CANADIAN BLOOD SERVICES DEFINED BENEFIT PENSION PLAN
MESSAGE FROM THE TRUSTEES
DECEMBER 31, 2011

Message from the Trustees

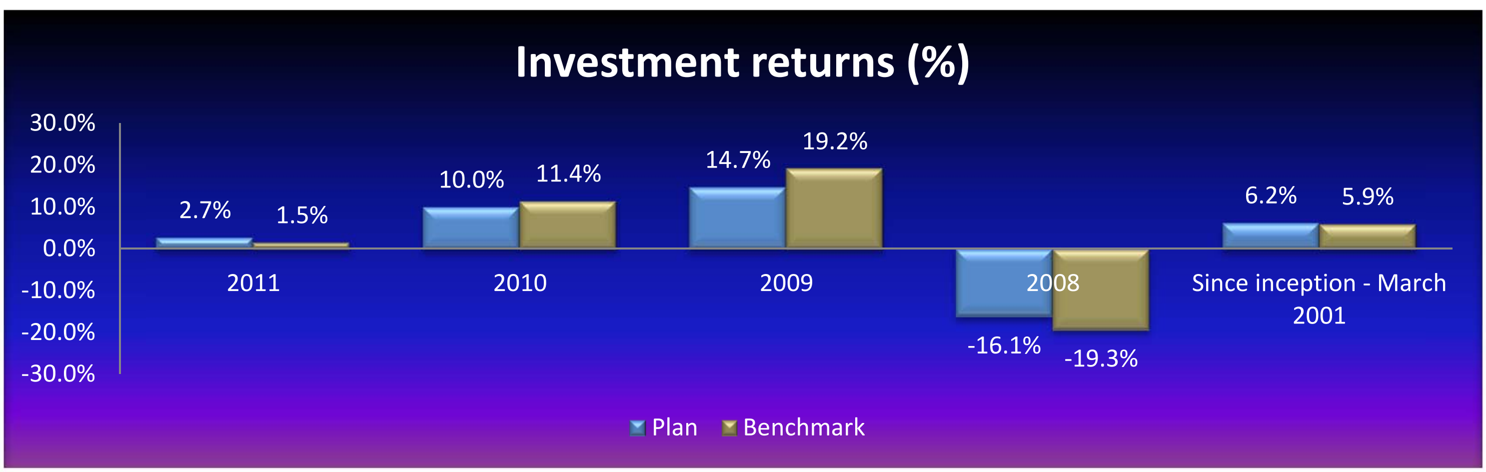
The Board of Trustees is pleased to present highlights of the plan's position and performance at the end of 2011. As member and employer appointees, we are committed to working together and ensuring that the plan delivers on its promise to you. Simply described, that promise is a paycheque for life when you retire. Retirement income is provided for as long as you live and may extend to your spouse or beneficiary after your death. In addition, because the plan is a defined benefit pension plan, fluctuations in the financial markets will not affect your pension income.

As required, a valuation of the plan's position at December 31, 2011 was completed in 2011. Like many pension plans, a deficit of $22.7 million was identified as a result of this valuation by the plan's actuaries. To fund the identified gap between the plan's assets and liabilities, employer and employee contributions rates increased on January 1, 2012 to 7.9% and 5.9%, from 7.15% to 5.15%, respectively. The Board of Trustees also changed the investment strategy for a portion of the plan's investment assets to increase the time to maturity of fixed income assets to better match the timing of benefit payments to retired members. This is described in further detail in the investment returns section below.

Plan Assets Available for Benefits

This graph illustrates the growth in plan assets since 2008. The increase in assets of $14.6 million in 2011 resulted from employer/member contributions of $16.9 million and gains in the investment portfolio of $5.0 million, offset by benefit payments and plan expenses totalling $7.3 million.

Investment Returns



The above chart highlights the returns experienced by the plan on its investments (before investment management fees) and compares it with a set of market indices known as the "benchmark".

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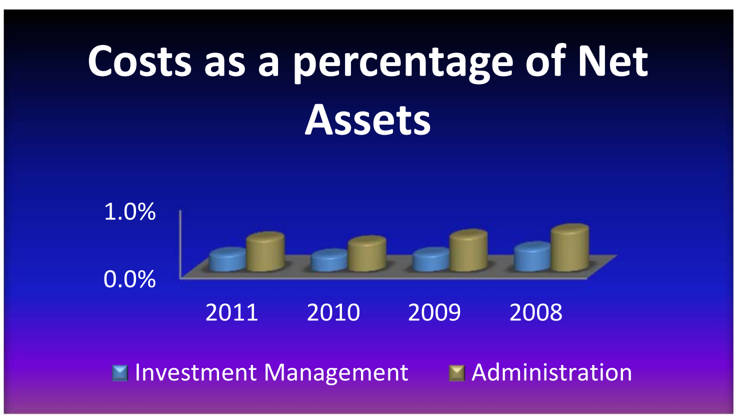
Investment Returns

The Plan returned 2.7% during 2011, outperforming the benchmark return of 1.5%. Above-Index performance by both Canadian equity managers was the main driver of the Plan's outperformance. International equities also outperformed on a relative basis. Jarislowsky Fraser's outperformance in Canadian equities resulted primarily from good stock selection in the Materials and Consumer Discretionary sectors and favourable weightings to the Materials and Consumer Staples sectors. Leith Wheeler's outperformance was primarily the result of beneficial sector allocation, notably the significant underweight to the underperforming stocks in the Materials sector and overweights to the Industrials and Consumer Staples sectors.

In 2011, as part of their ongoing oversight of the Plan's assets, the Board of Trustees reviewed the bond strategy in the Plan and increased the duration (the time to maturity) of the bond assets in both the actively and passively managed bond portfolios. Implementation of this strategy in the actively managed portfolio took place in mid-April, whereby a liability-sensitive portfolio was constructed to better match the Plan's future obligations. As a result of modeling the portfolio against the Plan's liability cash flows, one-third of the portfolio's duration was immediately extended. In September, the passively managed Universe bonds were moved into a passively managed long duration bond fund. These changes will better match the timing of future pensions payable (the liabilities of the plan) with the maturity of assets held by the plan. Aligning the duration of the assets and liabilities of the Plan also reduces the impact that changes in market interest rates will have on the Plan deficit, because interest rate fluctuations will impact assets and liabilities of a similar duration in a complementary manner.

Changing the bond strategy will result in a shift in the way the liability-sensitive bond component of the Plan's investments will be benchmarked as this is not an investment performance driven strategy. Going forward, a duration-based benchmark will monitor how closely the durations of the assets and underlying liabilities are aligned. The Plan's exposure to bonds represented almost 44% of assets at the end of 2011.

Despite market conditions being extremely volatile in 2011, the Plan's assets increased by $14.6 million to $196.2 million at the end of 2011. Although negative returns were experienced in the equity markets, the Plan's active equity managers were successful in preserving capital during these extremely volatile and uncertain market conditions. Another positive factor which contributed to performance was migrating the bond assets to longer duration portfolios, as long bonds achieved record high performance in 2011.



The plan incurs professional management fees to manage the investment portfolio. Fees are charged on a tiered basis based on the value of investments in the plan. As investments grow, the fee as a percentage of net assets decreases. Fees to administer the plan include services such as benefit calculations and payments, actuarial and legal services.

Information available to Members

Members can access information regarding the plan via the plan's website - cbsDBpension.hroffice.com. Information on the site includes: pension plan summary, plan member booklet, a copy of your current annual statement, pension forecast tool, trustee talk (actuarial valuation report and audited plan financial statements), FAQs and forms.