tc • TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. increases its revenues and profitability in the first quarter and declares a special dividend of $1.00 per participating share

Highlights

(in millions of dollars, except per share data)	Q1-13	Q1-12	%
Revenues	**$528.7**	**$487.6**	**8.4 %**
Adjusted operating income before amortization (1) (Adjusted EBITDA)	**71.6**	**71.4**	**0.3 %**
Adjusted operating income (1) (Adjusted EBIT)	**45.7**	**43.0**	**6.3 %**
Adjusted net income applicable to participating shares (1)	**28.5**	**27.1**	**5.2 %**
Per share	**0.37**	**0.33**	**12.1 %**
Net income applicable to participating shares	**17.8**	**(33.3)**	**---**
Per share	**0.23**	**(0.41)**	**---**

Note 1: Please refer to the table "Reconciliation of Non-IFRS financial measures" in this press release.

- Declared special dividend of $1.00 per participating share or approximately $78 million.
- Received US$200 million pursuant to the renegotiation of the Hearst Corporation agreement.
- Extended several multi-year agreements, namely with Best Buy and Future Shop, to print flyers with the addition of flyer distribution primarily in Quebec and the Atlantic provinces.
- Concluded new multi-year printing agreements for new business valued at about $30 million annually.
- Appointment of Ted Markle as President of TC Media.
- Acquired Groupe Modulo, publisher of French-language educational materials.

Montreal, March 13, 2013 – Revenues for Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D) were up 8.4% in the first quarter, from $487.6 million to $528.7 million, mainly due to the acquisition of Quad/Graphics Canada, Inc. and Redux Media and the *Métro* Montréal daily paper in the Media Sector. This increase was, however, partly offset by the termination of the Zellers flyer printing and distribution contract due to the closure of the Zellers stores, and the incentives granted upon the renewal of some contracts in 2012.

Adjusted operating income rose 6.3% in the first quarter, from $43.0 million to $45.7 million. The increase stems mainly from the synergies obtained from the acquisition of Quad/Graphics Canada, Inc. and the optimization of the operating structure in digital activities. However, the increase was mitigated by the reasons mentioned above. Net income applicable to participating shares rose, from a loss of $33.3 million, or $0.41 per share, to a profit of $17.8 million, or $0.23 per share. Note that last year the loss of $0.41 per share was mainly related to unusual items charged to income in the first quarter of 2012. Excluding unusual items, the adjusted net income applicable to participating shares rose 5.2%, from $27.1 million, or $0.33 per share, to $28.5 million, or $0.37 per share.

"The growth in our revenues and profitability demonstrates how effectively we executed our strategy," said François Olivier, President and Chief Executive Officer of TC Transcontinental. "In the Printing Sector, with the ongoing integration of Quad/Graphics Canada, Inc., we have generated further synergies this quarter. We are confident that we will be able to keep improving our profitability over last year given the additional synergies we expect to generate through the ongoing integration of Quad/Graphics Canada, Inc., and with the additional business from new multi-year agreements valued at about $30 million per year which will begin in the next two quarters. We continue to gain our customers' confidence with the quality and diversity of our solutions and expertise."

Other Highlights

Printing Sector

- Concluded new multi-year printing agreements with several retailers, namely Shoppers Drug Mart, to print point-of-sale promotional materials, and with Safeway U.S. to print flyers. These agreements will add about $30 million in annual sales.
- Extended several multi-year agreements, including a contract to print flyers for the well-known brands Best Buy and Future Shop, with the addition of flyer distribution in Quebec and the Atlantic provinces. These extensions demonstrate our customers' confidence in our expertise and the quality of products and services.
- Continued consolidation and restructuring of the printing network as part of the ongoing integration of Quad/Graphics Canada, Inc. This allows us to focus on the use of our most productive equipment and leverage the more than $700 million invested over the past several years to upgrade the printing platform.

Media Sector

- Launched four flagship brands on iPad. The iPad issues of *Coup de pouce*, *Canadian Living*, *ELLE Québec* and *Elle Canada* enhance TC Transcontinental's multi-platform offering with inspiring and relevant content as well as interactive features exclusive to the platform.
- Acquired Groupe Modulo, publisher of French-language educational materials. This transaction enriches TC Media's offering in the education field by further strengthening its leading position in higher education in Quebec. It also increases its presence in the educational market in Francophone communities in the rest of Canada.

Financial Highlights

- Received US$200 million pursuant to the renegotiation of the Hearst Corporation agreement.
- In the first quarter ended January 31, 2013, under its share purchase program, the Corporation redeemed 1,161,600 Class A Subordinate Voting Shares at a weighted average price of $9.98, for a total consideration of $11.6 million. As of today, the Corporation has completed 96% of its share purchase program. TC Transcontinental plans to renew its normal course issuer bid when the current program expires, subject to regulatory approval.
- Extension for one year of the $400 million credit facility. The facility matures in February 2018. At January 31, 2013, an amount of $148 million had been drawn on this facility.

Sustainable Development

- Publication of the fourth annual sustainability report, titled "simplify, collaborate, innovate". With the level of information provided in the report, TC Transcontinental has maintained its application level B rating under the Global Reporting Initiative. For more information about TC Transcontinental's commitments, achievements and progress in sustainability, please refer to the 2012 report on the Corporation's website at www.tc.tc/sustainability.

For more detailed financial information, please see *Management's Discussion and Analysis for the first quarter ended January 31st, 2013* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook

The contribution from the synergies obtained from the integration of Quad/Graphics Canada, Inc. will continue, particularly in the second and third quarters of 2013, partially offset however by the closure of the Zellers stores. New agreements to print flyers and marketing products worth an annualized value of around $30 million are slated to start at the end of the second quarter of 2013.

The Media Sector will continue to be affected by difficult market conditions, particularly with respect to advertising spending by our national and local clients. To limit the potential impact of these conditions, efficiency measures are being implemented to protect and improve the sector's profit margins. We will also pursue our efforts to improve the profitability of our digital and interactive offering by further reducing our cost base while continuing to invest in the development of new products.

Significant excess cash flows will continue to be generated in coming quarters, and we plan to invest about $70 million in property, plant and equipment, as well as intangible assets, in fiscal 2013. Our excellent financial position will also allow us to distribute a special dividend in the second quarter of 2013 of $1.00 per participating share, totaling approximately $78 million, while sustaining the financial flexibility that enables us to make strategic acquisitions and invest in in-house projects.

Reconciliation of Non-IFRS Financial Measures

Financial data have been prepared in conformity with IFRS. However, certain measures used in this press release do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many readers analyze our results based on certain non-IFRS financial measures because such measures are more appropriate for evaluating the Corporation's operating performance. Internally, Management uses such non-IFRS financial information as an indicator of business performance, and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS.

The following table reconciles IFRS financial measures to non-IFRS financial measures.

Reconciliation of Non-IFRS financial measures

(unaudited)

		Three months ended January 31		
(in millions of dollars, except per share amounts)		**2013**		2012
Net income (loss) applicable to participating shares	**$**	**17.8**	$	(33.3)
Dividends on preferred shares		**1.7**		1.7
Net loss (income) related to discontinued operations (after tax)		**-**		-
Non-controlling interests		**(0.3)**		-
Unusual adjustments to income taxes		**-**		42.0
Income tax expenses		**3.8**		5.6
Financial expenses related to unusual adjustments to income taxes		**-**		16.0
Financial expenses		**7.9**		7.7
Impairment of assets		**2.1**		0.8
Restructuring and other costs		**12.7**		2.5
Adjusted operating income	**$**	**45.7**	$	43.0
Amortization		**25.9**		28.4
Adjusted operating income before amortization	**$**	**71.6**	$	71.4
Net income (loss) applicable to participating shares	**$**	**17.8**	$	(33.3)
Net loss (income) from discontinued operations (after tax)		**-**		-
Unusual adjustments to income taxes (after tax)		**-**		42.0
Financial expenses related to unusual adjustments to income taxes (after tax)		**-**		16.0
Impairment of assets (after tax)		**1.5**		0.6
Restructuring and other costs (after tax)		**9.2**		1.8
Adjusted net income applicable to participating shares	**$**	**28.5**	$	27.1
Average number of participating shares outstanding		**78.2**		81.0
Adjusted net income applicable to participating shares per share	**$**	**0.37**	$	0.33

		As at January 31, 2013		As at October 31, 2012
Long-term debt	**$**	**198.0**	$	204.1
Current portion of long-term debt		**163.4**		283.5
Cash		**(27.6)**		(16.8)
Net indebtedness	**$**	**333.8**	$	470.8
Adjusted operating income before amortization (last 12 months)	**$**	**357.8**	$	357.6
Net indebtedness ratio		**0.93x**		1.32x

Dividends

Dividend on Participating Shares

The Corporation's Board of Directors declared a quarterly dividend of $0.145 per Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 26, 2013 to participating shareholders of record at the close of business on April 5, 2013.

Dividend on Preferred shares

The Board declared a quarterly dividend of $0.4161 per share on cumulative 5-year rate reset first preferred shares, series D. This dividend is payable on April 15, 2013. On an annual basis, this represents a dividend of $1.6875 per preferred share.

Special Dividend

The Corporation's Board of Directors declared a special dividend of $1.00 per Class A Subordinate Voting Shares and Class B Shares or approximately $78 million. This dividend is payable on April 26, 2013 to participating shareholders of record at the close of business on April 5, 2013.

Additional Information

Annual Meeting of Shareholders

Transcontinental Inc. will hold its Annual Meeting of Shareholders today at 10:00 AM at Salon Windsor of the Le Windsor building, 1170 Peel Street, Montreal. For those who are unable to attend in person, a live (audio only) webcast of the meeting will be available on the Corporation's website at www.tc.tc

Conference Call

Upon releasing its first quarter 2013 results, the Corporation will hold a conference call for the financial community today at 2:00 p.m. The dial-in numbers are (514) 807-9895 or (647) 427-7450 or 1-888-231-8191 and the access code is: 10295595. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on the Corporation's Web site, which will then be archived for 30 days. For media requests for information or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at (514) 954-3581.

Profile

Largest printer and leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspaper, books and custom content, mass and personalized marketing, interactive and mobile applications, TV production and door-to-door distribution.

Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), known by the brands TC Transcontinental, TC Media and TC Transcontinental Printing, has approximately 9,500 employees in Canada and the United States, and reported revenues of C$2.1 billion in 2012. Website www.tc.tc

Forward-looking Statements

This press release contains certain forward-looking statements concerning the future performance of the Corporation. Such statements, based on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, many of which are beyond the Corporation's control, including, but not limited to, the economic situation, structural changes in its industries, exchange rate, availability of capital, energy costs, increased competition, as well as the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities. The risks, uncertainties and other factors that could influence actual results are described in the *Management's Discussion and Analysis (MD&A) for the fiscal year ended on October 31st, 2012* and in the *2012 Annual Information Form* and have been updated in the MD&A for the first quarter ended January 31st, 2013.

The forward-looking information in this release is based on current expectations and information available as at March 12, 2013. The Corporation's management disclaims any intention or obligation to update or revise any forward-looking statements unless otherwise required by the Securities Authorities.

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For information:

Media

Nathalie St-Jean
Senior Advisor, Corporate Communications
TC Transcontinental
Telephone : 514 954-3581
nathalie.st-jean@tc.tc
www.tc.tc

Financial Community

Jennifer F. McCaughey
Senior Director, Investor Relations and External Corporate Communications
TC Transcontinental
Telephone : 514 954-2821
jennifer.mccaughey@tc.tc
www.tc.tc

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter ended January 31, 2013

The purpose of this Management's Discussion and Analysis is to explain management's point of view on the past performance and future outlook of TC Transcontinental. More specifically, it is designed to give the reader a better understanding of our development strategy, performance in relation to objectives, future expectations and how Management addresses risk and manages financial resources. This report also provides information to improve the reader's understanding of the consolidated financial statements and related notes.

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term "dollar," as well as the symbol "$" designate Canadian dollars, unless otherwise indicated. In this Management's Discussion and Analysis we also use non-IFRS financial measures. Please refer to the section of this report entitled "Reconciliation of Non-IFRS Financial Measures" for a complete description of these measures, on page 6. This report should be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended January 31, 2013. Additional information about the Corporation, including its Annual Report and Annual Information Form for the fiscal year ended October 31, 2012, may also be obtained on SEDAR at www.sedar.com.

To facilitate the reading of this report, the terms "TC Transcontinental," "Corporation," "we," "our" and "us" all refer to Transcontinental Inc. together with its subsidiaries.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario). We may make such statements in this document, in other filings with Canadian regulators, in reports to shareholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term goals, our outlook, business project and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "objective," the use of the conditional tense, and words and expressions of similar nature are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements, as a number of important factors could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: credit risks, data security and utilization, market dynamics, liquidity, financing and operational risks; the strength of the North American economies in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, more particularly the U.S. dollar and the euro; the impact from raw material and energy prices; the seasonal and cyclical nature of certain businesses; the effects of changes in interest rates; the effects of competition in the markets in which we operate; the effects of new media and the corresponding shift of advertising revenues to new platforms; judicial judgments and legal proceedings; our ability to develop new opportunities through our strategy; our ability to hire and retain qualified personnel and maintain a good reputation; our ability to complete and integrate strategic transactions; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; infrastructure risks; the possible impact on our businesses from public health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing risks; other factors may affect future results including, but not limited to, timely development and introduction of new products and services, changes in tax laws, changes in environmental regulations, changes in policies, technological changes and new regulations.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to TC Transcontinental, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Assumptions used to derive forward-looking information could vary materially one at a time or in conjunction. Variation in one assumption may also result in changes in another, which might magnify or counteract the effect on forward-looking information. Unless otherwise required by the securities authorities, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf. The forward-looking statements contained herein are based on current expectations and information available as of March 12, 2013.

DEFINITION OF TERMS USED IN THIS REPORT

To make it easier to read this report, some terms have been shortened. The following are the full definitions of the shortened terms used in this report:

Terms Used	Definitions
Adjusted net income applicable to participating shares	Net income from continuing operations applicable to participating shares, before restructuring and other costs, asset impairment and gain on business acquisition and unusual adjustments to income taxes and related financial expenses
Adjusted operating income	Operating income from continuing operations before restructuring and other costs, asset impairment and gain on business acquisition
Adjusted operating income before amortization	Operating income from continuing operations before amortization, restructuring and other costs, asset impairment and gain on business acquisition
Net income from continuing operations applicable to participating shares	Net income from continuing operations minus dividends on preferred shares
Net indebtedness	Total of long-term debt plus current portion of long-term debt plus bank overdraft less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted income before amortization

PROFILE OF TC TRANSCONTINENTAL

Largest printer and leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, interactive and mobile applications, TV production and door-to-door distribution.

Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), known by the brands TC Transcontinental, TC Media and TC Transcontinental Printing, has approximately 9,500 employees in Canada and the United States, and reported revenues of C$2.1 billion in 2012.

HIGHLIGHTS

- Revenues for the first quarter of 2013 were up 8.4% over 2012, from $487.6 million in 2012 to $528.7 million in the quarter ended January 31, 2013.

- Adjusted operating income rose from $43.0 million in the first quarter of 2012 to $45.7 million in 2013, up 6.3%.

- Adjusted net income applicable to participating shares rose 5.2%, from $27.1 million in 2012 to 28.5 million. On a per-share basis, it went from $0.33 to $0.37.

- Our net indebtedness ratio improved, from 1.32x at October 31, 2012 to 0.93x at January 31, 2013.

- In January 2013 we received an amount of US$200.0 million ($197.0 million) from the renegotiation of our agreement with Hearst Corporation to print the *San Francisco Chronicle*, in consideration for price reductions on the remaining term of the contract. The amount received was recognized as deferred revenues and will be transferred to revenues based on the remaining term of the contract.

- We extended a flyer printing agreement with Best Buy and Future Shop, and, for the same extended period, will receive new revenues from the addition of flyer distribution services, primarily through Publisac in Québec.

- In the first quarter ended January 31, 2013, we redeemed 1,161,600 of our Class A Subordinate Voting Shares at an average weighted price of $9.98. Since the share redemption program was put in place in 2012, we have redeemed 3,173,200 Class A Subordinate Voting Shares, or 96.3% of the program.

- On January 31, 2013, the Corporation completed the acquisition of all of the shares of Groupe Modulo, a publisher of French-language educational resources.

- On March 12, 2013, the Corporation declared a special dividend of $1.00 per participating share, totaling approximately $78.0 million.

ANALYSIS OF CONSOLIDATED RESULTS – FIRST QUARTER OF 2013

(unaudited)

(in millions of dollars)		Revenues	%		Adjusted operating income	%		Net income (loss) applicable to participating shares	%
First quarter of 2012	**$**	**487.6**		**$**	**43.0**		**$**	**(33.3)**	
Acquisitions/Closures		59.1	12.1 %		10.8	25.1 %		8.6	(25.8) %
Existing operations		(18.0)	(3.7) %		(8.1)	(18.8) %		(7.2)	21.6 %
Discontinued operations									
Restructuring and other costs								(7.4)	22.2 %
Impairment of assets								(0.9)	2.7 %
Financial expenses related to unusual adjustments to income taxes								16.0	n/a
Unusual adjustments to income taxes								42.0	n/a
First quarter of 2013	**$**	**528.7**	**8.4 %**	**$**	**45.7**	**6.3 %**	**$**	**17.8**	**n/a**

As shown in the above table, certain factors had an impact on the differences in results for the first quarter of 2013 compared to those of the first quarter of 2012.

Revenues

Revenues rose 8.4%, from $487.6 million in the first quarter of 2012 to $528.7 million in the first quarter of 2013, primarily due to the following factors:

- The net effect of acquisitions and closures resulted in a $59.1 million increase in revenues, mainly due to the acquisition of Quad/Graphics Canada, Inc. and acquisitions in the Media Sector.

- Revenues from our existing operations were down $18.0 million, mainly stemming from the loss in volume due to the closure of Zellers stores and incentives granted to major clients for the early renewal of long-term printing contracts in 2012.

Adjusted operating income

Adjusted operating income rose 6.3%, from $43.0 million in the first quarter of 2012 to $45.7 million in the first quarter of 2013, due to the following factors:

- The net effect of acquisitions and closures increased adjusted operating income by $10.8 million, primarily due to the synergies generated by the integration of the operations of Quad/Graphics Canada, Inc., and acquisitions in the Media Sector.

- Adjusted operating income from existing operations decreased by $8.1 million, mainly due to the loss in volume occasioned by the closure of Zellers stores and incentives granted to major clients for the early renewal of long-term printing contracts in 2012.

Restructuring and other costs

In the first quarter of 2013, an amount of $12.7 million ($9.2 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs, of which $5.9 million related to an onerous contract, i.e., operating leases for facilities no longer used by the Corporation, related to the closure of the Lasalle printing plant. Workforce reductions stemming from the integration of the printing operations of Quad/Graphics Canada, Inc. accounted for $5.9 million in costs and $0.9 million was attributed to other costs.

In the first quarter of 2012, an amount of $2.5 million before tax ($1.8 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs. Of this amount, $1.5 million stemmed from workforce reductions across the Corporation and $1.0 million to other costs.

Asset impairment

In the first quarters of 2013 and 2012, amounts of $2.1 million ($1.5 million after tax) and $0.8 million ($0.6 million after tax) were accounted for separately on the Consolidated Statement of Income as an asset impairment, primarily in the Printing Sector.

Net financial expenses

Net financial expenses were down $15.8 million in the first quarter of 2013, from $23.7 million in 2012 to $7.9 million in 2013. The decrease stems mainly from interest on a tax-related contingency of $16.0 million recorded in the first quarter of 2012. In addition, an adverse exchange rate impact in the first quarter of 2013 compared to the same quarter in 2012 entirely offset the positive impact of the lower net indebtedness.

Income taxes

Income taxes were down from $47.6 million in the first quarter of 2012 to $3.8 million in the first quarter of 2013, primarily due to a charge of $42.0 million recorded in the first quarter of 2012 related to notices of reassessment.

Excluding unusual adjustments, income taxes would have amounted to $7.9 million in the first quarter of 2013, for a tax rate of 20.9%, compared to $6.5 million, or 18.4%, in the first quarter of 2012. The increase stems mainly from unfavorable non-recurring elements related to differences between tax and accounting treatments in 2012, offset by the geographical distribution of the income before tax.

Net income applicable to participating shares

Net income applicable to participating shares rose from -$33.3 million in the first quarter of 2012 to $17.8 million in the first quarter of 2013. The increase stems mainly from a $43.8 million reduction in income taxes and a positive variance of $15.8 million in financial expenses. On a per-share basis, net income applicable to participating shares rose from -$0.41 to $0.23.

Adjusted net income applicable to participating shares was up $1.4 million, or 5.2%, from $27.1 million in the first quarter of 2012 to $28.5 million in the first quarter of 2013. The increase is mainly related to the increase in adjusted operating income, offset by higher income taxes. On a per-share basis, it rose from $0.33 to $0.37.

Discontinued operations

There were no discontinued operations in the first quarter of 2013. In the first quarter of 2012, revenues of $8.3 million related to discontinued operations were recognized, along with operating costs of $7.8 million and an amortization charge of $0.5 million related to our black and white book printing operations sold to Marquis Imprimeur inc. in July 2012.

ANALYSIS OF SECTOR RESULTS – FIRST QUARTER OF 2013

(unaudited)

(in millions of dollars)	Printing Sector	Media Sector	Inter-segment Eliminations and Other acitivities	Consolidated Results
Revenues - First quarter of 2012	**$ 345.1**	**$ 158.5**	**$ (16.0)**	**$ 487.6**
Acquisitions/Closures	46.0	13.1		59.1
Existing operations	(9.9)	(6.1)	(2.0)	(18.0)
Revenues - First quarter of 2013	**$ 381.2**	**$ 165.5**	**$ (18.0)**	**$ 528.7**
Adjusted operating income (loss) - First quarter of 2012	**$ 45.5**	**$ 0.9**	**$ (3.4)**	**$ 43.0**
Acquisitions/Closures	8.3	2.5		10.8
Existing operations	(7.3)	(0.8)		(8.1)
Adjusted operating income (loss) - First quarter of 2013	**$ 46.5**	**$ 2.6**	**$ (3.4)**	**$ 45.7**

In this section, Management uses adjusted operating income to evaluate the financial performance of its operating sectors and deems this measure is appropriate.

Printing Sector

Printing Sector revenues were up $36.1 million, or 10.5%, from $345.1 million in the first quarter of 2012 to $381.2 million in the first quarter of 2013. The increase is due to the acquisition of the operations of Quad/Graphics Canada, Inc. on March 1, 2012 which contributed $46.0 million to sector revenues. Revenues from our existing operations were down $9.9 million, mainly due to the volume decrease stemming from the closure of the Zellers stores and incentives granted for early renewal of several major long-term contracts in 2012.

Adjusted operating income was up 2.2%, or $1.0 million, from $45.5 million in the first quarter of 2012 to $46.5 million in the first quarter of 2013. The increase is partly due to the synergies generated from the acquisition of the operations of Quad/Graphics Canada, Inc. on March 1, 2012 through the closure of three Quad/Graphics Canada, Inc. plants in order to maximize use of equipment purchased over the past several years and the merger of the operations of two plants in Ontario. The synergies were partially offset by lower profitability in our existing operations, primarily stemming from the loss of volume following the closure of the Zellers stores, incentives granted to major clients for early renewal of long-term contracts in 2012, and an adverse change of $1.0 million. As a result, the adjusted operating income margin decreased from 13.2% in the first quarter of 2012 to 12.2%.

Media Sector

Media Sector revenues were up $7.0 million, or 4.4%, from $158.5 million in the first quarter of 2012 to $165.5 million in the first quarter of 2013. The increase is due to the contribution from the acquisitions of Redux Media, Q-Net Media (Quad), and the purchase of all the outstanding shares of our *Métro* Montréal partners during the third quarter of fiscal 2012. The creation of our television production house also generated additional revenues during the quarter. However, these increases were offset by slightly lower revenues from our distribution operations and the decline in national advertising spending which affected our magazine publishing operations and, to a lesser extent, newspaper publishing outside Quebec.

Adjusted operating income rose $1.7 million, from $0.9 million in the first quarter of 2012 to $2.6 million in the first quarter of 2013 and the adjusted operating margin was up from 0.6% in the first quarter of 2012 to 1.6% in 2013, mainly due to the acquisitions made throughout fiscal 2012. With respect to our existing operations, optimization of the cost structure of our New Media and Digital Solutions Group was more than offset by a slight decrease in our distribution activities and the already noted decline in national advertising spending.

Inter-segment elimination, other activities and Head Office

Eliminations of inter-segment revenues and other activities went from -$16.0 million in the first quarter of 2012 to -$18.0 million in the first quarter of 2013. The change stems mainly from an increase in inter-segment transactions during the period. Head Office adjusted operating income remained stable at -$3.4 million in the first quarter of 2013.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

	2013	2012				2011		
(in millions of dollars, except per share amounts)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**$ 529**	$ 585	$ 517	$ 522	$ 488	$ 522	$ 479	$ 486
Adjusted operating income before amortization [1]	**71**	124	79	84	71	110	86	90
Adjusted operating income margin before amortization	**13.4 %**	21.2 %	15.3 %	16.1 %	14.5 %	21.1 %	18.0 %	18.5 %
Adjusted operating income [1]	**46**	96	50	56	43	80	57	61
Adjusted operating income margin	**8.7 %**	16.4 %	9.7 %	10.7 %	8.8 %	15.3 %	11.9 %	12.6 %
Net income applicable to participating shares	**$ 18**	$ (52)	$ 8	$ (106)	$ (33)	$ 31	$ 31	$ 33
Per share	**0.23**	(0.65)	0.10	(1.31)	(0.41)	0.38	0.39	0.40
Adjusted net income applicable to participating shares [1]	**29**	61	25	36	27	54	33	39
Per share	**0.37**	0.77	0.31	0.44	0.33	0.68	0.40	0.48
% of fiscal year	**- %**	41 %	17	24 %	18 %	35 %	21 %	25 %

[1] Please refer to the section "Reconciliation of non-IFRS Financial Measures" on page 6 of this Management's Discussion and Analysis.

The above table shows changes in our quarterly results for the past eight quarters. Note the increase in our revenues as of the second quarter of 2012 due to the acquisition of Quad/Graphics Canada, Inc., which had a more significant impact on adjusted operating income in the fourth quarter of 2012 due to the rationalization measures implemented. Lastly, our volume of activity is cyclical, since our customers' marketing spending is normally higher in the fall.

RECONCILIATION OF NON-IFRS MEASURES

Financial data have been prepared in conformity with IFRS. However, certain measures used in this report do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many readers analyze our results based on certain non-IFRS financial measures because such measures are normalized for evaluating the Corporation's operating performance. Internally, Management uses such non-IFRS financial information as an indicator of business performance, and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS. The following table reconciles IFRS financial measures to non-IFRS financial measures.

(unaudited)

	Three months ended January 31	
(in millions of dollars, except per share amounts)	**2013**	2012
Net income (loss) applicable to participating shares	**$ 17.8**	$ (33.3)
Dividends on preferred shares	**1.7**	1.7
Net loss (income) related to discontinued operations (after tax)	**-**	-
Non-controlling interests	**(0.3)**	-
Unusual adjustments to income taxes	**-**	42.0
Income tax expenses	**3.8**	5.6
Financial expenses related to unusual adjustments to income taxes	**-**	16.0
Financial expenses	**7.9**	7.7
Impairment of assets	**2.1**	0.8
Restructuring and other costs	**12.7**	2.5
Adjusted operating income	**$ 45.7**	$ 43.0
Amortization	**25.9**	28.4
Adjusted operating income before amortization	**$ 71.6**	$ 71.4
Net income (loss) applicable to participating shares	**$ 17.8**	$ (33.3)
Net loss (income) from discontinued operations (after tax)	**-**	-
Unusual adjustments to income taxes (after tax)	**-**	42.0
Financial expenses related to unusual adjustments to income taxes (after tax)	**-**	16.0
Impairment of assets (after tax)	**1.5**	0.6
Restructuring and other costs (after tax)	**9.2**	1.8
Adjusted net income applicable to participating shares	**$ 28.5**	$ 27.1
Average number of participating shares outstanding	**78.2**	81.0
Adjusted net income applicable to participating shares per share	**$ 0.37**	$ 0.33

	As at January 31, 2013	As at October 31, 2012
Long-term debt	**$ 198.0**	$ 204.1
Current portion of long-term debt	**163.4**	283.5
Cash	**(27.6)**	(16.8)
Net indebtedness	**$ 333.8**	$ 470.8
Adjusted operating income before amortization (last 12 months)	**$ 357.8**	$ 357.6
Net indebtedness ratio	**0.93x**	1.32x

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES – FOR THE THREE MONTHS ENDED JANUARY 31

(unaudited)

(in millions of dollars)		2013		2012
Operating activities				
Cash flow from continuing operations before changes in non-cash operating items and income tax paid	**$**	**65.4**	$	73.4
Changes in non-cash operating items		**154.8**		(14.2)
Income tax paid		**(10.8)**		(2.3)
Cash flow related to operating activities of continuing operations	**$**	**209.4**	$	56.9
Investing activities				
Business acquisitions	**$**	**(23.3)**	$	-
Acquisitions of property, plant and equipment, net of disposals		**(10.8)**		(7.9)
Acquisitions of intangible assets		**(4.2)**		(4.7)
Cash flow related to investing activities of continuing operations	**$**	**(38.3)**	$	(12.6)
Financing activities				
Reimbursement of long-term debt	**$**	**(80.6)**	$	(8.1)
Net decrease in revolving term credit facility		**(46.5)**		(34.1)
Financial expenses on long-term debt		**(6.6)**		(6.3)
Issuance of participating shares		**-**		0.1
Redemption of participating shares		**(12.1)**		-
Dividends on participating shares		**(11.3)**		(10.9)
Dividends on preferred shares		**(1.7)**		(1.7)
Dividends on non-controlling interests		**(1.4)**		-
Cash flow related to financing activities of continuing operations	**$**	**(160.2)**	$	(61.0)

Financial position		**As at January 31, 2013**		As at October 31, 2012
Net indebtedness	**$**	**333.8**	$	470.8
Net indebtedness ratio		**0.93x**		1.32x
Credit rating				
DBRS		**BBB**		BBB
Outlook		**Negative**		Negative
Standard and Poor's		**BBB**		BBB
Outlook		**Negative**		Negative
Balance Sheet		**As at January 31, 2013**		As at October 31, 2012
Current Assets	**$**	**509.4**	$	602.7
Current Liabilities		**472.9**		725.4
Total Assets		**2,005.1**		2,136.2
Total Liabilities		**1,103.7**		1,234.8

Cash Flow Related to Continuing Operations

Cash flow from continuing operations before changes in non-cash operating items and income tax paid decreased, from $73.4 million in the first quarter of 2012 to $65.4 million in the first quarter of 2013, mainly due to higher restructuring costs. Furthermore, changes in non-cash operating items led to a cash inflow of $154.8 million in the first quarter of 2013, compared to an outflow of $14.2 million in the first quarter of 2012, due to the deposit of an amount of US$200.0 million ($197.0 million) under our renegotiated agreement with Hearst Corporation. We also had a cash outflow of $10.8 million for income taxes in the first quarter of 2013, primarily related to the reassessment notices received in 2012, compared to $2.3 million in the first quarter of 2012. Consequently, cash flow from operating activities rose, leading to a cash inflow of $209.4 million in the first quarter of 2013, compared to $56.9 million in the first quarter of 2012.

Cash Flow Related to Investing Activities of Continuing Operations

Our business acquisitions and our investments in tangible and intangible assets, net of disposals, rose from $12.6 million in the first quarter of 2012 to $38.3 million in the first quarter of 2013. This increase stems mainly from the acquisition of Groupe Modulo,inc., a publisher of educational material.

Cash Flow Related to Financing Activities of Continuing Operations

In the first quarter of 2013, we paid $11.3 million in dividends on participating shares and $1.7 million on preferred shares, compared to $10.9 million and $1.7 million respectively in the first quarter of 2012. The dividends paid on participating shares rose due to the increase announced in March 2012, which raised the quarterly dividend from $0.135 to $0.145 in 2012. Also, we redeemed 1,161,600 of our Class A Subordinate Voting Shares at an average weighted price of $9.98, for a total cash consideration of $11.6 million in addition to a payment of $0.5 million for shares redeemed at the end of October 2012, under our share buyback program put in place on April 12, 2012.

Debt Instruments

At January 31, 2013, our net indebtedness ratio stood at 0.93x (1.32x at October 31, 2012) and net indebtedness declined from $470.8 million at October 31, 2012 to $333.8 million at January 31, 2013. The cash flows generated, combined with the deposit of an amount of US$200.0 million ($197.0 million) under our renegotiated agreement with Hearst Corporation to print the *San Francisco Chronicle*, helped improve our net indebtedness ratio. The decrease in net debt is partially offset by costs related to the integration of Quad/Graphics Canada, Inc.

On December 7, 2012, the Corporation has extended by one year the credit facility amounting to $400.0 million or the U.S. dollar equivalent, which matured in February 2017, until February 2018. The applicable interest rate on the term revolving credit facility is based on the credit rating assigned by Standard & Poor's and DBRS. According to the current credit rating, it is either the banker's acceptance rate or LIBOR, plus 1.45%, or the Canadian or U.S. prime rate, plus 0.45%.

On December 17, 2012, the Corporation repaid its Senior Note Series 2002 A - Tranche 1, amounting to US$75.0 million. ($73.8 million). This financing was for a period of ten years at a rate of 5.62%.

Furthermore, our securitization program, unused at January 31, 2013, ended on February 15, 2013 and has not been renewed.

Share Capital

In the first quarter ended January 31, 2013, the Corporation redeemed 1,161,600 of its Class A Subordinate Voting Shares. Since implementation of the share repurchase program in April 2012, we have redeemed 3,173,200 Class A Subordinate Voting Shares, or 96.3% of the program.

The Corporation did not repurchase any of its Class B Shares in the first quarter of 2013. The change in Class B Shares in the first quarter of 2013 is due to the conversion of 153,800 of these shares into Class A Shares.

The following table provides data on shares issued and outstanding at January 31, 2013 and at February 28, 2013:

Shares Issued and Outstanding	At January 31, 2013	At February 28, 2013
Class A (Subordinate Voting Shares)	63,048,851	63,048,851
Class B (Multiple Voting Shares)	14,851,816	14,851,816
Series D Preferred (with rate reset)	4,000,000	4,000,000

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for implementing and maintaining adequate internal control. The purpose of internal control with respect to financial information is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

In the quarter ended January 31, 2013, no change that has materially affected or is reasonably likely to materially affect internal control over financial reporting was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

OUTLOOK

The contribution from the synergies obtained from the integration of Quad/Graphics Canada, Inc. will continue, particularly in the second and third quarters of 2013, partially offset however by the closure of the Zellers stores. New agreements to print flyers and marketing products worth an annualized value of around $30 million are slated to start at the end of the second quarter of 2013.

The Media Sector will continue to be affected by difficult market conditions, particularly with respect to advertising spending by our national and local clients. To limit the potential impact of these conditions, efficiency measures are being implemented to protect and improve the sector's profit margins. We will also pursue our efforts to improve the profitability of our digital and interactive offering by further reducing our cost base while continuing to invest in the development of new products.

Significant excess cash flows will continue to be generated in coming quarters, and we plan to invest about $70 million in property, plant and equipment, as well as intangible assets, in fiscal 2013. Our excellent financial position will also allow us to distribute a special dividend in the second quarter of 2013 of $1.00 per participating share, totaling approximately $78 million, while sustaining the financial flexibility that enables us to make strategic acquisitions and invest in in-house projects.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

March 12, 2013

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended January 31 2013	2012
Revenues		**$ 528.7**	$ 487.6
Operating expenses	3	**457.1**	416.2
Restructuring and other costs	10	**12.7**	2.5
Impairment of assets	4	**2.1**	0.8
Operating income before amortization		**56.8**	68.1
Amortization	5	**25.9**	28.4
Operating income		**30.9**	39.7
Net financial expenses	6	**7.9**	23.7
Income before income taxes		**23.0**	16.0
Income taxes	7	**3.8**	47.6
Net income (loss) from continuing operations		**19.2**	(31.6)
Net income (loss) from discontinued operations	8	**-**	-
Net income (loss)		**19.2**	(31.6)
Non-controlling interests		**(0.3)**	-
Net income (loss) attributable to shareholders of the Corporation		**19.5**	(31.6)
Dividends on preferred shares, net of related taxes		**1.7**	1.7
Net income (loss) attributable to participating shares		**$ 17.8**	$ (33.3)
Net income (loss) per participating share - basic and diluted	13	**$ 0.23**	$ (0.41)
Weighted average number of participating shares outstanding - basic and diluted (in millions)		**78.2**	81.0

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended January 31 2013	2012
Net income (loss)		**$ 19.2**	$ (31.6)
Other comprehensive income (loss)			
Items that will be reclassified to net income (loss):			
Net change related to cash flow hedges			
Net change in the fair value of derivatives designated as cash flow hedges		**2.1**	(1.2)
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net income (loss) during the period		**(1.5)**	2.6
Related income taxes		**0.2**	1.6
		0.4	(0.2)
Cumulative translation differences			
Unrealized exchange net gains (net losses) on the translation of the financial statements of foreign operations		**(0.3)**	0.5
Unrealized exchange losses on the translation of a debt designated as a hedge of a net investment in foreign operations	16	**(0.4)**	-
		(0.7)	0.5
Items that will not be reclassified to net income (loss):			
Changes in actuarial gains and losses in respect of defined benefit pension plans			
Actuarial gains (losses) in respect of defined benefit pension plans		**9.1**	(15.6)
Related income taxes		**2.2**	(4.9)
		6.9	(10.7)
Other comprehensive income (loss)	15	**6.6**	(10.4)
Comprehensive income (loss)		**$ 25.8**	$ (42.0)
Attributable to:			
Shareholders of the Corporation		**$ 26.1**	$ (42.0)
Non-controlling interests		**(0.3)**	-
		$ 25.8	$ (42.0)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Non-controlling interests	Total equity
Balance as at November 1, 2012	**$ 467.7**	**$ 2.5**	**$ 514.2**	**$ (84.4)**	**$ 900.0**	**$ 1.4**	**$ 901.4**
Net income (loss)	**-**	**-**	**19.5**	**-**	**19.5**	**(0.3)**	**19.2**
Other comprehensive income	**-**	**-**	**-**	**6.6**	**6.6**	**-**	**6.6**
Shareholders' contributions and distributions to shareholders							
Participating share redemptions (Note 12)	**(6.4)**	**-**	**(5.2)**	**-**	**(11.6)**	**-**	**(11.6)**
Dividends	**-**	**-**	**(13.0)**	**-**	**(13.0)**	**(1.4)**	**(14.4)**
Stock-option based compensation (Note 14)	**-**	**0.2**	**-**	**-**	**0.2**	**-**	**0.2**
Balance as at January 31, 2013	**$ 461.3**	**$ 2.7**	**$ 515.5**	**$ (77.8)**	**$ 901.7**	**$ (0.3)**	**$ 901.4**
Balance as at November 1, 2011	$ 478.1	$ 1.8	$ 750.3	$ (28.1)	$ 1,202.1	$ 0.8	$ 1,202.9
Net loss	-	-	(31.6)	-	(31.6)	-	(31.6)
Other comprehensive loss	-	-	-	(10.4)	(10.4)	-	(10.4)
Shareholders' contributions and distributions to shareholders							
Exercise of stock options (Note 14)	0.1	-	-	-	0.1	-	0.1
Dividends	-	-	(12.6)	-	(12.6)	-	(12.6)
Stock-option based compensation (Note 14)	-	0.2	-	-	0.2	-	0.2
Balance as at January 31, 2012	$ 478.2	$ 2.0	$ 706.1	$ (38.5)	$ 1,147.8	$ 0.8	$ 1,148.6

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at January 31, 2013	As at October 31, 2012
Current assets			
Cash		**$ 27.6**	$ 16.8
Accounts receivable		**378.2**	449.8
Income taxes receivable		**7.8**	38.9
Inventories		**78.7**	82.5
Prepaid expenses and other current assets		**17.1**	14.7
		509.4	602.7
Property, plant and equipment		**633.0**	651.2
Intangible assets		**170.7**	171.5
Goodwill	17	**505.8**	487.0
Deferred income taxes		**157.6**	192.6
Other assets		**28.6**	31.2
		$ 2,005.1	$ 2,136.2
Current liabilities			
Accounts payable and accrued liabilities		**$ 226.2**	$ 336.8
Provisions	10	**15.5**	15.5
Income taxes payable		**8.7**	50.3
Deferred revenues and deposits	11	**59.1**	39.3
Current portion of long-term debt	9	**163.4**	283.5
		472.9	725.4
Long-term debt	9	**198.0**	204.1
Deferred income taxes		**38.5**	68.4
Provisions	10	**48.7**	45.3
Other liabilities	11	**345.6**	191.6
		1,103.7	1,234.8
Equity			
Share capital	12	**461.3**	467.7
Contributed surplus		**2.7**	2.5
Retained earnings		**515.5**	514.2
Accumulated other comprehensive loss	15	**(77.8)**	(84.4)
Attributable to shareholders of the Corporation		**901.7**	900.0
Non-controlling interests		**(0.3)**	1.4
		901.4	901.4
		$ 2,005.1	$ 2,136.2

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes		Three months ended January 31 2013		2012
Operating activities					
Net income (loss)		**$**	**19.2**	$	(31.6)
Adjustments to reconcile net income (loss) and cash flows from operating activities:					
Amortization	5		**32.2**		33.3
Impairment of assets	4		**2.1**		0.8
Financial expenses on long-term debt	6		**5.9**		6.9
Interest on tax reassessment	6 & 7		**-**		16.0
Net gain on disposal of assets			**(0.2)**		(0.4)
Income taxes	7		**3.8**		47.6
Stock-option based compensation	14		**0.2**		0.2
Other			**2.2**		0.6
Cash flows generated by operating activities before changes in non-cash operating items and income tax paid			**65.4**		73.4
Changes in non-cash operating items	11		**154.8**		(14.2)
Income tax paid			**(10.8)**		(2.3)
Cash flows from continuing operations			**209.4**		56.9
Cash flows from discontinued operations			**-**		(1.6)
			209.4		55.3
Investing activities					
Business combinations	17		**(23.3)**		-
Acquisitions of property, plant and equipment			**(11.1)**		(8.3)
Disposals of property, plant and equipment			**0.3**		0.4
Increase in intangible assets			**(4.2)**		(4.7)
Cash flows from investments in continuing operations			**(38.3)**		(12.6)
Financing activities					
Reimbursement of long-term debt	9		**(80.6)**		(8.1)
Net decrease in revolving term credit facility			**(46.5)**		(34.1)
Financial expenses on long-term debt			**(6.6)**		(6.3)
Dividends on participating shares			**(11.3)**		(10.9)
Dividends on preferred shares			**(1.7)**		(1.7)
Dividends on non-controlling interests			**(1.4)**		-
Issuance of participating shares	14		**-**		0.1
Participating share redemptions	12		**(12.1)**		-
Cash flows from the financing of continuing operations			**(160.2)**		(61.0)
Effect of exchange rate changes on cash denominated in foreign currencies			**(0.1)**		0.1
Net change in cash			**10.8**		(18.2)
Cash at beginning of period			**16.8**		75.0
Cash at end of period		**$**	**27.6**	$	56.8
Non-cash investing and financing activities					
Net change in capital asset acquisitions financed by accounts payable		**$**	**(4.8)**	$	(2.5)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited
Quarters ended January 31, 2013 and 2012
(in millions of Canadian dollars, except per share data)

1 GENERAL INFORMATION

Transcontinental Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. Class A Subordinate Voting Shares, Class B Shares and Cumulative Rate Reset First Preferred Shares, Series D, are traded on the Toronto Stock Exchange. The Corporation's head office is located at 1 Place Ville Marie, Suite 3315, Montreal, Quebec, Canada H3B 3N2.

The Corporation conducts business in Canada and the United States in two separate sectors: the Printing Sector and the Media Sector. The Printing Sector includes printing activities for publishers of magazines, books and newspapers, as well as for retail customers and marketing products. The Media Sector includes the publishing of magazines, newspapers and books, a diversified digital platform and a door-to-door network for distributing advertising material that allows advertisers to reach consumers directly. The Media Sector also offers interactive marketing products and services that use new communication platforms supported by marketing strategy and planning services, database analytics, premedia, e-flyers, email marketing, custom communications and mobile solutions. Also, since 2012, the Media Sector offers television content creation services that can be delivered on all communication platforms, from TV channels for general broadcasting to new media, Internet and mobile channels for on-demand delivery.

The operating results for interim periods are not necessarily indicative of expected full-year results due to the seasonal nature of certain activities of the Corporation. Operating results are significantly influenced by the advertising market, which is stronger in the fourth quarter.

The Corporation's Board of Directors approved these interim condensed consolidated financial statements on March 12, 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", and, therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2012, including the significant accounting policies used by the Corporation.

The accounting methods adopted in these interim condensed consolidated financial statements are based on IFRS issued and effective for the Corporation as at January 31, 2013. Any subsequent changes to IFRS, that are taking effect in the Corporation’s annual consolidated financial statements for the year ending October 31, 2013, could result in a retrospective restatement of these interim condensed consolidated financial statements.

Foreign currency translation and hedge accounting

In January 2013, the Corporation has designated certain debts denominated in U.S. dollars as a hedge of an equivalent portion of its net investment in its foreign operations, which have the U.S. dollar as their functional currency. As a result, the effective portion of unrealized exchange gains or losses on the translation of debts designated as a hedge of a net investment in foreign operations is recognized in other comprehensive income (loss) and the ineffective portion is recognized in net income. Unrealized exchange gains or losses on the translation of debts designated as a hedge of a net investment in foreign operations recognized in accumulated other comprehensive loss are reclassified to net income when the corresponding net investment is reduced.

3 OPERATING EXPENSES

Operating expenses by major heading are as follows:

	Three months ended January 31	
	2013	2012
Employee-related costs	**$ 173.7**	$ 162.8
Supply chain and logistics [1]	**252.5**	223.4
Other goods and services [2]	**30.9**	30.0
	$ 457.1	$ 416.2

[1] "Supply chain and logistics" includes production and distribution costs related to external suppliers.

[2] "Other goods and services" includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees.

(in millions of Canadian dollars, except per share data)

4 IMPAIRMENT OF ASSETS

	Three months ended January 31	
	2013	2012
Property, plant and equipment	**$ 2.1**	$ 0.8

Goodwill

Goodwill is assessed for impairment annually, or more frequently if changes in circumstances indicate potential impairment. Until October 31, 2012, the Corporation performed the annual impairment test of goodwill during the second quarter of each fiscal year. Starting from fiscal 2013, the Corporation will now perform this test during the fourth quarter, which corresponds to the period during which the management of the Corporation approves the three-year financial plan. Due the to the change of period during which the Corporation performs the annual impairment test of goodwill, the Corporation conducted a test as at November 1, 2012. Therefore, the next annual impairment test of goodwill will be performed during the fourth quarter of fiscal 2013.

The test consists of determining whether the recoverable amount of a cash generating units ("CGU") group exceeds its carrying amount, in which case no impairment charge is required. The recoverable amount of a CGU group is the greater of its value in use and its fair value less costs to sell. Value in use is determined by discounting estimated future cash flows, using a pre-tax discount rate that reflects current assessments of the market, the time value of money and the risks specific to the CGU group. Fair value less costs to sell is determined using an EBITDA (earnings before interest, taxes, depreciation and amortization) multiple of comparable companies operating in similar industries for each CGU group.

The Corporation has concluded that the recoverable amounts of the CGU groups subject to the test exceeded their carrying amounts. Accordingly, no goodwill impairment charge is required for the three-month period ended January 31, 2013.

The key assumptions used by the Corporation to perform the impairment test as at November 1, 2012 are as follow:

Growth

For the purpose of calculating value in use, future cash flows are based on the three-year financial plan approved by management, with no growth factor having been applied after three years. In developing the forecasts, the Corporation considered past experience, certain economic trends and industry and market trends.

Discount rate

For the purpose of calculating value in use, the Corporation used pre-tax discount rates varying between 17.00% and 28.00%. The discount rate represents the weighted average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU group. The WACC is an estimate of the overall rate of return required by debt and equity holders on their investments. Determining the WACC requires analyzing the cost of equity and debt separately, and takes into account a risk premium that is based on the applicable CGU group.

Tax rate

For the purpose of calculating value in use, the Corporation used income tax rates varying between 26.10% and 27.50% based on the effective tax rates for the entities comprising the applicable CGU groups.

The Corporation performed a sensitivity analysis of the discount rate in its assessment of the recoverable amounts of the CGU groups tested for impairment. The results of the sensitivity analysis show that a 1% increase in the discount rate would not change the conclusion of the test.

5 AMORTIZATION

	Three months ended January 31	
	2013	2012
Property, plant and equipment	**$ 23.0**	$ 24.7
Intangible assets	**2.9**	3.7
	25.9	28.4
Intangible assets and other assets, recognized in revenues and operating expenses	**6.3**	4.9
	$ 32.2	$ 33.3

(in millions of Canadian dollars, except per share data)

6 NET FINANCIAL EXPENSES

	Three months ended January 31	
	2013	2012
Financial expenses on long-term debt	**$ 5.9**	$ 6.9
Interest on tax reassessment (Note 7)	**-**	16.0
Other expenses	**1.1**	0.8
Foreign exchange loss	**0.9**	-
	$ 7.9	$ 23.7

7 INCOME TAXES

The following table is a reconciliation of income taxes at the Canadian statutory tax rate and income taxes at the effective tax rate:

	Three months ended January 31	
	2013	2012
Income before income taxes	**$ 23.0**	$ 16.0
Canadian statutory tax rate	**26.90 %**	27.15 %
Income taxes at the statutory tax rate	**6.2**	4.3
Effect of reassessments related to previous years (a)	**-**	42.0
Effect of differences in tax rates in other jurisdictions	**(2.5)**	(1.0)
Income taxes on non-deductible expenses and non-taxable portion of capital gain	**0.8**	3.1
Recognition of tax losses or temporary differences not previously recognized	**(0.3)**	(0.3)
Other	**(0.4)**	(0.5)
Income taxes at effective tax rate	**$ 3.8**	$ 47.6

Income taxes include the following items:

	2013	2012
Income taxes before the following items:	**$ 7.9**	$ 6.5
Effect of reassessments related to previous years (a)	**-**	42.0
Income taxes on restructuring and other costs	**(3.5)**	(0.7)
Income taxes on impairment of assets	**(0.6)**	(0.2)
Income taxes at effective tax rate	**$ 3.8**	$ 47.6

(a) During the fiscal year ended October 31, 2012, the Corporation received notices of reassessment from the federal and provincial tax authorities totaling $58.0 million, including applicable interest and penalties for its fiscal years 2006 to 2010. The notices of reassessment relate to deductions on investments in capital assets made by the Corporation, as well as the interprovincial allocation of income. During the three-month period ended January 31, 2012, the Corporation recorded an expense of $58.0 million with respect to these matters, of which $16.0 million was included in financial expenses and $42.0 million in income taxes, even though the Corporation contests these notices of reassessment. During the fiscal year ended October 31, 2012 and during the three-month period ended January 31, 2013, the Corporation paid amounts of $31.6 million and $10.6 million, respectively, with respect to the notices of reassessment received. In addition, an amount of $11.3 million was absorbed by the use of tax attributes during the same periods. Notices of objection have also been filed with the relevant tax authorities.

(in millions of Canadian dollars, except per share data)

8 DISCONTINUED OPERATIONS

On July 16, 2012, the Corporation sold its black and white book printing assets for net proceeds of $13.0 million, subject to a price adjustment clause based on working capital at the closing of the transaction. An amount of $10.0 million was received upon closing the transaction and an amount of $3.0 million will be received over the next five years. Revenues, expenses and cash flows related to these activities were reclassified separately in the Consolidated Statements of Income (Loss) and the Consolidated Statements of Cash Flows as discontinued operations for the three-month period ended January, 31, 2012.

The following table presents the results of discontinued operations:

	Three months ended January 31	
	2013	2012
Revenues	**$ -**	$ 8.3
Expenses	**-**	8.3
Income (loss) before income taxes	**-**	-
Income taxes	**-**	-
Net income (loss) from discontinued operations [1]	**$ -**	$ -

[1] The net income (loss) related to the discontinued operations is fully attributable to the Corporation's shareholders.

9 LONG-TERM DEBT

On December 7, 2012, the Corporation has extended by one year the credit facility amounting to $400.0 million or the U.S. dollar equivalent, which matured in February 2017, until February 2018. The applicable interest rate on the term revolving credit facility is based on the credit rating assigned by Standard & Poor's and DBRS. According to the current credit rating, it is either the banker's acceptance rate or LIBOR, plus 1.45%, or the Canadian or U.S. prime rate, plus 0.45%.

On December 17, 2012, the Corporation repaid its Senior Note Series 2002 A - Tranche 1, amounting to US$75.0 million ($73.8 million). This financing was for a period of ten years at a rate of 5.62%.

10 PROVISIONS

The following table presents changes in provisions for the three-month period ended January 31, 2013:

	Restructuring costs	Onerous real estate contracts	Multi-employer pension plans	Other [1]	Total
Balance as at November 1, 2012	$ 9.3	$ 16.7	$ 32.6	$ 2.2	$ 60.8
Provisions recorded	6.1	5.9	-	0.1	12.1
Amounts used	(7.4)	(1.0)	-	(0.1)	(8.5)
Provisions reversed	(0.2)	-	-	-	(0.2)
Balance as at January 31, 2013	$ 7.8	$ 21.6	$ 32.6	$ 2.2	$ 64.2
Current portion	7.8	5.9	-	1.8	15.5
Non-current portion	-	15.7	32.6	0.4	48.7
	$ 7.8	$ 21.6	$ 32.6	$ 2.2	$ 64.2

[1] Other provisions include provisions for asset retirement obligations, provisions related to claims and litigations and other obligations.

(in millions of Canadian dollars, except per share data)

10 PROVISIONS (CONTINUED)

Restructuring costs

The Corporation is currently implementing rationalization measures that will affect its operating segments. These measures will address excess production capacity in some specialized plants of the Printing Sector following the integration of Quad/Graphics Canada, Inc., and major structural changes in the printing industry.

Restructuring and other costs by major heading were as follows:

	Three months ended January 31	
	2013	2012
Workforce reductions	**$ 5.9**	$ 1.5
Onerous real estate contracts	**5.9**	-
Business acquisition costs [1]	**0.3**	-
Other costs related to restructurings	**0.6**	1.0
	$ 12.7	$ 2.5

[1] Business acquisition costs include transaction costs, comprising legal and bank fees, and costs related to the integration of acquired businesses.

11 DEFERRED REVENUES

For the three-month period ended January 31, 2013, the Corporation renegotiated its agreement with Hearst Corporation to print the *San Francisco Chronicle* . Its subsidiary in the United States received an amount of US$200.0 million ($197.0 million) in consideration for price reductions on the remaining term of the contract. The amount received and recognized as deferred revenues, which is translated at the current exchange rate at the end of each period, will be transferred to revenues based on the remaining term of the contract. For the three-month period ended January 31, 2013, an amount of $2.4 million was transferred to earnings. As at January 31, 2013, amounts of US$23.7 million ($23.8 million) and US$173.8 million ($175.0 million) are classified as deferred revenues and deposits and as other liabilities, respectively, in the Consolidated Statement of Financial Position.

(in millions of Canadian dollars, except per share data)

12 SHARE CAPITAL

The share capital of the Corporation has changed as follows:

	Three months ended January 31			
	2013		2012	
	Number of shares	**Amount**	Number of shares	Amount
Participating shares				
Class A Subordinate Voting Shares				
Balance, beginning of period	**64,056,651**	**$ 350.6**	65,873,182	$ 360.8
Conversion of Class B Shares into Class A Subordinate Voting Shares	**153,800**	**0.2**	-	-
Exercise of stock options	**-**	**-**	12,400	0.1
Participating shares redeemed and cancelled	**(1,161,600)**	**(6.4)**	-	-
Balance, end of period	**63,048,851**	**344.4**	65,885,582	360.9
Class B Shares				
Balance, beginning of period	**15,005,616**	**20.3**	15,151,235	20.5
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(153,800)**	**(0.2)**	-	-
Balance, end of period	**14,851,816**	**20.1**	15,151,235	20.5
	77,900,667	**$ 364.5**	81,036,817	$ 381.4
Preferred shares				
Cumulative 5-Year Rate Reset First Preferred Shares, Series D				
Balance, beginning and end of period	**4,000,000**	**$ 96.8**	4,000,000	$ 96.8
	81,900,667	**$ 461.3**	85,036,817	$ 478.2

Participating share redemptions

The Corporation has been authorized to redeem, for cancellation on the open market, between April 13, 2012 and April 12, 2013, or at an earlier date if the Corporation concludes or cancels the offer, up to 3,295,096 Class A Subordinate Voting Shares, representing 5% of its 65,901,932 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2012, and up to 757,561 Class B Shares, representing 5% of its 15,151,235 Class B Shares issued and outstanding as at April 2, 2012. The redemptions are being made in the normal course of business at market prices through the Toronto Stock Exchange.

During the three-month period ended January 31, 2013, the Corporation redeemed 1,161,600 of its Class A Subordinate Voting Shares at a weighted average price of $9.98 for a total cash consideration of $11.6 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $5.2 million, was applied against retained earnings. The Corporation was under no obligation to redeem its Class A Subordinate Voting Shares as at January 31, 2013. During the three-month period ended January 31, 2013, the Corporation also paid an amount of $0.5 million, which was in accounts payable and accrued liabilities as at October 31, 2012, for shares that were purchased before October 31, 2012, but were still held by the Corporation at that date.

For the three-month period ended January 31, 2013, the Corporation did not redeem Class B shares and had no such obligation at that date.

(in millions of Canadian dollars, except per share data)

13 NET INCOME (LOSS) PER PARTICIPATING SHARE

The following table is a reconciliation of the net income (loss) used to calculate basic and diluted net income (loss) per participating share:

	Three months ended January 31	
	2013	2012
Numerator		
Net income (loss) from continuing operations	**$ 19.2**	$ (31.6)
Non-controlling interests	**0.3**	-
Dividends on preferred shares, net of related taxes	**(1.7)**	(1.7)
Net income (loss) attributable to participating shares	**$ 17.8**	$ (33.3)

For the calculation of the diluted net income per share, 1,263,076 options were considered anti-dilutive as at January 31, 2013, since their exercise price was greater than the average share price of Class A Subordinate Voting Shares during the period. As at January 31, 2012, 1,752,424 stock options were considered anti-dilutive, being all options issued and outstanding at that date due to the loss position for the period. Therefore, these stock options were excluded from the calculation of diluted net income (loss) per share for these periods.

Dividends of $0.145 and $0.135 per share were declared and paid to the holders of participating shares for the three-month periods ended January 31, 2013 and 2012, respectively. Dividends of $0.4253 and $0.4242 per share were declared and paid to the holders of preferred shares for the three-month periods ended January 31, 2013 and 2012, respectively.

14 STOCK-BASED COMPENSATION

Stock option plan
The Corporation offers a stock option plan for the benefit of certain officers and senior executives. Under the plan, each stock option entitles its holder to receive upon exercise one Class A Subordinate Voting Share. The exercise price of each option is determined using the weighted average price of all trades for the five days immediately preceding the grant of the stock option.

Stock-based compensation expenses of $0.2 million were charged to the Consolidated Statements of Income (Loss) and increased contributed surplus included in shareholders' equity for the three-month periods ended January 31, 2013 and 2012.

The following table presents the changes in the plan's status:

	Three months ended January 31			
	2013		2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**1,432,616**	**$ 16.11**	1,572,640	$ 16.67
Granted	**386,940**	**11.33**	235,984	12.40
Exercised	**-**	**-**	(12,400)	11.13
Cancelled	**-**	**-**	(28,800)	20.68
Expired	**(302,980)**	**19.43**	(15,000)	11.13
Options outstanding at end of period	**1,516,576**	**$ 14.23**	1,752,424	$ 16.12
Options exercisable at end of period	**882,074**	**$ 15.72**	1,247,980	$ 17.40

Exercise of stock options
When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. For the three-month period ended January 31, 2013, no stock options were exercised. For the three-month period ended January 31, 2012, a consideration of $0.1 million was received, and no amount was transferred from contributed surplus to share capital.

(in millions of Canadian dollars, except per share data)

14 STOCK-BASED COMPENSATION (CONTINUED)

The following table summarizes the weighted average assumptions used to calculate, using the Black-Scholes option pricing model, the fair value on the grant date of the options granted during the three-month periods ended January 31:

	2013	2012
Share price of Class A Subordinate Voting Shares on the stock option grant date	**$ 11.33**	$ 12.40
Weighted average fair value of the stock options	**$ 2.42**	$ 3.01
Assumptions:		
Expected dividend yield	**5.35 %**	4.42 %
Expected volatility	**39.31 %**	40.54 %
Risk-free interest rate	**1.53 %**	1.36 %
Expected remaining life	**5 years**	5 years

The expected dividend yield is based on the actual average dividend rate of the Corporation's participating shares. The expected volatility is based on the historical volatility of the price of the Corporation's Class A Subordinate Voting Shares over a period equal to the expected life of the options. The risk-free rate is the rate of return on Government of Canada bonds over a period equal to the expected life of the options. The expected remaining life of the options represents the period of time during which the options granted are expected to be outstanding.

Share unit plan for certain officers and senior executives

The Corporation offers a share unit plan for the benefit of certain officers and senior executives under which deferred share units ("DSU") and restricted share units ("RSU") are granted. Vested DSUs and RSUs will be paid, at the Corporation's discretion, in cash or with Class A Subordinate Voting Shares of the Corporation purchased on the open market.

The following table presents the changes in the plan's status:

	Three months ended January 31			
Number of units	2013	2012	2013	2012
	DSU		RSU	
Balance, beginning of period	**178,907**	201,981	**606,597**	679,884
Units granted	**-**	-	**322,438**	309,097
Units cancelled	**-**	-	**(6,916)**	(113,289)
Units paid	**-**	-	**(148,874)**	(139,506)
Units converted	**21,340**	17,956	**(21,340)**	(17,956)
Dividends paid in units	**2,446**	2,085	**-**	-
Balance, end of period	**202,693**	222,022	**751,905**	718,230

As at January 31, 2013, the liability related to the share unit plan for certain officers and senior executives was $4.6 million ($4.9 million as at October 31, 2012). The expenses recorded in the Consolidated Statements of Income (Loss) for the three-month periods ended January 31, 2013 and 2012 were $1.2 million and $0.9 million, respectively. Amounts of $1.5 million were paid under this plan for the three-month periods ended January 31, 2013 and 2012.

(in millions of Canadian dollars, except per share data)

14 STOCK-BASED COMPENSATION (CONTINUED)

Share unit plan for directors

The Corporation offers a deferred share unit plan for its directors. Under this plan, directors may elect to receive as compensation either cash, deferred share units, or a combination of both.

The following table presents the changes in the plan's status:

	Three months ended January 31	
Number of units	**2013**	2012
Balance, beginning of period	**247,505**	201,257
Directors' compensation	**11,006**	12,323
Dividends paid in units	**3,023**	2,146
Balance, end of period	**261,534**	215,726

As at January 31, 2013, the liability related to the share unit plan for directors was $3.1 million ($2.4 million as at October 31, 2012). The expenses recorded in the Consolidated Statements of Income (Loss) for the three-month periods ended January 31, 2013 and 2012 were $0.7 million and $0.2 million, respectively. No amount were paid under this plan for the three-month periods ended January 31, 2013 and 2012.

15 ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive loss
Balance as at November 1, 2012	**$ (3.9)**	**$ (1.2)**	**$ (79.3)**	**$ (84.4)**
Net change in gains (losses), net of income taxes	**0.4**	**(0.7)**	**6.9**	**6.6**
Balance as at January 31, 2013	**$ (3.5)**	**$ (1.9)**	**$ (72.4)**	**$ (77.8)**
Balance as at November 1, 2011	$ (6.3)	$ (1.9)	$ (19.9)	$ (28.1)
Net change in gains (losses), net of income taxes	(0.2)	0.5	(10.7)	(10.4)
Balance as at January 31, 2012	$ (6.5)	$ (1.4)	$ (30.6)	$ (38.5)

As at January 31, 2013, the amounts expected to be reclassified to net income are as follows:

	2013	2014	2015	2016	2017 and thereafter	Total
Losses on derivatives designated as cash flow hedges	$ (0.1)	$ (0.9)	$ (0.9)	$ (0.8)	$ (1.8)	$ (4.5)
Income taxes	-	(0.2)	(0.2)	(0.2)	(0.4)	(1.0)
	$ (0.1)	$ (0.7)	$ (0.7)	$ (0.6)	$ (1.4)	$ (3.5)

(in millions of Canadian dollars, except per share data)

16 FINANCIAL INSTRUMENTS

In January 2013, the Corporation has designated certain debts denominated in U.S. dollars as a hedge of an equivalent portion of its net investment in its foreign operations, which have the U.S. dollar as their functional currency. As at January 31, 2013, the Corporation has designated, as a hedge of the net investment in foreign operations, $25.2 million (US$25.0 million) of a debt denominated in U.S. dollars. The effective portion of unrealized exchange losses on the translation of a debt designated as a hedge of a net investment in foreign operations is $0.4 million for the three months ended January 31, 2013, and is recorded in other comprehensive income.

17 BUSINESS COMBINATIONS

Media Sector
On January 31, 2013, the Corporation acquired 100% of the shares of *Groupe Modulo Inc.* , publisher of French-language educational resources and materials in Canada. This transaction allows the Media Sector to strengthen its leadership position in higher education in Quebec and to increase its presence in the education market in French communities in Canada.

Given that the reporting date coincides with the acquisition date, management was unable to obtain all the information necessary to complete the initial accounting for this business combination, and, therefore, it is preliminary and subject to change following a final assessment of the fair value of the assets acquired and liabilities assumed. The excess of the purchase price over the estimated fair value of the assets acquired and liabilities assumed of this acquisition was fully attributed to goodwill. Consequently, the intangible assets acquired and the related amortization have not been reflected in these interim condensed consolidated financial statements. The Corporation expects to finalize initial recognition of this business combination in fiscal 2013.

The following table presents the estimated fair value of assets acquired and liabilities assumed during the three-month period ended January 31, 2013, as at the acquisition date:

Assets acquired		
Current assets	$	3.1
Property, plant and equipment		0.4
Goodwill (no tax value)		19.1
	$	22.6
Liabilities assumed		
Current liabilities	$	0.9
	$	21.7
Consideration		
Cash paid	$	21.6
Cash of the acquired business		(0.9)
Short-term liabilities		1.0
	$	21.7

These interim condensed consolidated financial statements of the Corporation for the three-month period ended January 31, 2013 do not include the operating results of the acquired business since the reporting date coincides with the acquisition date. However, if the Corporation had acquired this business on November 1, 2012, its operating results would have been as follows: additional revenues of $2.2 million and operating income before amortization of $1.0 million.

Other
During the three-month period ended January 31, 2013, the Corporation paid an amount of $2.6 million related to a business combination entered into during the previous year, and for which an amount of $2.9 million was included in short-term liabilities as at October 31, 2012. Consequently, the goodwill was adjusted by an amount of $0.3 million. The final assessment of the fair value of assets acquired and liabilities assumed of this business combination will be in fiscal 2013.

(in millions of Canadian dollars, except per share data)

18 SEGMENT REPORTING

The operating segments are defined in terms of the types of products and services offered by the Corporation. The Printing Sector generates revenues through printing activities for publishers of magazines, books and newspapers, as well as for retail customers and marketing products. The Media Sector generates revenues through the publishing of magazines, newspapers and books, a diversified digital platform and a door-to-door network for distributing advertising material that allows advertisers to reach consumers directly. The Media Sector also offers interactive marketing products and services that use new communication platforms supported by marketing strategy and planning services, database analytics, premedia, e-flyers, email marketing, custom communications and mobile solutions. Also, the Media Sector offers television content creation services that can be delivered on all communication platforms, from TV channels for general broadcasting to new media, Internet and mobile channels for on-demand delivery. Inter-segment sales of the Corporation are recognized at the exchange amount. Transactions other than sales are recognized at the carrying amount.

The Consolidated Statements of Income (Loss) include the following components (by segment):

	Three months ended January 31	
Operating segments	**2013**	2012
Revenues		
Printing Sector	**$ 381.2**	$ 345.1
Media Sector	**165.5**	158.5
Other activities and unallocated amounts	**2.1**	2.2
Inter-segment sales	**(20.1)**	(18.2)
	$ 528.7	$ 487.6
Operating income (loss) before amortization		
Printing Sector	**$ 54.1**	$ 64.5
Media Sector	**5.1**	6.3
Other activities and unallocated amounts	**(2.4)**	(2.7)
	$ 56.8	$ 68.1
Operating income (loss)		
Printing Sector	**$ 34.1**	$ 43.1
Media Sector	**0.6**	-
Other activities and unallocated amounts	**(3.8)**	(3.4)
	$ 30.9	$ 39.7
Acquisitions of non-current assets [1]		
Printing Sector	**$ 5.6**	$ 10.0
Media Sector	**6.4**	10.3
Other activities and unallocated amounts	**0.3**	0.2
	$ 12.3	$ 20.5

[1] These amounts include acquisitions of property, plant and equipment, intangible assets and other non-current assets, excluding those acquired in business combinations, whether they have been paid or not.

Amortization of property, plant and equipment and intangible assets		
Printing Sector	**$ 20.0**	$ 21.4
Media Sector	**4.5**	6.3
Other activities and unallocated amounts	**1.4**	0.7
	$ 25.9	$ 28.4
Impairment of assets		
Printing Sector	**$ 2.1**	$ 0.8

(in millions of Canadian dollars, except per share data)

18 SEGMENT REPORTING (CONTINUED)

The Corporation's revenues by main products and services are as follows:

	Three months ended January 31	
	2013	2012
Main products and services		
Printed products	**$ 362.3**	$ 327.5
Publishing products	**97.3**	95.8
Digital and interactive products	**37.3**	29.0
Other products and services	**31.8**	35.3
	$ 528.7	$ 487.6

The Corporation's total assets by segment are as follows:

Operating segments	**As at January 31, 2013**	As at October 31, 2012
Assets		
Printing Sector	**$ 1,142.0**	$ 1,247.7
Media Sector	**781.0**	777.3
Other activities and unallocated amounts	**82.1**	111.2
	$ 2,005.1	$ 2,136.2

19 SUBSEQUENT EVENTS

Securitization program

In February 2013, the securitization program whereby the Corporation sold, from time to time, certain accounts receivable of its subsidiaries, expired and was not renewed. The maximum net consideration permitted under the program was $200.0 million, of which a maximum of 20% in accounts receivable may be in U.S. dollars. No amount had been drawn on this source of financing as at January 31, 2013, as well as at 31 October 2012.

Special dividend

On March 12, 2013, the Corporation's Board of Directors declared a special dividend of $1.00 per share, totaling approximately $78.0 million, on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 26, 2013 to participating shareholders of record at the close of business on April 5, 2013.