2006 of the \$2.0 million settlement. The remaining \$1.4 million was expensed in 2007 and is included in Reorganization and settlements in the accompanying consolidated statement of operations.

USF Red Star

In 2004, USF Red Star, a USF subsidiary that operated in the Northeastern U.S. was shut down. Due to the shutdown, USF, now our wholly owned subsidiary, was subject to withdrawal liability under the Multi-Employer Pension Plan Amendment Act of 1980 for six multi-employer pension plans. Based on information that USF had received from these plans, we estimated that USF Red Star could be liable for up to approximately \$79 million. However, we also estimated that approximately \$13 million of this liability could be abated because of contributions that Yellow Transportation, Roadway, New Penn and USF Holland made to one of these six plans. Thus, at the May 2005 purchase date, we reserved approximately \$66 million, representing the present value, for these liabilities. We recognized those liabilities as an obligation assumed on the acquisition date of USF, resulting in additional goodwill.

During 2006, we received notification of the successful abatement of one of the six plans. As a result, payments of approximately \$2.9 million previously remitted to the plan and held in escrow were returned to us. Further, we received notification that a plan previously thought to be abated in fact was not abated resulting in a \$13.3 million charge (\$8.1 million net of tax) during the year ended December 31, 2006, to establish the required liability. Our USF Red Star withdrawal liability at December 31, 2006 was \$59.1 million and was presented in claims and other liabilities in the consolidated balance sheets. During the year ended December 31, 2007, we reached a settlement agreement with all of the remaining plans aside from the plan that denied our abatement claim in 2006. As a part of the settlements, we agreed to pay \$35.8 million to be released from the obligations. As we previously accrued \$42.2 million for these obligations, resulting gains on settlement of \$6.4 million were recorded during 2007 and are included in Reorganization and settlements in the accompanying consolidated statement of operations. Our USF Red Star withdrawal liability at December 31, 2007 is \$8.2 million. We are continuing to review the details of the remaining fund obligation and may contest all or a portion of the liability. Until further resolution the expected annual cash flow relative to this liability is approximately \$1.7 million.

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In November 2004, the Teamsters National Freight Industry Negotiating Committee (the Teamsters) filed a complaint against USF, USF Red Star and USF Holland alleging (among other things) that the shut down of USF Red Star was in breach of USF Red Star's labor contract. Additionally, the Teamsters filed a class action suit on behalf of the employees of USF Red Star alleging violations of the federal Worker Adjustment and Retraining Notification Act (WARN Act). Including the Teamsters WARN action mentioned above, either or both of USF or USF Red Star were named in five class action lawsuits alleging violations of the federal WARN Act. USF Red Star sued the Teamsters in connection with their strike on USF Red Star prior to its closure, alleging that the strike was in breach of Teamsters' labor contract and that the strike was illegal secondary conduct under the National Labor Relations Act. In 2006, the Teamsters, USF, USF Holland, USF Red Star and the WARN class action plaintiffs settled all of these disputes arising out of the USF Red Star shutdown. Pursuant to the settlement, USF Red Star paid the WARN Act plaintiffs \$7 million; the WARN Act plaintiffs released USF Red Star, USF Holland and USF from any further liability; and certain related labor grievances are settled. We recognized this settlement obligation as a liability assumed on the acquisition date of USF, resulting in additional goodwill.

Other Legal Matters

We are involved in other litigation or proceedings that arise in ordinary business activities. We insure against these risks to the extent deemed prudent by our management, but no assurance can be given that the nature and amount of such insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain self-insured retentions in amounts we deem prudent. Based on our current assessment of information available as of the date of these financial statements, we believe that our financial statements include adequate provisions for estimated costs and losses that may be incurred with regard to the litigation and proceedings to which we are a party.

Environmental Matters

Remediation costs are accrued based on estimates of known environmental remediation exposure using currently available facts, existing environmental permits and technology and presently enacted laws and regulations. Our estimates of costs are developed based on internal evaluations and, when necessary, recommendations from external environmental consultants. These accruals are recorded when it is probable that we will be obligated to pay amounts for environmental site evaluation, remediation or related costs, and the amounts can be reasonably estimated. If the obligation can only be estimated within a range, we accrue the minimum amount in the range. These accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. See additional discussion under *Environmental Matters* in *Item 1, Business* and under *Asset Retirement Obligations* in the *Principles of Consolidation and Summary of Accounting Policies* note to our consolidated financial statements.

13. Subsequent Events

In February 2008, USF Reddaway closed 21 service centers primarily representing the former USF Bestway footprint. USF Holland closed six service centers at the same time. As a part of these closings, we incurred certain restructuring and other closure costs of approximately \$10 million in the first quarter of 2008.

In February 2008, the Teamsters ratified a new five-year labor contract that replaces our current agreement when it expires on March 31, 2008.

Table of Contents**14. Condensed Consolidating Financial Statements****Guarantees of the Contingent Convertible Senior Notes**

In August 2003, YRC Worldwide issued 5.0% contingent convertible senior notes due 2023. In November 2003, we issued 3.375% contingent convertible senior notes due 2023. In December 2004, we completed exchange offers pursuant to which holders of the contingent convertible senior notes could exchange their notes for an equal amount of new net share settled contingent convertible senior notes. Substantially all notes were exchanged as part of the exchange offers. In connection with the net share settled contingent convertible senior notes, the following 100% owned subsidiaries of YRC Worldwide have issued guarantees in favor of the holders of the net share settled contingent convertible senior notes: Yellow Transportation, Inc., Mission Supply Company, Yellow Relocation Services, Inc., YRC Worldwide Technologies, Inc., YRC Logistics, Inc. (formerly Meridian IQ Inc.), YRC Logistics Global, LLC. (formerly MIQ, LLC), Globe.com Lines, Inc., Roadway LLC, Roadway Next Day Corporation, and Roadway Express, Inc. Each of the guarantees is full and unconditional and joint and several.

The condensed consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of YRC Worldwide or any guarantor to obtain funds from its subsidiaries by dividend or loan.

The following represents condensed consolidating financial information as of December 31, 2007 and 2006 with respect to the financial position and for the years ended December 31, 2007, 2006 and 2005 for results of operations and cash flows of YRC Worldwide and its subsidiaries. The Parent column presents the financial information of YRC Worldwide, the primary obligor of the contingent convertible senior notes. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the net share settled contingent convertible senior notes. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries that are governed by foreign laws and Yellow Roadway Receivables Funding Corporation, the special-purpose entity that is associated with our ABS agreement. Guarantees issued by USF Holland Inc. and Regional Transportation were released in 2007 and these subsidiaries moved from Guarantor subsidiaries to Non-Guarantor subsidiaries in the following financial statements as of and for the year ended December 31, 2007.

Condensed Consolidating Balance Sheets**December 31, 2007**

| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------|-----------------|---------------------------|-------------------------------|-------------------|-----------------|
| Cash and cash equivalents | \$ 26 | \$ 15 | \$ 17 | \$ | \$ 58 |
| Intercompany advances receivable | | (65) | 65 | | |
| Accounts receivable, net | 3 | (25) | 1,101 | (5) | 1,074 |
| Prepaid expenses and other | 76 | 99 | 71 | | 246 |
| Total current assets | 105 | 24 | 1,254 | (5) | 1,378 |
| Property and equipment | 1 | 2,967 | 1,116 | | 4,084 |
| Less accumulated depreciation | (1) | (1,468) | (235) | | (1,704) |
| Net property and equipment | | 1,499 | 881 | | 2,380 |
| Investment in subsidiaries | 3,280 | 93 | 203 | (3,576) | |
| Receivable from affiliate | (898) | 488 | 410 | | |
| Goodwill and other assets | 258 | 985 | 412 | (350) | 1,305 |
| Total assets | \$ 2,745 | \$ 3,089 | \$ 3,160 | \$ (3,931) | \$ 5,063 |
| Intercompany advances payable | \$ 342 | \$ (294) | \$ 157 | \$ (205) | \$ |
| Accounts payable | 12 | 264 | 112 | | 388 |
| Wages, vacations and employees benefits | 29 | 285 | 112 | | 426 |
| Claims and insurance accruals | 34 | 27 | 107 | | 168 |
| Other current and accrued liabilities | 18 | 122 | 62 | | 202 |

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| | | | | | |
|--------------------------------------------|----------|----------|----------|------------|----------|
| Asset backed securitization borrowings | | | 180 | | 180 |
| Current maturities of long-term debt | | 232 | | | 232 |
| Total current liabilities | 435 | 636 | 730 | (205) | 1,596 |
| Payable to affiliate | (117) | 44 | 223 | (150) | |
| Long-term debt, less current portion | 554 | 7 | 261 | | 822 |
| Deferred income taxes, net | 19 | 307 | 196 | | 522 |
| Pension and postretirement | 180 | | | | 180 |
| Claims and other liabilities | 84 | 3 | 244 | | 331 |
| Commitments and contingencies | | | | | |
| Shareholders' equity | 1,590 | 2,092 | 1,506 | (3,576) | 1,612 |
| Total liabilities and shareholders' equity | \$ 2,745 | \$ 3,089 | \$ 3,160 | \$ (3,931) | \$ 5,063 |

Table of Contents**December 31, 2006**

| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---------------------------------------------------|-----------------|---------------------------|-------------------------------|-------------------|-----------------|
| Cash and cash equivalents | \$ 20 | \$ 21 | \$ 35 | \$ | \$ 76 |
| Intercompany advances receivable | | (68) | 68 | | |
| Accounts receivable, net | 5 | 11 | 1,193 | (18) | 1,191 |
| Prepaid expenses and other | 22 | 193 | 9 | | 224 |
| Total current assets | 47 | 157 | 1,305 | (18) | 1,491 |
| Property and equipment | 1 | 3,258 | 583 | | 3,842 |
| Less accumulated depreciation | (1) | (1,461) | (110) | | (1,572) |
| Net property and equipment | | 1,797 | 473 | | 2,270 |
| Investment in subsidiaries | 3,372 | 254 | 5 | (3,631) | |
| Receivable from affiliate | (563) | 426 | 137 | | |
| Goodwill and other assets | 262 | 1,869 | 310 | (350) | 2,091 |
| Total assets | \$ 3,118 | \$ 4,503 | \$ 2,230 | \$ (3,999) | \$ 5,852 |
| Intercompany advances payable | \$ 402 | \$ (548) | \$ 355 | \$ (209) | \$ |
| Accounts payable | 15 | 321 | 71 | (9) | 398 |
| Wages, vacations and employees' benefits | 15 | 338 | 61 | | 414 |
| Claims and insurance accruals | | 50 | 140 | | 190 |
| Other current and accrued liabilities | 18 | 85 | 31 | | 134 |
| Asset backed securitization borrowings | | | 225 | | 225 |
| Total current liabilities | 450 | 246 | 883 | (218) | 1,361 |
| Payable to affiliate | (101) | 28 | 223 | (150) | |
| Long-term debt, less current portion | 550 | 508 | | | 1,058 |
| Deferred income taxes, net | 18 | 430 | 61 | | 509 |
| Pension and postretirement | 350 | | | | 350 |
| Claims and other liabilities | 12 | 38 | 332 | | 382 |
| Commitments and contingencies | | | | | |
| Shareholders' equity | 1,839 | 3,253 | 731 | (3,631) | 2,192 |
| Total liabilities and shareholders' equity | \$ 3,118 | \$ 4,503 | \$ 2,230 | \$ (3,999) | \$ 5,852 |

Condensed Consolidating Statements of Operations

For the year ended December 31, 2007

| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------|--------|---------------------------|-------------------------------|--------------|--------------|
| Operating revenue | \$ 45 | \$ 6,724 | \$ 3,233 | \$ (381) | \$ 9,621 |
| Operating expenses: | | | | | |
| Salaries, wages and employees' benefits | 35 | 3,797 | 1,909 | | 5,741 |
| Operating expenses and supplies | 26 | 1,345 | 842 | (348) | 1,865 |
| Purchased transportation | | 780 | 344 | (35) | 1,089 |
| Depreciation and amortization | | 159 | 97 | | 256 |
| Other operating expenses | | 296 | 141 | | 437 |
| Gains on property disposals, net | | (8) | 2 | | (6) |
| Reorganization and settlements | 10 | 7 | 5 | | 22 |
| Impairment charges | | 76 | 706 | | 782 |

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|-------------------------------------|---------|-------|----------|-------|----------|
| Total operating expenses | 71 | 6,452 | 4,046 | (383) | 10,186 |
| Operating income (loss) | (26) | 272 | (813) | 2 | (565) |
| Nonoperating (income) expenses: | | | | | |
| Interest expense | 36 | 18 | 35 | | 89 |
| Other, net | 27 | 195 | (226) | 2 | (2) |
| Nonoperating (income) expenses, net | 63 | 213 | (191) | 2 | 87 |
| Income (loss) before income taxes | (89) | 59 | (622) | | (652) |
| Income tax provision (benefit) | (26) | 7 | 5 | | (14) |
| Net income (loss) | \$ (63) | \$ 52 | \$ (627) | \$ | \$ (638) |

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| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|----------------------------------------|---------|---------------------------|-------------------------------|--------------|--------------|
| Operating revenue | \$ 53 | \$ 8,429 | \$ 1,889 | \$ (452) | \$ 9,919 |
| Operating expenses: | | | | | |
| Salaries, wages and employees benefits | 38 | 4,848 | 931 | (81) | 5,736 |
| Operating expenses and supplies | 35 | 1,615 | 488 | (319) | 1,819 |
| Purchased transportation | | 840 | 271 | (20) | 1,091 |
| Depreciation and amortization | | 215 | 59 | | 274 |
| Other operating expenses | | 370 | 66 | | 436 |
| Gains on property disposals, net | | (6) | (2) | | (8) |
| Reorganization and settlements | | 8 | 18 | | 26 |
| Total operating expenses | 73 | 7,890 | 1,831 | (420) | 9,374 |
| Operating income (loss) | (20) | 539 | 58 | (32) | 545 |
| Nonoperating (income) expenses: | | | | | |
| Interest expense | 34 | 29 | 25 | | 88 |
| Other, net | 20 | 150 | (137) | (32) | 1 |
| Nonoperating (income) expenses, net | 54 | 179 | (112) | (32) | 89 |
| Income (loss) before income taxes | (74) | 360 | 170 | | 456 |
| Income tax provision (benefit) | (6) | 122 | 63 | | 179 |
| Net income (loss) | \$ (68) | \$ 238 | \$ 107 | \$ | \$ 277 |

For the year ended December 31, 2005

| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|----------------------------------------|--------|---------------------------|-------------------------------|--------------|--------------|
| Operating revenue | \$ 61 | \$ 7,693 | \$ 1,395 | \$ (408) | \$ 8,741 |
| Operating expenses: | | | | | |
| Salaries, wages and employees benefits | 48 | 4,454 | 649 | (40) | 5,111 |
| Operating expenses and supplies | 35 | 1,430 | 282 | (309) | 1,438 |
| Purchased transportation | | 743 | 271 | (23) | 991 |
| Depreciation and amortization | | 202 | 49 | | 251 |
| Other operating expenses | | 361 | 51 | (6) | 406 |
| Gains on property disposals, net | | (5) | | | (5) |
| Reorganization and settlements | 5 | 2 | 6 | | 13 |
| Total operating expenses | 88 | 7,187 | 1,308 | (378) | 8,205 |
| Operating income (loss) | (27) | 506 | 87 | (30) | 536 |
| Nonoperating (income) expenses: | | | | | |
| Interest expense | 36 | 32 | 72 | (77) | 63 |
| Other, net | (346) | 180 | (197) | 364 | 1 |
| Nonoperating (income) expenses, net | (310) | 212 | (125) | 287 | 64 |
| Income (loss) before income taxes | 283 | 294 | 212 | (317) | 472 |

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| | | | | | |
|--------------------------------|--------|--------|--------|----------|--------|
| Income tax provision (benefit) | (1) | 108 | 77 | 184 | |
| Net income (loss) | \$ 284 | \$ 186 | \$ 135 | \$ (317) | \$ 288 |

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Condensed Consolidating Statements of Cash Flows

For the year ended December 31, 2007

| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------|----------|---------------------------|-------------------------------|--------------|--------------|
| Operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$ (219) | \$ 417 | \$ 195 | \$ | \$ 393 |
| Investing activities: | | | | | |
| Acquisition of property and equipment | | (251) | (143) | | (394) |
| Proceeds from disposal of property and equipment | | 23 | 32 | | 55 |
| Other | (2) | 1 | (1) | | (2) |
| Net cash used in investing activities | (2) | (227) | (112) | | (341) |
| Financing activities: | | | | | |
| ABS borrowings, net | | | (45) | | (45) |
| Issuance of long-term debt, net | 4 | | 1 | | 5 |
| Debt issuance costs | (1) | | | | (1) |
| Treasury stock purchases | (35) | | | | (35) |
| Proceeds from exercise of stock options | 6 | | | | 6 |
| Intercompany advances / repayments | 253 | (196) | (57) | | |
| Net cash provided by (used in) financing activities | 227 | (196) | (101) | | (70) |
| Net increase (decrease) in cash and cash equivalents | 6 | (6) | (18) | | (18) |
| Cash and cash equivalents, beginning of year | 20 | 21 | 35 | | 76 |
| Cash and cash equivalents, end of year | \$ 26 | \$ 15 | \$ 17 | \$ | \$ 58 |

For the year ended December 31, 2006

| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------------------|---------|---------------------------|-------------------------------|--------------|--------------|
| Operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$ (97) | \$ 154 | \$ 475 | \$ | \$ 532 |
| Investing activities: | | | | | |
| Acquisition of property and equipment | | (325) | (53) | | (378) |
| Proceeds from disposal of property and equipment | | 17 | 58 | | 75 |
| Acquisition of companies | (26) | | | | (26) |
| Other | | 6 | (6) | | |
| Net cash used in investing activities | (26) | (302) | (1) | | (329) |
| Financing activities: | | | | | |
| ABS borrowings, net | | | (150) | | (150) |
| Repayment of long-term debt | (45) | | | | (45) |
| Treasury stock purchases | (20) | | | | (20) |
| Proceeds from exercise of stock options | 6 | | | | 6 |
| Intercompany advances / repayments | 182 | 151 | (333) | | |

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| | | | | |
|------------------------------------------------------|-------|-------|-------|-------|
| Net cash provided by (used in) financing activities | 123 | 151 | (483) | (209) |
| Net increase (decrease) in cash and cash equivalents | | 3 | (9) | (6) |
| Cash and cash equivalents, beginning of year | 20 | 18 | 44 | 82 |
| Cash and cash equivalents, end of year | \$ 20 | \$ 21 | \$ 35 | \$ 76 |

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For the year ended December 31, 2005

| (in millions) | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------|--------|---------------------------|-------------------------------|--------------|--------------|
| Operating activities: | | | | | |
| Net cash provided by operating activities | \$ 52 | \$ 242 | \$ 193 | \$ 11 | \$ 498 |
| Investing activities: | | | | | |
| Acquisition of property and equipment | | (233) | (71) | | (304) |
| Proceeds from disposal of property and equipment | | 35 | 13 | | 48 |
| Acquisition of companies | (821) | 46 | 21 | | (754) |
| Investment in affiliate | (46) | | | | (46) |
| Other | | 2 | 10 | | 12 |
| Net cash used in investing activities | (867) | (150) | (27) | | (1,044) |
| Financing activities: | | | | | |
| ABS borrowings, net | | | 375 | | 375 |
| Debt issuance costs | (4) | | | | (4) |
| Issuance (repayment) of long-term debt | 195 | (5) | | | 190 |
| Proceeds from exercise of stock options | 11 | | | | 11 |
| Treasury stock purchases | (50) | | | | (50) |
| Intercompany advances / repayments | 601 | (76) | (514) | (11) | |
| Net cash provided by (used in) financing activities | 753 | (81) | (139) | (11) | 522 |
| Net increase (decrease) in cash and cash equivalents | (62) | 11 | 27 | | (24) |
| Cash and cash equivalents, beginning of year | 82 | 7 | 17 | | 106 |
| Cash and cash equivalents, end of year | \$ 20 | \$ 18 | \$ 44 | \$ | \$ 82 |

Table of Contents**Guarantees of the Senior Notes Due 2008**

In connection with the senior notes due 2008, that the Company assumed by virtue of the Roadway merger agreement, and in addition to the primary obligor, Roadway LLC, YRC Worldwide and its following 100% owned subsidiaries have issued guarantees in favor of the holders of the senior notes due 2008: Roadway Next Day Corporation, New Penn Motor Express, Inc., Roadway Express, Inc., Roadway Reverse Logistics, Inc. and Roadway Express International, Inc. Each of the guarantees is full and unconditional and joint and several.

The condensed consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of YRC Worldwide or any guarantor subsidiary to obtain funds from its subsidiaries by dividend or loan.

The following represents condensed consolidating financial information of YRC Worldwide and its subsidiaries as of December 31, 2007 and 2006 with respect to the financial position, and for the years ended December 31, 2007, 2006 and 2005 for results of operations and cash flows. The primary obligor column presents the financial information of Roadway LLC. The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the senior notes due 2008 including YRC Worldwide, the holding company. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries that are governed by foreign laws and Yellow Roadway Receivables Funding Corporation, the special-purpose entity that is associated with our ABS agreement.

Condensed Consolidating Balance Sheets

December 31, 2007

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Cash and cash equivalents | \$ | \$ 45 | \$ 13 | \$ | \$ 58 |
| Intercompany advances receivable | | (17) | 17 | | |
| Accounts receivable, net | | (38) | 1,120 | (8) | 1,074 |
| Prepaid expenses and other | (12) | 102 | 156 | | 246 |
| Total current assets | (12) | 92 | 1,306 | (8) | 1,378 |
| Property and equipment | | 1,103 | 2,981 | | 4,084 |
| Less accumulated depreciation | | (261) | (1,443) | | (1,704) |
| Net property and equipment | | 842 | 1,538 | | 2,380 |
| Investment in subsidiaries | 101 | 3,264 | 254 | (3,619) | |
| Receivable from affiliate | 186 | (722) | 536 | | |
| Goodwill and other assets | 651 | 1,117 | 387 | (850) | 1,305 |
| Total assets | \$ 926 | \$ 4,593 | \$ 4,021 | \$ (4,477) | \$ 5,063 |
| Intercompany advances payable | \$ | \$ 78 | \$ 127 | \$ (205) | \$ |
| Accounts payable | | 98 | 293 | (3) | 388 |
| Wages, vacations and employees benefits | | 181 | 245 | | 426 |
| Claims and insurance accruals | | 48 | 120 | | 168 |
| Other current and accrued liabilities | 1 | 50 | 151 | | 202 |
| Asset backed securitization borrowings | | | 180 | | 180 |
| Current maturities of long-term debt | 229 | | 3 | | 232 |
| Total current liabilities | 230 | 455 | 1,119 | (208) | 1,596 |
| Payable to affiliate | | 533 | 117 | (650) | |
| Long-term debt, less current portion | | 555 | 267 | | 822 |
| Deferred income taxes, net | (3) | 241 | 284 | | 522 |
| Pension and postretirement | | 180 | | | 180 |
| Claims and other liabilities | | 86 | 245 | | 331 |

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| | | | | | |
|--------------------------------------------|--------|----------|----------|------------|----------|
| Commitments and contingencies | | | | | |
| Shareholders' equity | 699 | 2,543 | 1,989 | (3,619) | 1,612 |
| Total liabilities and shareholders' equity | \$ 926 | \$ 4,593 | \$ 4,021 | \$ (4,477) | \$ 5,063 |

Table of Contents**December 31, 2006**

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------|-----------------|------------------------|----------------------------|--------------|--------------|
| Cash and cash equivalents | \$ | \$ 38 | \$ 38 | \$ | \$ 76 |
| Intercompany advances receivable | | (14) | 14 | | |
| Accounts receivable, net | | (20) | 1,222 | (11) | 1,191 |
| Prepaid expenses and other | (2) | 83 | 143 | | 224 |
| Total current assets | (2) | 87 | 1,417 | (11) | 1,491 |
| Property and equipment | | 1,019 | 2,823 | | 3,842 |
| Less accumulated depreciation | | (199) | (1,373) | | (1,572) |
| Net property and equipment | | 820 | 1,450 | | 2,270 |
| Investment in subsidiaries | | 3,377 | 208 | (3,585) | |
| Receivable from affiliate | 155 | (552) | 397 | | |
| Goodwill and other assets | 651 | 1,257 | 1,033 | (850) | 2,091 |
| Total assets | \$ 804 | \$ 4,989 | \$ 4,505 | \$ (4,446) | \$ 5,852 |
| Intercompany advances payable | \$ | \$ 87 | \$ 122 | \$ (209) | \$ |
| Accounts payable | | 114 | 286 | (2) | 398 |
| Wages, vacations and employees benefits | | 165 | 249 | | 414 |
| Claims and insurance accruals | | 22 | 168 | | 190 |
| Other current and accrued liabilities | 2 | 54 | 78 | | 134 |
| Asset backed securitization borrowings | | | 225 | | 225 |
| Total current liabilities | 2 | 442 | 1,128 | (211) | 1,361 |
| Payable to affiliate | | 549 | 101 | (650) | |
| Long-term debt, less current portion | 234 | 550 | 274 | | 1,058 |
| Deferred income taxes, net | (5) | 234 | 280 | | 509 |
| Pension and postretirement | | 350 | | | 350 |
| Claims and other liabilities | | 26 | 356 | | 382 |
| Commitments and contingencies | | | | | |
| Shareholders equity | 573 | 2,838 | 2,366 | (3,585) | 2,192 |
| Total liabilities and shareholders equity | \$ 804 | \$ 4,989 | \$ 4,505 | \$ (4,446) | \$ 5,852 |

Condensed Consolidated Statements of Operations

For the year ended December 31, 2007

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|----------------------------------------|-----------------|------------------------|----------------------------|--------------|--------------|
| Operating revenue | \$ | \$ 3,444 | \$ 6,591 | \$ (414) | \$ 9,621 |
| Operating expenses: | | | | | |
| Salaries, wages and employees benefits | | 1,994 | 3,747 | | 5,741 |
| Operating expenses and supplies | | 687 | 1,550 | (372) | 1,865 |
| Purchased transportation | | 350 | 783 | (44) | 1,089 |
| Depreciation and amortization | | 76 | 180 | | 256 |
| Other operating expenses | | 150 | 287 | | 437 |
| Gains on property disposals, net | | (8) | 2 | | (6) |
| Reorganization and settlements | | 11 | 11 | | 22 |
| Impairment charges | | 136 | 646 | | 782 |

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| | | | | | |
|-------------------------------------|-------|----------|----------|-------|----------|
| Total operating expenses | | 3,396 | 7,206 | (416) | 10,186 |
| Operating income (loss) | | 48 | (615) | 2 | (565) |
| Nonoperating (income) expenses: | | | | | |
| Interest expense | 14 | 35 | 40 | | 89 |
| Other, net | (52) | 168 | (120) | 2 | (2) |
| Nonoperating (income) expenses, net | (38) | 203 | (80) | 2 | 87 |
| Income before income taxes | 38 | (155) | (535) | | (652) |
| Income tax provision (benefit) | 14 | (38) | 10 | | (14) |
| Net income (loss) | \$ 24 | \$ (117) | \$ (545) | \$ | \$ (638) |

Table of Contents**For the year ended December 31, 2006**

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|----------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Operating revenue | \$ | \$ 3,611 | \$ 6,761 | \$ (453) | \$ 9,919 |
| Operating expenses: | | | | | |
| Salaries, wages and employees benefits | | 2,083 | 3,734 | (81) | 5,736 |
| Operating expenses and supplies | | 667 | 1,458 | (306) | 1,819 |
| Purchased transportation | | 377 | 748 | (34) | 1,091 |
| Depreciation and amortization | | 89 | 185 | | 274 |
| Other operating expenses | | 156 | 280 | | 436 |
| Gains on property disposals, net | | (6) | (2) | | (8) |
| Reorganization and settlements | | 2 | 24 | | 26 |
| Total operating expenses | | 3,368 | 6,427 | (421) | 9,374 |
| Operating income (loss) | | 243 | 334 | (32) | 545 |
| Nonoperating (income) expenses: | | | | | |
| Interest expense | 14 | 34 | 40 | | 88 |
| Other, net | (51) | 124 | (40) | (32) | 1 |
| Nonoperating (income) expenses, net | (37) | 158 | | (32) | 89 |
| Income before income taxes | 37 | 85 | 334 | | 456 |
| Income tax provision | 14 | 53 | 112 | | 179 |
| Net income | \$ 23 | \$ 32 | \$ 222 | \$ | \$ 277 |

For the year ended December 31, 2005

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Operating revenue | \$ | \$ 3,502 | \$ 5,579 | \$ (340) | \$ 8,741 |
| Operating expenses: | | | | | |
| Salaries, wages and employees benefits | | 2,085 | 3,040 | (14) | 5,111 |
| Operating expenses and supplies | | 632 | 1,088 | (282) | 1,438 |
| Purchased transportation | | 341 | 663 | (13) | 991 |
| Depreciation and amortization | | 84 | 167 | | 251 |
| Other operating expenses | | 141 | 265 | | 406 |
| Losses (gains) on property disposals, net | | 1 | (6) | | (5) |
| Reorganization and settlements | | 5 | 8 | | 13 |
| Total operating expenses | | 3,289 | 5,225 | (309) | 8,205 |
| Operating income (loss) | | 213 | 354 | (31) | 536 |
| Nonoperating (income) expenses: | | | | | |
| Interest expense | 14 | 88 | 82 | (121) | 63 |
| Other, net | (53) | (256) | (98) | 408 | 1 |
| Nonoperating (income) expenses, net | (39) | (168) | (16) | 287 | 64 |

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| | | | | | |
|-----------------------------------|-------|--------|--------|----------|--------|
| Income (loss) before income taxes | 39 | 381 | 370 | (318) | 472 |
| Income tax provision | 14 | 34 | 136 | | 184 |
| Net income (loss) | \$ 25 | \$ 347 | \$ 234 | \$ (318) | \$ 288 |

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Condensed Consolidating Statements of Cash Flows

For the year ended December 31, 2007

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$ 30 | \$ (29) | \$ 392 | \$ | \$ 393 |
| Investing activities: | | | | | |
| Acquisition of property and equipment | | (110) | (284) | | (394) |
| Proceeds from disposal of property and equipment | | 30 | 25 | | 55 |
| Other | | (1) | (1) | | (2) |
| Net cash used in investing activities | | (81) | (260) | | (341) |
| Financing activities: | | | | | |
| ABS borrowings, net | | | (45) | | (45) |
| Issuance of long-term debt, net | | 5 | | | 5 |
| Debt issuance costs | | (1) | | | (1) |
| Treasury stock purchases | | (35) | | | (35) |
| Proceeds from exercise of stock options | | 6 | | | 6 |
| Intercompany advances / repayments | (30) | 142 | (112) | | |
| Net cash provided by (used in) financing activities | (30) | 117 | (157) | | (70) |
| Net increase (decrease) in cash and cash equivalents | | 7 | (25) | | (18) |
| Cash and cash equivalents, beginning of year | | 38 | 38 | | 76 |
| Cash and cash equivalents, end of year | \$ | \$ 45 | \$ 13 | \$ | \$ 58 |

For the year ended December 31, 2006

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$ 23 | \$ (13) | \$ 530 | \$ (8) | \$ 532 |
| Investing activities: | | | | | |
| Acquisition of property and equipment | | (128) | (250) | | (378) |
| Proceeds from disposal of property and equipment | | 23 | 52 | | 75 |
| Acquisition of companies | | (26) | | | (26) |
| Other | 4 | | (4) | | |
| Net cash provided by (used in) investing activities | 4 | (131) | (202) | | (329) |
| Financing activities: | | | | | |
| ABS borrowings, net | | | (150) | | (150) |
| Repayment of long-term debt | | (45) | | | (45) |
| Treasury stock purchases | | (20) | | | (20) |
| Proceeds from exercise of stock options | | 6 | | | 6 |
| Intercompany advances / repayments | (27) | 207 | (188) | 8 | |

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| | | | | | |
|------------------------------------------------------|------|-------|-------|----|-------|
| Net cash provided by (used in) financing activities | (27) | 148 | (338) | 8 | (209) |
| Net increase (decrease) in cash and cash equivalents | | 4 | (10) | | (6) |
| Cash and cash equivalents, beginning of year | | 34 | 48 | | 82 |
| Cash and cash equivalents, end of year | \$ | \$ 38 | \$ 38 | \$ | \$ 76 |

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For the year ended December 31, 2005

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$ 50 | \$ 91 | \$ 360 | \$ (3) | \$ 498 |
| Investing activities: | | | | | |
| Acquisition of property and equipment | | (84) | (220) | | (304) |
| Proceeds from disposal of property and equipment | | 16 | 32 | | 48 |
| Acquisition of companies | | (819) | 65 | | (754) |
| Investment in affiliate | | (46) | | | (46) |
| Other | | | 12 | | 12 |
| Net cash used in investing activities | | (933) | (111) | | (1,044) |
| Financing activities: | | | | | |
| ABS borrowings, net | | | 375 | | 375 |
| Debt issuance costs | | (4) | | | (4) |
| Issuance (repayment) of long-term debt | | 195 | (5) | | 190 |
| Proceeds from exercise of stock options | | 11 | | | 11 |
| Treasury stock purchases | | (50) | | | (50) |
| Intercompany advances / repayments | (50) | 635 | (588) | 3 | |
| Net cash provided by (used in) financing activities | (50) | 787 | (218) | 3 | 522 |
| Net increase (decrease) in cash and cash equivalents | | (55) | 31 | | (24) |
| Cash and cash equivalents, beginning of year | | 89 | 17 | | 106 |
| Cash and cash equivalents, end of year | \$ | \$ 34 | \$ 48 | \$ | \$ 82 |

Table of Contents**Guarantees of the Senior Notes Due 2009 and 2010**

In connection with the senior notes due 2009 and 2010 that YRC Worldwide assumed by virtue of its merger with USF, and in addition to the primary obligor, Regional Transportation (formerly USF Corporation), YRC Worldwide and its following 100% owned subsidiaries have issued guarantees in favor of the holders of the senior notes due 2009 and 2010: USF Sales Corporation, USF Holland Inc., USF Reddaway Inc., USF Glen Moore Inc., YRC Logistics Services (formerly Meridian IQ Services Inc.), and IMUA Handling Corporation. Each of the guarantees is full and unconditional and joint and several.

The condensed consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that such separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of YRC Worldwide or any guarantor subsidiary to obtain funds from its subsidiaries by dividend or loan.

The following represents condensed consolidating financial information of YRC Worldwide and its subsidiaries as of December 31, 2007 and 2006 with respect to the financial position and for the years ended December 31, 2007, 2006 and 2005 for results of operations and cash flows. The Condensed Consolidating Statements of Operations and Condensed Consolidating Statement of Cash Flows for 2005 contain USF information from the date of acquisition (May 24) through December 31. The primary obligor column presents the financial information of Regional Transportation (formerly USF Corporation). The Guarantor Subsidiaries column presents the financial information of all guarantor subsidiaries of the senior notes due 2009 and 2010 including YRC Worldwide, the holding company. The Non-Guarantor Subsidiaries column presents the financial information of all non-guarantor subsidiaries, including those subsidiaries that are governed by foreign laws and Yellow Roadway Receivables Funding Corporation, the special-purpose entity that is associated with our ABS agreement.

Condensed Consolidating Balance Sheets**December 31, 2007**

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Cash and cash equivalents | \$ | \$ 29 | \$ 29 | \$ | \$ 58 |
| Intercompany advances receivable | | (11) | 11 | | |
| Accounts receivable, net | | 7 | 1,084 | (17) | 1,074 |
| Prepaid expenses and other | (5) | 153 | 98 | | 246 |
| Total current assets | (5) | 178 | 1,222 | (17) | 1,378 |
| Property and equipment | 2 | 914 | 3,168 | | 4,084 |
| Less accumulated depreciation | (2) | (165) | (1,537) | | (1,704) |
| Net property and equipment | | 749 | 1,631 | | 2,380 |
| Investment in subsidiaries | 218 | 3,279 | 9 | (3,506) | |
| Receivable from affiliate | 490 | (1,183) | 693 | | |
| Goodwill and other assets | 160 | 373 | 1,122 | (350) | 1,305 |
| Total assets | \$ 863 | \$ 3,396 | \$ 4,677 | \$ (3,873) | \$ 5,063 |
| Intercompany advances payable | \$ 65 | \$ 119 | \$ 16 | \$ (200) | \$ |
| Accounts payable | 9 | 82 | 306 | (9) | 388 |
| Wages, vacations and employees benefits | 3 | 114 | 309 | | 426 |
| Claims and insurance accruals | | 41 | 127 | | 168 |
| Other current and accrued liabilities | 23 | 37 | 150 | (8) | 202 |
| Asset backed securitization borrowings | | | 180 | | 180 |
| Current maturities of long-term debt | | | 232 | | 232 |
| Total current liabilities | 100 | 393 | 1,320 | (217) | 1,596 |
| Payable to affiliate | | (45) | 195 | (150) | |

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| | | | | | |
|--------------------------------------------|--------|----------|----------|------------|----------|
| Long-term debt, less current portion | 260 | 555 | 7 | | 822 |
| Deferred income taxes, net | 52 | 127 | 343 | | 522 |
| Pension and postretirement | | 180 | | | 180 |
| Claims and other liabilities | | 85 | 246 | | 331 |
| Commitments and contingencies | | | | | |
| Shareholders' equity | 451 | 2,101 | 2,566 | (3,506) | 1,612 |
| Total liabilities and shareholders' equity | \$ 863 | \$ 3,396 | \$ 4,677 | \$ (3,873) | \$ 5,063 |

Table of Contents**December 31, 2006**

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--------------------------------------------------|-----------------|------------------------|----------------------------|-------------------|-----------------|
| Cash and cash equivalents | \$ | \$ 23 | \$ 53 | \$ | \$ 76 |
| Intercompany advances receivable | | (10) | 10 | | |
| Accounts receivable, net | | 1 | 1,192 | (2) | 1,191 |
| Prepaid expenses and other | (17) | 96 | 145 | | 224 |
| Total current assets | (17) | 110 | 1,400 | (2) | 1,491 |
| Property and equipment | 2 | 836 | 3,004 | | 3,842 |
| Less accumulated depreciation | (1) | (115) | (1,456) | | (1,572) |
| Net property and equipment | 1 | 721 | 1,548 | | 2,270 |
| Investment in subsidiaries | 247 | 3,373 | 6 | (3,626) | |
| Receivable from affiliate | 399 | (714) | 315 | | |
| Goodwill and other assets | 809 | 380 | 1,252 | (350) | 2,091 |
| Total assets | \$ 1,439 | \$ 3,870 | \$ 4,521 | \$ (3,978) | \$ 5,852 |
| Intercompany advances payable | \$ | \$ 193 | \$ 7 | \$ (200) | \$ |
| Accounts payable | 3 | 97 | 300 | (2) | 398 |
| Wages, vacations and employees benefits | (1) | 105 | 310 | | 414 |
| Claims and insurance accruals | | 16 | 174 | | 190 |
| Other current and accrued liabilities | 6 | 39 | 89 | | 134 |
| Asset backed securitization borrowings | | | 225 | | 225 |
| Total current liabilities | 8 | 450 | 1,105 | (202) | 1,361 |
| Payable to affiliate | | (29) | 179 | (150) | |
| Long-term debt, less current portion | 265 | 550 | 243 | | 1,058 |
| Deferred income taxes, net | 80 | 117 | 312 | | 509 |
| Pension and postretirement | | 350 | | | 350 |
| Claims and other liabilities | 1 | 45 | 336 | | 382 |
| Commitments and contingencies | | | | | |
| Shareholders equity | 1,085 | 2,387 | 2,346 | (3,626) | 2,192 |
| Total liabilities and shareholders equity | \$ 1,439 | \$ 3,870 | \$ 4,521 | \$ (3,978) | \$ 5,852 |

Condensed Consolidating Statements of Operations

For the year ended December 31, 2007

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|----------------------------------------|-----------------|------------------------|----------------------------|--------------|--------------|
| Operating revenue | \$ 22 | \$ 2,362 | \$ 7,612 | \$ (375) | \$ 9,621 |
| Operating expenses: | | | | | |
| Salaries, wages and employees benefits | 8 | 1,397 | 4,336 | | 5,741 |
| Operating expenses and supplies | 5 | 654 | 1,554 | (348) | 1,865 |
| Purchased transportation | | 122 | 996 | (29) | 1,089 |
| Depreciation and amortization | 8 | 67 | 181 | | 256 |
| Other operating expenses | | 121 | 316 | | 437 |
| Gains on property disposals, net | | (1) | (5) | | (6) |
| Reorganization and settlements | 1 | 13 | 8 | | 22 |
| Impairment charges | 646 | | 136 | | 782 |

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| | | | | | |
|-------------------------------------|----------|----------|-------|-------|----------|
| Total operating expenses | 668 | 2,373 | 7,522 | (377) | 10,186 |
| Operating income (loss) | (646) | (11) | 90 | 2 | (565) |
| Nonoperating (income) expenses: | | | | | |
| Interest expense | 16 | 35 | 38 | | 89 |
| Other, net | (42) | 124 | (86) | 2 | (2) |
| Nonoperating (income) expenses, net | (26) | 159 | (48) | 2 | 87 |
| Income (loss) before income taxes | (620) | (170) | 138 | | (652) |
| Income tax provision (benefit) | (17) | (54) | 57 | | (14) |
| Net income (loss) | \$ (603) | \$ (116) | \$ 81 | \$ | \$ (638) |

Table of Contents**For the year ended December 31, 2006**

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|----------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Operating revenue | \$ 22 | \$ 2,440 | \$ 7,913 | \$ (456) | \$ 9,919 |
| Operating expenses: | | | | | |
| Salaries, wages and employees benefits | 8 | 1,381 | 4,428 | (81) | 5,736 |
| Operating expenses and supplies | 6 | 624 | 1,508 | (319) | 1,819 |
| Purchased transportation | | 137 | 978 | (24) | 1,091 |
| Depreciation and amortization | 8 | 72 | 194 | | 274 |
| Other operating expenses | | 115 | 321 | | 436 |
| Gains on property disposals, net | | (2) | (6) | | (8) |
| Reorganization and settlements | | 1 | 25 | | 26 |
| Total operating expenses | 22 | 2,328 | 7,448 | (424) | 9,374 |
| Operating income (loss) | | 112 | 465 | (32) | 545 |
| Nonoperating (income) expenses: | | | | | |
| Interest expense | 15 | 34 | 39 | | 88 |
| Other, net | (24) | 100 | (43) | (32) | 1 |
| Nonoperating (income) expenses, net | (9) | 134 | (4) | (32) | 89 |
| Income (loss) before income taxes | 9 | (22) | 469 | | 456 |
| Income tax provision | 3 | 13 | 163 | | 179 |
| Net income (loss) | \$ 6 | \$ (35) | \$ 306 | \$ | \$ 277 |

For the year ended December 31, 2005

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-------------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Operating revenue | \$ 51 | \$ 1,523 | \$ 7,575 | \$ (408) | \$ 8,741 |
| Operating expenses: | | | | | |
| Salaries, wages and employees benefits | 8 | 871 | 4,273 | (41) | 5,111 |
| Operating expenses and supplies | 7 | 341 | 1,400 | (310) | 1,438 |
| Purchased transportation | | 141 | 873 | (23) | 991 |
| Depreciation and amortization | 5 | 53 | 193 | | 251 |
| Other operating expenses | 27 | 79 | 306 | (6) | 406 |
| Losses (gains) on property disposals, net | | 1 | (6) | | (5) |
| Reorganization and settlements | 2 | 11 | | | 13 |
| Total operating expenses | 49 | 1,497 | 7,039 | (380) | 8,205 |
| Operating income (loss) | 2 | 26 | 536 | (28) | 536 |
| Nonoperating (income) expenses: | | | | | |
| Interest expense | 9 | 43 | 88 | (77) | 63 |
| Other, net | (20) | (321) | (21) | 363 | 1 |
| Nonoperating (income) expenses, net | (11) | (278) | 67 | 286 | 64 |

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| | | | | | |
|-----------------------------------|-------|--------|--------|----------|--------|
| Income (loss) before income taxes | 13 | 304 | 469 | (314) | 472 |
| Income tax provision | 2 | 5 | 177 | | 184 |
| Net income (loss) | \$ 11 | \$ 299 | \$ 292 | \$ (314) | \$ 288 |

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Condensed Consolidating Statements of Cash Flows

For the year ended December 31, 2007

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Operating activities: | | | | | |
| Net cash (used in) provided by operating activities | \$ 36 | \$ (200) | \$ 557 | \$ | \$ 393 |
| Investing activities: | | | | | |
| Acquisition of property and equipment | | (110) | (284) | | (394) |
| Proceeds from disposal of property and equipment | | 5 | 50 | | 55 |
| Other | | (1) | (1) | | (2) |
| Net cash used in investing activities | | (106) | (235) | | (341) |
| Financing activities: | | | | | |
| ABS borrowings, net | | | (45) | | (45) |
| Issuance of long-term debt, net | | 4 | 1 | | 5 |
| Debt issuance costs | | (1) | | | (1) |
| Treasury stock purchases | | (35) | | | (35) |
| Proceeds from exercise of stock options | | 6 | | | 6 |
| Intercompany advances / repayments | (36) | 338 | (302) | | |
| Net cash provided by (used in) financing activities | (36) | 312 | (346) | | (70) |
| Net increase (decrease) in cash and cash equivalents | | 6 | (24) | | (18) |
| Cash and cash equivalents, beginning of year | | 23 | 53 | | 76 |
| Cash and cash equivalents, end of year | \$ | \$ 29 | \$ 29 | \$ | \$ 58 |

For the year ended December 31, 2006

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|-----------------------------------------------------|--------------------|---------------------------|-------------------------------|--------------|--------------|
| Operating activities: | | | | | |
| Net cash (used in) provided by operating activities | \$ (71) | \$ 93 | \$ 510 | \$ | \$ 532 |
| Investing activities: | | | | | |
| Acquisition of property and equipment | | (94) | (284) | | (378) |
| Proceeds from disposal of property and equipment | 1 | 30 | 44 | | 75 |
| Acquisition of companies | | (26) | | | (26) |
| Net cash provided by (used in) investing activities | 1 | (90) | (240) | | (329) |
| Financing activities: | | | | | |
| ABS borrowings, net | | | (150) | | (150) |
| Repayment of long-term debt | | (45) | | | (45) |
| Treasury stock purchases | | (20) | | | (20) |
| Proceeds from exercise of stock options | | 6 | | | 6 |
| Intercompany advances / repayments | 70 | 37 | (107) | | |
| Net cash provided by (used in) financing activities | 70 | (22) | (257) | | (209) |

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| | | | |
|------------------------------------------------------|-------|-------|-------|
| Net increase (decrease) in cash and cash equivalents | (19) | 13 | (6) |
| Cash and cash equivalents, beginning of year | 42 | 40 | 82 |
| Cash and cash equivalents, end of year | \$ 23 | \$ 53 | \$ 76 |

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For the year ended December 31, 2005

| (in millions) | Primary Obligor | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|------------------------------------------------------|-----------------|------------------------|----------------------------|--------------|--------------|
| Operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$ (38) | \$ 208 | \$ 317 | \$ 11 | \$ 498 |
| Investing activities: | | | | | |
| Acquisition of property and equipment | | (89) | (215) | | (304) |
| Proceeds from disposal of property and equipment | 1 | 15 | 32 | | 48 |
| Acquisition of companies | 43 | (824) | 27 | | (754) |
| Investment in affiliate | | (46) | | | (46) |
| Other | 2 | | 10 | | 12 |
| Net cash provided by (used in) investing activities | 46 | (944) | (146) | | (1,044) |
| Financing activities: | | | | | |
| ABS borrowings, net | | | 375 | | 375 |
| Debt issuance costs | | (4) | | | (4) |
| Issuance (repayment) of long-term debt | | 195 | (5) | | 190 |
| Proceeds from exercise of stock options | | 11 | | | 11 |
| Treasury stock purchases | | (50) | | | (50) |
| Intercompany advances / repayments | (8) | 544 | (525) | (11) | |
| Net cash provided by (used in) financing activities | (8) | 696 | (155) | (11) | 522 |
| Net increase (decrease) in cash and cash equivalents | | (40) | 16 | | (24) |
| Cash and cash equivalents, beginning of year | | 82 | 24 | | 106 |
| Cash and cash equivalents, end of year | \$ | \$ 42 | \$ 40 | \$ | \$ 82 |

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

YRC Worldwide Inc.:

We have audited the accompanying consolidated balance sheets of YRC Worldwide Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of operations, cash flows, shareholders' equity and comprehensive income for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 8 to the consolidated financial statements, on January 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. As discussed in notes 1 and 5 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*, and SFAS No. 123(R), *Share-Based Payment*, during the year ended December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2008, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Kansas City, Missouri
February 29, 2008

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

YRC Worldwide Inc.:

We have audited YRC Worldwide Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated February 29, 2008 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Kansas City, Missouri
February, 29, 2008

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in our filings under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our principal executive and principal financial officers evaluated our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective as of December 31, 2007.

Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining effective internal control over our financial reporting, which is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management assessed the effectiveness of our system of internal control over financial reporting as of December 31, 2007. In making this assessment, our management used the criteria for effective internal control over financial reporting described in Internal Control - Integrated Framework that the Committee of Sponsoring Organizations of the Treadway Commission issued.

Based on its assessment using those criteria, our management concluded that, as of December 31, 2007, our system of internal control over financial reporting was effective.

KPMG LLP, the registered independent public accounting firm that audited our December 31, 2007 consolidated financial statements, has issued an attestation report on our system of internal control over financial reporting. The KPMG LLP attestation report is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

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The information required by this item relating to our directors and nominees, and compliance with Section 16(a) of the Securities Act of 1934 is included under the captions Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance in our Proxy Statement related to the 2008 Annual Meeting of Shareholders and is incorporated herein by reference.

The following are our executive officers as of February 29, 2008:

| Name | Age | Position(s) Held |
|---------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| William D. Zollars | 60 | Chairman of the Board, President and Chief Executive Officer of YRC Worldwide (since November 1999); President of Yellow Transportation (1996-1999); Senior Vice President of Ryder Integrated Logistics, Inc. (1994-1996). |
| Stephen L. Bruffett | 44 | Executive Vice President and Chief Financial Officer, YRC Worldwide (since September 2007); Senior Vice President Sales and Marketing, YRC National Transportation (2007); Senior Vice President Sales and Marketing, Yellow Transportation (2006-2007); Senior Vice President Field Operations and Sales, Yellow Transportation (2005-2006); Senior Vice President Corporate Development and Investor Relations, Yellow Roadway Corporation (2003-2005); Vice President and Treasurer, Yellow Corporation (2001-2003). |
| Daniel J. Churay | 45 | Executive Vice President, General Counsel and Secretary of YRC Worldwide (since September 2002); Senior Counsel, Fulbright & Jaworski L.L.P. (2002); Deputy General Counsel and Assistant Secretary of Baker Hughes Incorporated (1998-2002). |
| Michael J. Smid | 52 | President, YRC North American Transportation (since October 2007); President, YRC National Transportation (2007); President and Chief Executive Officer, Roadway Express (2005-2007); President and Chief Integration Officer, YRC Worldwide Enterprise Services (2004-2005); Executive Vice President and Chief Administrative Officer, Yellow Transportation (2000-2004). |
| James G. Kissinger | 51 | Executive Vice President Human Resources, YRC Worldwide (since January 2008); Senior Vice President Corporate Operations, Aircell (telecommunications) (2006-2007); Senior Vice President Human Resources, Sprint Nextel Corporation (telecommunications) (1984-2006). |
| Paul F. Liljegren | 53 | Vice President, Controller and Chief Accounting Officer of YRC Worldwide (since September 2005); Vice President, Risk and Assurance of YRC Worldwide (2004-2005); Corporate Treasurer of Butler Manufacturing Company (1998-2004); Vice President, Finance for a division of Butler Manufacturing Company (1991-1998). |

We have adopted a written Code of Conduct that applies to all of our directors, officers and employees, including our chief executive officer, chief financial officer and chief accounting officer. It is available under Board Committee Charters & Code of Conduct on our website located at www.yrcw.com. We intend to disclose any amendments to, or waivers from, any provision of our Code of Conduct that applies to our chief executive officer, chief financial officer or chief accounting officer by posting such information on our website located at www.yrcw.com.

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Item 11. Executive Compensation

The information that this item requires is included under the captions Compensation Committee Interlocks and Insider Participation, Director Compensation, Compensation Discussion and Analysis, Compensation Committee Report and Executive Compensation in our Proxy Statement related to the 2008 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information that this item requires is included under the captions Security Ownership of Management, Security Ownership of Certain Beneficial Owners and Equity Compensation Plan Information in our Proxy Statement related to the 2008 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information that this item requires is included under the captions Structure and Functioning of the Board and Certain Relationships and Related Party Transactions in our Proxy Statement related to the 2008 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information that this item requires is included under the caption Audit/Ethics Committee Report in our Proxy Statement related to the 2008 Annual Meeting of Stockholders and is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements

The consolidated financial statements of the Company included under Item 8 Financial Statements and Supplementary Data.

(a)(2) Financial Statement Schedules

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule on page 95.

Schedule II Valuation and Qualifying Accounts for the years ended December 31, 2007, 2006 and 2005 on page 96.

(a)(3) Exhibits

- 3.1.1 Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to Annual Report on Form 10-K for the year ended December 31, 2002, File No. 000-12255).
- 3.1.2 Certificate of Amendment to the Certificate of Incorporation of the Company changing the name of the Company to Yellow Roadway Corporation (incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-8, filed on December 23, 2003, File No. 333-111499).
- 3.1.3 Certificate of Ownership and Merger, merging YRC Worldwide Inc. into Yellow Roadway Corporation, effecting a name change to YRC Worldwide Inc. (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, filed on January 3, 2006, File No. 000-12255).
- 3.2 Bylaws of the Company, as amended through October 25, 2007 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K, filed on October 26, 2007, File No. 000-12255).
- 4.1 Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to this Annual Report on Form 10-K), as amended by Certificate of Amendment to the Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to this Annual Report on Form 10-K), and Certificate of Ownership and Merger (incorporated by reference to Exhibit 3.3 to this Annual Report on Form 10-K).
- 4.2 Bylaws of the Company (incorporated by reference to Exhibit 3.4 to this Annual Report on Form 10-K).
- 4.3.1 Indenture (including form of note) dated November 30, 2001 among Roadway Corporation (predecessor in interest to Roadway LLC), certain subsidiary guarantors and SunTrust Bank, as trustee, relating to Roadway's 8¹/₄% Senior Notes due December 1, 2008 (incorporated by reference to Exhibit 4.9 to Registration Statement on Form S-8, filed on December 23, 2003, File No. 333-111499).
- 4.3.2 Supplemental Indenture, dated as of December 11, 2003, among Roadway LLC, as successor obligor, YRC Worldwide, Inc., as a Guarantor, and SunTrust Bank, as Trustee, supplementing the Indenture, dated as of November 30, 2001 relating to the Roadway Corporation 8¹/₄% Senior Notes due December 1, 2008 (incorporated by reference to Exhibit 4.6 to the Annual Report on Form 10-K for the year ended December 31, 2003, File No. 000-12255).
- 4.4.1 Indenture, dated as of May 5, 1999, among USFreightways Corporation, the Guarantors named therein and NBD Bank, as trustee (incorporated by reference to Exhibit 4.11 to Registration Statement on Form S-4, filed on June 21, 2005, File No. 333-126006).
- 4.4.2 Form of 6¹/₂% Guaranteed Note due May 1, 2009 issued by USFreightways Corporation (incorporated by reference to Exhibit 4.12 to Registration Statement on Form S-4, filed on June 21, 2005, File No. 333-26006).
- 4.4.3 Form of 8¹/₂% Guaranteed Note due April 15, 2010 issued by USFreightways Corporation (incorporated by reference to Exhibit 4.13 to Registration Statement on Form S-4, filed on June 21, 2005, File No. 333-26006).

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- 4.4.4 Supplemental Indenture, dated as of June 27, 2005, among Yellow Roadway Corporation as New Guarantor, USF Corporation, the Existing Guarantor Subsidiaries under the indenture and J.P. Morgan Trust Company, National Association as Trustee, supplementing the Indenture, dated as of May 5, 1999 (as supplemented and in effect as of the date of the Supplemental Indenture), relating to the USF Corporation (formerly USFreightways Corporation) 6 1/2% Guaranteed Notes due May 1, 2009 and USF Corporation (formerly USFreightways Corporation) 8 1/2% Guaranteed Notes due April 15, 2010 (incorporated by reference to Exhibit 4.6 to the Annual Report on Form 10-K for the year ended December 31, 2005, File No. 000-1225).
- 4.5 Indenture (including form of note) dated August 8, 2003 among Yellow Roadway Corporation, certain subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, relating to Yellow Roadway Corporation's 5.0% Contingent Convertible Senior Notes due 2023 (incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-4, filed on August 19, 2003, File No. 333-108081).
- 4.6 Indenture (including form of note) dated November 25, 2003 among Yellow Roadway Corporation, certain subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, relating to Yellow Roadway Corporation's 3.375% Contingent Convertible Senior Notes due 2023 (incorporated by reference to Exhibit 4.7 to Registration Statement on Form S-8, filed on December 23, 2003, File No. 333-111499).
- 4.7 Indenture (including form of note) dated December 31, 2004, among Yellow Roadway Corporation, certain subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, relating to Yellow Roadway Corporation's 5.0% Net Share Settled Contingent Convertible Senior Notes due 2023 (incorporated by reference to Exhibit 4.7 to Amendment No. 1 to Registration Statement on Form S-4/A, filed on November 30, 2004, File No. 333-119990).
- 4.8 Indenture (including form of note) dated December 31, 2004, among Yellow Roadway Corporation, certain subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, relating to Yellow Roadway Corporation's 3.375% Net Share Settled Contingent Convertible Senior Notes due 2023 (incorporated by reference to Exhibit 4.8 to Amendment No. 1 to Registration Statement on Form S-4/A, filed on November 30, 2004, File No. 333-119990).
- (10) Material Contracts
- 10.1 Credit Agreement, dated as of August 17, 2007, among the Company; the Canadian Borrowers and UK Borrowers party thereto; the Lenders party thereto; Bank of America, N.A. and SunTrust Bank, as Syndication Agents; U.S. Bank National Association, Wachovia Bank, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., Chicago Branch, as Documentation Agents; JP Morgan Chase Bank, National Association, Toronto Branch, as Canadian Agent; J.P. Morgan Europe Limited, as UK Agent; and JPMorgan Chase Bank, National Association, as Administrative Agent. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on August 22, 2007, File No. 000-12255).
- 10.2.1 Second Amended and Restated Receivables Purchase Agreement, dated as of May 24, 2005, among Yellow Roadway Receivables Funding Corporation, as Seller; Falcon Asset Securitization Corporation, Blue Ridge Asset Funding Corporation, Three Pillars Funding LLC and Amsterdam Funding Corporation, as Conduits; various financial institutions party to the Agreement, as Committed Purchasers; USF Assurance Co. Ltd., individually and as an agent for itself as an uncommitted purchaser; Wachovia Bank, National Association, as Blue Ridge Agent and LC Issuer, SunTrust Capital Markets, Inc. as Three Pillars Agent; ABN Amro Bank N.V., as Amsterdam Agent; and JPMorgan Chase Bank, N.A., as Falcon Agent and Administrative Agent (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on May 26, 2005, File No. 000-12255).

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- 10.2.2 Omnibus Amendment No. 1 [Amendment No. 1 to Amended and Restated Receivables Sale Agreement and Amendment No. 1 to Second Amended and Restated Receivables Purchase Agreement], as of May 19, 2006, among Yellow Transportation, Inc., Roadway Express, Inc., USF Reddaway Inc. and USF Holland Inc., as Originators; Yellow Roadway Receivables Funding Corporation, as Seller; JPMorgan Chase Bank, N.A., SunTrust Bank, Wachovia Bank, National Association, and ABN AMRO Bank, N.V., as Committed Purchaser, Falcon Asset Securitization Corporation, Three Pillars Funding LLC, Variable Funding Capital Company LLC (as assignee of Blue Ridge Asset Funding Corporation) and Amsterdam Funding Corporation, as Conduits; YRC Assurance Co. Ltd., as Co-Agent; Wachovia Bank, National Association, as LC Issuer; SunTrust Capital Markets, Inc., Wachovia Bank, National Association, ABN AMRO Bank, N.A., and JPMorgan Chase Bank, N.A., as Co-Agents; and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on May 22, 2006, File No. 000-12255).
- 10.2.3 Omnibus Agreement No. 2 [Amendment No. 2 to Amended and Restated Receivables Sale Agreement and Amendment No. 2 to Second Amended and Restated Receivables Purchase Agreement], as of May 18, 2007, among Yellow Transportation, Inc., Roadway Express, Inc., USF Reddaway Inc. and USF Holland Inc., as Originators; Yellow Roadway Receivables Funding Corporation, as Seller; JPMorgan Chase Bank, N.A., SunTrust Bank, Wachovia Bank, National Association and ABN AMRO Bank, N.V., as Committed Purchasers; Falcon Asset Securitization Company LLC (f/k/a Falcon Asset Securitization Corporation), Three Pillars Funding LLC, Variable Funding Capital Company LLC (as assignee of Blue Ridge Asset Funding Corporation) and Amsterdam Funding Corporation, as Conduits; YRC Assurance Co. Ltd., as Co-Agent; Wachovia Bank, National Association, as LC Issuer; SunTrust Capital Markets, Inc., Wachovia Bank, National Association, ABN AMRO Bank, N.A., and JPMorgan Chase Bank, N.A., as Co-Agents; and JPMorgan Chase Bank, N.A., as Administrative Agent. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on May 23, 2007, File No. 000-12255).
- 10.2.4 Omnibus Amendment No. 3 [Amendment No. 3 to Amended and Restated Receivables Sale Agreement and Amendment No. 3 to Second Amended and Restated Receivables Purchase Agreement], dated as of August 17, 2007, among Yellow Transportation, Inc., Roadway Express, Inc., USF Reddaway Inc. and USF Holland Inc., as Originators; Yellow Roadway Receivables Funding Corporation, as Seller; JPMorgan Chase Bank, N.A., SunTrust Bank, Wachovia Bank, National Association and ABN AMRO Bank, N.V. as Committed Purchasers; Falcon Asset Securitization Company LLC (f/k/a Falcon Asset Securitization Corporation), Three Pillars Funding LLC, Variable Funding Capital Company LLC (as assignee of Blue Ridge Asset Funding Corporation) and Amsterdam Funding Corporation, as Conduits; YRC Assurance Co. Ltd., as Co-Agent; Wachovia Bank, National Association, as LC Issuer; SunTrust Robinson Humphrey, Inc. (f/k/a SunTrust Capital Markets, Inc.), Wachovia Bank, National Association, ABN AMRO Bank, N.A., and JPMorgan Chase Bank, N.A., as CO-Agents; and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to Current Report filed on Form 8-K, filed on August 22, 2007, File No. 000-12255).
- 10.2.5 Amendment No. 4 to Second Amended and Restated Receivables Purchase Agreement, dated as of December 7, 2007, among Yellow Roadway Receivables Funding Corporation, as Seller, JPMorgan Chase Bank, N.A., SunTrust Bank, Wachovia Bank, National Association and ABN AMRO Bank, N.V., as Committed Purchasers; Falcon Asset Securitization Company LLC (f/k/a Falcon Asset Securitization Corporation), Three Pillars Funding LLC, Variable Funding Capital Company LLC (as assignee of Blue Ridge Asset Funding Corporation) and Amsterdam Funding Corporation, as Conduits; YRC Assurance Co. Ltd., as CO-Agent; Wachovia Bank, National Association, as LC Issuer; SunTrust Robinson Humphrey, Inc. (f/k/a SunTrust Capital Markets, Inc.), Wachovia Bank, National Association, ABN AMRO Bank, N.A., and JPMorgan Chase Bank, N.A., as Co-Agents; and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on December 10, 2007, File No. 000-12255).
- 10.3 National Master Freight Agreement, effective April 1, 2008, among the International Brotherhood of Teamsters, Yellow Transportation, Inc., Roadway Express, Inc., USF Holland Inc. and New Penn Motor Express, Inc. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed February 11, 2008, File No. 000-12255).

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(10) Management Contracts, Compensatory Plans and Arrangements

- 10.4.1 YRC Worldwide Inc. Director Compensation Plan (incorporated by reference to Exhibit 10.2 to current Report on Form 8-K, filed on July 25, 2005, File No. 000-12255).
- 10.4.2 Form of Director Share Unit Agreement (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on July 25, 2005, File No. 000-12255).
- 10.5 Employment Agreement dated January 25, 2006 by and between YRC Worldwide Inc. and William D. Zollars (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed on January 26, 2006, File No. 000-12255).
- 10.6 Employment Agreement, dated as of October 10, 2003, by and between Roadway LLC and James D. Staley (incorporated by reference to Exhibit 10.1 to Amendment No. 3 to Registration Statement on Form S-4/A, filed on October 17, 2003, File No. 333-108081).
- 10.7 Supplemental Retirement Income Agreement dated March 1, 2007, between YRC Worldwide Inc. and Donald G. Barger, Jr. (incorporated by reference to Exhibit 10.16 to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 000-12255)
- 10.8 Separation Agreement and Complete Release, dated January 11, 2007, by James L. Welch, YRC Worldwide Inc. and Yellow Transportation, Inc. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on January 18, 2007, File No. 000-12255).
- 10.9 Form of Indemnification Agreement between YRC Worldwide Inc. and each of its directors and executive officers (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K, filed on March 15, 2007, File No. 000-12255).
- 10.10* Form of Executive Severance Agreement between YRC Worldwide Inc. and each of the following executive officers: William D. Zollars, Stephen L. Bruffett, Michael J. Smid, Daniel J. Churay and James G. Kissinger.
- 10.11 YRC Worldwide Inc. Executive Severance Policy (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K, filed on July 25, 2006, File No. 000-12255).
- 10.12 Yellow Corporation 1996 Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Annual Report on Form 10-K for the year ended December 31, 2002, Reg. No. 000-12255).
- 10.13 Yellow Corporation 1997 Stock Option Plan (incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K for the year ended December 31, 2004, Reg. No. 000-12255).
- 10.14 Yellow Corporation 1999 Stock Option Plan (incorporated by reference to Exhibit 4 to the Registration Statement on Form S-8, filed on November 9, 2000, File No. 333-49620).
- 10.15 Yellow Corporation 2002 Stock Option and Share Award Plan (incorporated by reference to Exhibit 4 to the Registration Statement on Form S-8, filed on May 15, 2002, File No. 333-88268).
- 10.16 Form of Stock Option Agreement (incorporated by reference to Exhibit 10.8 to Annual Report on Form 10-K for the year ended December 31, 2002, File No. 000-12255).
- 10.17 Yellow Roadway Corporation 2004 Long-Term Incentive and Equity Award Plan (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on March 15, 2007, File No. 000-12255).
- 10.18* Form of Share Unit Agreement.
- 10.19* YRC Worldwide Inc. Long-Term Incentive Plan.
- 10.20 YRC Worldwide Inc. Annual Incentive Bonus Program (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed on May 23, 2007, File No. 000-12255).
- 10.21 YRC Worldwide Inc. Supplemental Executive Pension Plan (Effective January 1, 2005) (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on July 25, 2006, File No. 000-12255).
- 10.22 YRC Worldwide Inc. Defined Contribution Supplemental Executive Retirement Plan (Effective January 1, 2005) (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, filed on July 25, 2006, File No. 000-12255).
- 10.23 YRC Worldwide Inc. Transferred Executives Supplemental Retirement Plan (Effective January 1, 2006) (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K, filed on July 25, 2006, File No. 000-12255).
- 10.24.1 Roadway LLC Pension Plan, as amended and restated as of January 1, 2004 (incorporated by reference to Exhibit 10.27 to Annual Report on Form 10-K for the year ended December 31, 2003, File No. 000-12255).

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10.24.2 Amendment No. 1 to Roadway LLC Pension Plan, as amended and restated as of January 1, 2004 (incorporated by reference to Exhibit 10.23 to Annual Report on Form 10-K for the year ended December 31, 2005, File No. 000-12255).

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|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.24.3* | Amendment No. 2 to Roadway LLC Pension Plan, as amended and restated as of January 1, 2004. |
| 10.24.4* | Amendment No. 3 to Roadway LLC Pension Plan, as amended and restated as of January 1, 2004. |
| 10.25.1 | Yellow Corporation Pension Plan, amended and restated as of January 1, 2004 (incorporated by reference to Exhibit 10.28 to Annual Report on Form 10-K for the year ended December 31, 2003, File No. 000-12255). |
| 10.25.2 | Amendment No. 1 to Yellow Corporation Pension Plan, as amended and restated as of January 1, 2004 (incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, File No. 000-12255). |
| 10.25.3 | Amendment No. 2 to Yellow Corporation Pension Plan, as amended and restated as of January 1, 2004 (incorporated by reference to Exhibit 10.26 to Annual Report on Form 10-K for the year ended December 31, 2005, File No. 000-12255). |
| 21.1* | Subsidiaries of the Company |
| 23.1* | Consent of KPMG LLP, Independent Registered Public Accounting Firm |
| 31.1* | Certification of William D. Zollars pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification Stephen L. Bruffett pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification William D. Zollars pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification Stephen L. Bruffett pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

* Indicates documents filed herewith.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

YRC Worldwide Inc.:

Under date of February 29, 2008 we reported on the consolidated balance sheets of YRC Worldwide Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of operations, cash flows, shareholders' equity and comprehensive income for each of the years in the three-year period ended December 31, 2007, which are included in this annual report on Form 10-K of YRC Worldwide Inc. for the fiscal year ended December 31, 2007. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule of valuation and qualifying accounts (Schedule II). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in note 8 to the consolidated financial statements, on January 1, 2007 the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. As discussed in notes 1 and 5 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, and SFAS No. 123(R), *Share-Based Payment*, during the year ended December 31, 2006.

/s/ KPMG LLP

Kansas City, Missouri
February 29, 2008

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Schedule II

YRC Worldwide Inc. and Subsidiaries

Valuation and Qualifying Accounts

For the Years Ended December 31, 2007, 2006 and 2005

| COL. A Description | COL. B Balance, Beginning Of Year | COL. C Additions | | COL. D Deductions (a) | COL. E Balance, End Of Year |
|------------------------------------------|---------------------------------------------------|-----------------------------------------|----------------------------------------|---------------------------------|------------------------------------------|
| | | -1- Charged To Costs/ Expenses | -2- Charged To Other Accounts | | |
| (in millions) | | | | | |
| <u>Year ended December 31, 2007:</u> | | | | | |
| Deducted from asset account - | | | | | |
| Allowance for uncollectible accounts | \$ 35.7 | \$ 31.5 | \$ | \$ (32.3) | \$ 34.9 |
| Added to liability account - | | | | | |
| Claims and insurance accruals | \$ 504.4 | \$ 297.8 | \$ | \$ (323.9) | \$ 478.3 |
| <u>Year ended December 31, 2006:</u> | | | | | |
| Deducted from asset account - | | | | | |
| Allowance for uncollectible accounts | \$ 32.0 | \$ 39.2 | \$ | \$ (35.5) | \$ 35.7 |
| Added to liability account - | | | | | |
| Claims and insurance accruals | \$ 499.9 | \$ 344.8 | \$ 7.5 | \$ (347.8) | \$ 504.4 |
| <u>Year ended December 31, 2005 (b):</u> | | | | | |
| Deducted from asset account - | | | | | |
| Allowance for uncollectible accounts | \$ 22.4 | \$ 21.8 | \$ 11.8 (c) | \$ (24.0) | \$ 32.0 |
| Added to liability account - | | | | | |
| Claims and insurance accruals | \$ 320.8 | \$ 297.2 | \$ 143.6 (c) | \$ (261.7) | \$ 499.9 |

(a) Regarding the allowance for uncollectible accounts, amounts primarily relate to uncollectible accounts written off, net of recoveries. For the claims and insurance accruals, amounts primarily relate to payments of claims and insurance.

(b) 2005 balances include the results of the operating companies of USF from the date of acquisition (May 24) through December 31, 2005.

(c) These amounts primarily represent the beginning balances for USF as of May 24, 2005 and adjustments thereto.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YRC Worldwide Inc.

BY: /s/ William D. Zollars
 William D. Zollars
 Chairman of the Board of Directors, President

& Chief Executive Officer

February 29, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| | | |
|------------------------------------------------|------------------------------------------------------------------------------|-------------------|
| /s/ William D. Zollars William D. Zollars | Chairman of the Board of Directors, President and Chief Executive Officer | February 29, 2008 |
| /s/ Stephen L. Bruffett Stephen L. Bruffett | Executive Vice President & Chief Financial Officer | February 29, 2008 |
| /s/ Paul F. Liljegren Paul F. Liljegren | Vice President, Controller & Chief Accounting Officer | February 29, 2008 |
| /s/ Michael T. Byrnes Michael T. Byrnes | Director | February 29, 2008 |
| /s/ Cassandra C. Carr Cassandra C. Carr | Director | February 29, 2008 |
| /s/ Howard M. Dean Howard M. Dean | Director | February 29, 2008 |
| /s/ Dennis E. Foster Dennis E. Foster | Director | February 29, 2008 |
| /s/ John C. McKelvey John C. McKelvey | Director | February 29, 2008 |
| /s/ Phillip J. Meek Phillip J. Meek | Director | February 29, 2008 |
| /s/ Mark A. Schulz Mark A. Schulz | Director | February 29, 2008 |
| /s/ William L. Trubeck William L. Trubeck | Director | February 29, 2008 |
| /s/ Carl W. Vogt | Director | February 29, 2008 |

Carl W. Vogt