transcontinental

PRESS RELEASE

For Immediate Release

TRANSCONTINENTAL HAS STRONG FIRST QUARTER & PROFITABILITY IMPROVES FOR THIRD QUARTER IN A ROW

- **Growth of 41% in adjusted operating income before amortization despite 11% decrease in revenues or 2.7% on a comparable basis.**
- **Growth of 68% in adjusted net income applicable to participating shares; on a per-participating share basis, adjusted net income applicable to participating shares rose 63%, from $0.19 to $0.31.**
- **Substantial growth in net income applicable to participating shares, from a loss of $6.4 million to a gain of $26.2 million; on a per-participating share basis, net income applicable to participating shares went from a loss of $0.08 to a gain of $0.32.**
- **Announcement by the Corporation of a 12.5% increase in its quarterly dividend, to $0.09 per participating share.**
- **New digital communication platforms: upcoming launch of pre-shopping site dealstreet.ca/publisac.ca and online business reputation management tool on weblocal.ca.**
- **Continued to work on setting up hybrid newspaper and flyer printing platform in Transcontinental's plants across Canada, to be fully operational by late 2010.**
- **Corporation tables first Sustainability Report.**
- **As at January 31, 2010, the ratio of net indebtedness (including the securitization program) to adjusted operating income before amortization was 2.40 compared to 3.25 as at January 31, 2009.**
- **Agreement in February 2010 to sell substantially all of the assets of Direct Mail Group in the U.S. to IWCO Direct, headquartered in Minnesota, for net proceeds of more than US$100.0 million.**

Montreal, March 17, 2010 –Transcontinental's profitability was up substantially in first quarter 2010 compared to first quarter 2009, for the third quarter in a row. Adjusted operating income before amortization rose 5% and 15% in the third and fourth quarters of 2009, and 41% in the first quarter of 2010. This growth is directly related to the measures implemented in 2009 to rationalize costs and improve efficiency, the reorganization and divestiture of certain operations and, to a certain extent, the stabilization in customer advertising spending. Revenues were down 11% in the quarter, due to the negative impact of the exchange rate, the divestiture or closure of plants and publications, and paper prices. Excluding these latter items and thanks to the contribution of the two contracts with Rogers Communications, which took effect in 2009, and the contract to print the *San Francisco Chronicle* which started in July 2009, revenues were down only 2.7%.

"Our first quarter results show a marked increase in our profitability compared to the first quarter of 2009, and this is the third consecutive quarter in which it has improved," said François Olivier, President and Chief Executive Officer. "I attribute our strong performance to four main factors: continued customer confidence in our products and services, the reorganization and sale of some of our operations, the rationalization plan that we quickly implemented last year, and the concerted efforts by our employees to develop greater efficiency. Furthermore, we kept investing to strengthen promising traditional areas as well as our new digital communication platforms and to develop new marketing services to meet the emerging needs of our customers. Which all helps to build the new Transcontinental day by day!

"Transcontinental is now a more flexible organization, and one that is even more focused on its strategic assets and priorities," said Mr. Olivier. "With our enviable financial situation, strong brands, unique approach to combining print with digital, and investments, we will be able to keep providing our customers with custom and turnkey solutions, and take full advantage of opportunities as they arise in our markets."

As at January 31, 2010, the ratio of net indebtedness (including the securitization program) to adjusted operating income before amortization was 2.40, versus 3.25 as at January 31, 2009, due to the preferred share placement, an increase in adjusted operating income before amortization, and the rise of the Canadian versus the U.S. dollar. Furthermore, the Corporation has now achieved its objective, set in fiscal 2009, of maintaining this ratio within a target range of 2.00 to 2.50. Note that in the first quarter, the Corporation repaid and cancelled before maturity credit facilities of $150 million arranged with its banking syndicate in fiscal 2009.

Financial Highlights

In the first quarter ended January 31, 2010, Transcontinental recorded consolidated revenues of $559.3 million, compared to $625.4 million in the first quarter 2009, down 11%. The decrease stems mainly from an unfavourable exchange rate effect of $20.5 million, the divestiture or closure of plants and publications, net of acquisitions, which accounted for $18.2 million, and the decline in paper prices which had a negative impact of $10.4 million on revenues. Excluding the divestitures or closures of publications and plants, the impact of the exchange rate and paper prices, and the acquisitions in fiscal 2009, the decline in revenues was only 2.7%.

Adjusted operating income before amortization rose from $58.3 million to $82.4 million, up a significant 41%, mainly due to the impact of the rationalization measures implemented in 2009 to combat the recession.

Net income applicable to participating shares rose substantially, from a loss of $6.4 million in first quarter 2009 to a gain of $26.2 million; on a per-share basis, it went from a loss of $0.08 to a gain of $0.32. Adjusted net income applicable to participating shares, which does not take into account unusual items related to asset impairment, restructuring costs and income tax adjustments, also grew substantially, from $15.1 million to $25.3 million; on a per-share basis, net income applicable to participating shares rose from $0.19 to $0.31.

For more detailed financial information, please see *Management's Discussion and Analysis for the First Quarter ended January 31, 2010* at www.transcontinental.com, under "Investors."

Operating Highlights

Below are the main operating highlights to date.

- Transcontinental's growth is largely based on its ability to provide its customers with advertising personalization services and digital communication platforms that meet their new business needs. This is the exact focus of the Marketing Communications Sector, which was created early in fiscal 2009. The forward momentum of Marketing Communications has continued in the first quarter with the signing of several promising agreements with major retail brands in Canada. These agreements cover our advertising personalization services, which include personalized emails, data analytics and creation of custom content. Also, in March 2010, we launch the pre-shopping platform dealstreet.ca for English-speaking consumers, and publisac.ca for French-speaking consumers, in concert with the Publisac team. This solution allows our retail clients to optimize the return on their advertising dollar and consumers to compare and choose the best deals on the Internet.

- The digital development of brands in the Media Sector is going well. For our magazines, for instance, revenues related to the Internet and wireless grew over 30% in the first quarter. In recent developments, weblocal.ca now offers local businesses the first online reputation management tool in Canada. This application will help companies probe, gather and analyze information about themselves on the Internet and in social networks, and adjust their marketing strategy accordingly.

- As a printer, Transcontinental has always stood out for its manufacturing efficiency, technological innovation and comprehensive offering. Its technological superiority attracts major new clients year after year. Customers include Shoppers Drug Mart-Pharmaprix, Rogers Communications and the *San Francisco Chronicle*, now being printed at our new plant in Fremont, California. In this context, in the first quarter Transcontinental started to implement a unique hybrid newspaper and flyer printing platform through its network of plants across Canada. This hybrid platform, a first in Canada, comes under an 18-year and $1.7 billion contract with *The Globe and Mail* that will start in early fiscal 2011. It will make it possible for *The Globe and Mail* to print on glossy paper with colour on every page, and retail clients will have access to the latest printing technology. This highly promising project will require a total investment of about $175 million.

- At its annual meeting of shareholders on February 18, 2010, Transcontinental officially tabled its first Sustainability Report based on the Global Reporting Initiative (GRI), an international standard for sustainability methodology. Already recognized as a leader in environmental protection and as an organization that is involved in the communities in which it operates, Transcontinental plans to broaden its leadership to include sustainable development, which is both a continuation and expansion of the Corporation's commitment to the environment. The report is available on the home page of the Transcontinental website.

- In light of the major structural changes in our industry and the inevitable consolidation underway in a number of segments, on February 10, 2010, Transcontinental announced that it had signed an agreement to sell most of its direct mail assets in the United States to IWCO Direct, a company headquartered in Minnesota, USA. The transaction, which must be approved by regulators, will generate net proceeds of more than US$100.0 million and is expected to close in our second quarter. This decision reflects management's plan to focus its energies on core operations and to emphasize the development of its digital products and services. Note that Transcontinental remains the leader in direct marketing in Canada.

Reconciliation of Non-GAAP Financial Measures

Financial data have been prepared in conformity with Canadian Generally Accepted Accounting Principles (GAAP). However, certain measures used in this press release do not have any standardized meaning under GAAP and could be calculated differently by other companies. The Corporation believes that certain non-GAAP financial measures, when presented in conjunction with comparable GAAP financial measures, are useful to investors and other readers because that information is an appropriate measure for evaluating the Corporation's operating performance. Internally, the Corporation uses this non-GAAP 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 GAAP.

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

Reconciliation of non-GAAP financial measures

(unaudited)

(in millions of dollars, except per share amounts)	2010	2009
Net income (loss) applicable to participating shares	$ 26.2	$ (6.4)
Dividends on preferred shares	1.7	-
Non-controlling interest	0.3	0.3
Income taxes	4.1	(9.0)
Discount on sale of accounts receivable	0.6	1.7
Financial expenses	10.1	7.4
Impairment of assets and restructuring costs	2.2	31.3
Adjusted operating income	45.2	25.3
Amortization	37.2	33.0
Adjusted operating income before amortization	$ 82.4	$ 58.3
Net income (loss) applicable to participating shares	$ 26.2	$ (6.4)
Impairment of assets and restructuring costs (after tax)	1.5	21.5
Unusual adjustments to income taxes	(2.4)	-
Adjusted net income applicable to participating shares	25.3	15.1
Average number of participating shares outstanding	80.8	80.8
Adjusted net income applicable to participating shares per share	$ 0.31	$ 0.19
Cash flow related to operating activities	$ 55.3	$ 9.5
Changes in non-cash operating items	(7.8)	(35.0)
Cash flow from operating activities before changes in non-cash operating items	$ 63.1	$ 44.5
Long-term debt	$ 826.4	$ 672.1
Current portion of long-term debt	7.4	179.1
Cash and cash equivalents	(29.7)	(25.2)
Net indebtedness	$ 804.1	$ 826.0

Dividend

At its March 17, 2010 meeting, the Corporation's Board of Directors declared a quarterly dividend of $0.09 per participating share on Class A Subordinate Voting Shares and Class B shares which represents an increase of 12.5% over the dividend paid in the previous quarter. These dividends are payable on April 30, 2010 to participating shareholders of record at the close of business on April 12, 2010. On an annual basis, this represents a dividend of $0.36 per participating share.

Furthermore, at the same meeting, the Board also declared a quarterly dividend of $0.4161 per share on cumulative 5-year rate reset first preferred shares, series D. These dividends are payable on April 15, 2010. On an annual basis, this represents a dividend of $1.6875 per preferred share.

Additional Information

Upon releasing its quarterly results, Transcontinental will hold a conference call for the financial community today at 4:15 p.m. (ET). 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 Sylvain Morissette, Vice President, Corporate Communications of Transcontinental, at 514-954-4007.

Profile

Transcontinental provides printing, publishing and marketing services that deliver exceptional value to its clients and provide a unique, integrated platform for them to reach and retain their target audiences. Transcontinental is the largest printer in Canada and in Mexico, and fourth-largest in North America. It is also the country's leading publisher of consumer magazines and French-language educational resources, the second-largest community newspaper publisher, and its digital platform delivers unique content through more than 120 Web sites. Its Marketing Communications Sector provides advertising services and marketing products using new communications platforms supported by database analytics, premedia, e-flyers, email marketing, and custom communications. Transcontinental is a company that seeks growth with a culture of continuous improvement and financial discipline, whose values, including respect, innovation and integrity, are central to its operation.

Transcontinental (TSX: TCL.A, TCL.B, TCL.PR.D) has approximately 12,500 employees in Canada, the United States and Mexico, and reported revenue of C$2.4 billion in 2009. For more information about the Corporation, please visit www.transcontinental.com.

Note: 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 implement its strategic plan and rationalization plan, 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* and *Annual Information Form*.

The forward-looking information in this release is based on current expectations and information available as of March 17, 2010. 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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Management's Discussion and Analysis

For the first quarter ended January 31, 2010

The purpose of this Management's Discussion and Analysis is to explain management's point of view on Transcontinental's past performance and future outlook. More specifically, it outlines our development strategy, performance in relation to objectives, future expectations and how we address risk and manage our financial resources. This report also provides information to improve the reader's understanding of the consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. This Management's Discussion and Analysis is dated March 17, 2010.

In this document, unless otherwise indicated, all financial data are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). All amounts are in Canadian dollars, and the term "dollar", as well as the symbols "$" and "C$", designate Canadian dollars unless otherwise indicated. In this Management's Discussion and Analysis we also use non-GAAP financial measures. Please refer to the section of this report entitled "Reconciliation of Non-GAAP Financial Measures" for a complete description of these measures on page 15.

The consolidated financial statements include the accounts of the Corporation and those of its subsidiaries, joint ventures and variable interest entities for which the Corporation is the principal beneficiary. Business acquisitions are accounted for under the acquisition method and the results of operations of these businesses are included in the consolidated financial statements from the acquisition date. Investments in joint ventures are accounted for using the proportionate consolidation method and investments in companies subject to significant influence are accounted for using the equity method. Other investments are recorded at either amortized cost or marked-to-market through comprehensive income depending on their classification as either financial assets held to maturity or available-for-sale.

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

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DEFINITIONS 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 operating income before amortization	Operating income before amortization, impairment of assets and restructuring costs
Adjusted operating income	Operating income before impairment of assets and restructuring costs
Net income (loss) applicable to participating shares	Net income (loss) minus dividends on preferred shares
Adjusted net income applicable to participating shares	Net income (loss) applicable to participating shares before impairment of assets and restructuring costs less related income taxes and unusual adjustments to income taxes
Net indebtedness	Long-term debt plus current portion of long-term debt plus bank overdraft less cash and cash equivalents

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, objectives under our *Evolution 2010* 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, security of data, market dynamics, liquidity, financing and operational risks; the strength of the Canadian, Mexican and United States' 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, the euro and the Mexican peso; the impact from raw material and energy prices; the seasonal and cyclical nature of certain businesses, notably the book publishing activities, 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 revenue 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 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 the U.S. and Canadian postal systems 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 the Corporation, 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. See "Risks and Uncertainties" for a description of the most important risks identified by the Corporation. The forward-looking statements contained herein are based on current expectations and information available as March 17, 2010.

TRANSCONTINENTAL PROFILE

Transcontinental provides printing, publishing and marketing services that deliver exceptional value to its clients and provide a unique, integrated platform for them to reach and retain their target audiences. Transcontinental is the largest printer in Canada and in Mexico, and fourth-largest in North America. It is also the country's leading publisher of consumer magazines and French-language educational resources, the second-largest community newspaper publisher, and its digital platform delivers unique content through more than 120 Web sites. Its Marketing Communications Sector provides advertising services and marketing products using new communications platforms

supported by database analytics, premedia, e-flyers, email marketing, and custom communications. Transcontinental is a growth-oriented company with a culture of continuous improvement and financial discipline, whose values, including respect, innovation and integrity, are central to its operation.

Transcontinental (TSX: TCL.A, TCL.B, TCL.PR.D) has approximately 12,500 employees in Canada, the United States and Mexico, and reported revenue of C$2.4 billion in 2009.

SUMMARY OF ACTIVITIES IN FIRST QUARTER 2010

We generated adjusted operating income of $45.2 million, up nearly 80.0% over the first quarter 2009. Thus, for the third quarter in a row, we increased our profitability compared to the corresponding quarter a year earlier. This is mainly due to the effective rationalization measures implemented in fiscal 2009, and continued improvements in operational efficiency.

However, the divestiture or closure of publications and plants, unfavourable exchange rates and the negative paper effect eroded our revenues in first quarter 2010 versus the same quarter in 2009. Excluding the above items, revenues declined only 2.7%, due in part to the first quarter contribution from the *San Francisco Chronicle* and Rogers's contracts. Although in recent months the pace of the downturn has slowed, it still had an impact on our first quarter results, particularly in our magazine, book and catalogue printing, marketing products printing and direct mail operations. However, the diversification of our operations and customer base, coupled with our leading position in most of our markets enabled us to limit the decline in our revenues at a lower level compared to most of our peers. Moreover, although to a lesser extent, the Marketing Communications Sector, and more particularly its 1:1 Marketing Solutions Division and Digital Promotions Division have signed agreements with new customers which will take effect in fiscal 2010 and fiscal 2011.

To concentrate on our core business operations, we have signed an agreement to sell substantially all of the assets in our Direct Mail Group in the United States for net proceeds of more than US$100 million. This transaction is subject to regulatory approvals and is expected to close in our second quarter.

HIGHLIGHTS OF FIRST QUARTER 2010

- Revenues for the first quarter 2010 were down 10.6% from the first quarter 2009, from $625.4 million to $559.3 million. Excluding the divestiture or closure of publications and plants, the exchange rate effect, the paper effect and business acquisitions made in fiscal 2009, revenues decreased by only 2.7%.
- Adjusted operating income before amortization rose 41.3%, from $58.3 million in first quarter of fiscal 2009 to $82.4 million in 2010. The increase is mainly due to the full impact of the rationalization measures implemented in fiscal 2009, the improved operational efficiency of our production equipment and new contracts in the Printing Sector.
- Adjusted operating income margin before amortization increased from 9.3% in 2009 to 14.7% in 2010. This increase is mainly due to our rationalization measures and improved operational efficiency.
- Net income applicable to participating shares was up $32.6 million, from a loss of $6.4 million in 2009 to income of $26.2 million in 2010. The increase is mainly due to higher operating income, partially offset by an increase in financial expenses, income taxes and dividends on preferred shares. On a per-share basis, it increased from a net loss of $0.08 to income of $0.32.
- Adjusted net income applicable to participating shares increased $10.2 million, or 67.5%, from $15.1 million in 2009 to $25.3 million in 2010. On a per-share basis, it rose from $0.19 to $0.31.
- On March 17, 2010, the Corporation announced it was increasing its quarterly dividend by 12.5%, from 0.08$ to $0.09 for its Class A and Class B shares.

- On December 4, 2009, the Corporation repaid $150 million and cancelled Tranche B of its term revolving credit facility.
- On December 15, 2009 the Corporation announced a reorganization of its operating structure to strengthen its position in the print and marketing communications markets. The reorganization took effect as of November 1, 2009.
- As at January 31, 2010, the ratio of net indebtedness (including use of the securitization program) to adjusted operating income before amortization was 2.40, compared to 3.25 as at January 31, 2009.
- On February 10, 2010, the Corporation announced it was selling substantially all of its Direct Mail assets in the United States. The deal is expected to close in the second quarter of fiscal 2010.
- On February 18, 2010, the Corporation tabled its first Sustainability Report, prepared using *Global Reporting Initiative* standards.

STRATEGY

Our ultimate goal is to ensure the growth and profitability of Transcontinental while promoting the common interests of its employees, customers and shareholders, the three pillars of the organization. Our strategy is based on several fundamental principles: to be the leader in the markets we serve, to have a disciplined approach to acquisitions and financial management, and to foster a culture of continuous improvement. These underlying principles, which are reflected in our *Evolution 2010* business project, have served us well to date.

Having said this, Transcontinental's mission is to help its customers identify, reach and retain their target consumers. We do this by offering products and services in printing, publishing and marketing communications, which include many new web-based technology platforms that our clients are increasingly using in their marketing campaigns. We plan to continue to adapt to the new realities of our customers in order to help them increase the return on their marketing dollars. In fact, our vision is to build a profitable, North American leadership position as a communications solutions provider.

Trends in the Marketplace

The Corporation does business in industries that are transforming at a rapid rate. Unprecedented changes are sweeping the publishing and printing industries, presenting both opportunities and risks. Marketing is no longer based solely on a mass marketing approach; it is steadily shifting towards one-to-one targeted marketing. The customers of marketing services are putting more emphasis on return on investment and measurability. As such, campaigns are more targeted as advertisers seek to establish and develop a closer relationship with their customers. Furthermore, the rise of new media, digital platform and changing consumer habits coupled with the increasing availability of data and technology to make better use of this data, is increasing audience fragmentation, personalization of content, user-generated content and web-based communities. The velocity of certain of these trends has increased. This is especially true for the rate of adoption of digital technologies and the ensuing migration of advertising dollars toward online platforms.

The ongoing transformation of the media and marketing industries is having a profound impact on the printing industry as a whole. Printed products remain key components in the media mix, but their growth is restricted to niche segments that address the above trends and to players who invest in state-of-the-art production equipment. These new technologies enable a better response to customers' ever-growing needs, while allowing printers to gain operational efficiency.

In addition, macroeconomic factors, including the globalization of markets, the rise of environmental and social consciousness and the volatility of the Canadian dollar, are all having an effect on our business as well as more recent happenings including the economic slowdown and the financial crisis.

Taken as a whole, these new trends have started to have an impact on the demands and expectations of our customers. In fact, they have driven our customers to increasingly experiment with one-to-one marketing, new platforms and an integrated service offering from their suppliers.

Our Two-Pronged Strategy

In light of these transformations in our industries, we have re-focused our strategy in order to continue to fulfill our mission. We believe we can accomplish this using a two-pronged approach: (1) build on our existing business and (2) develop new opportunities in digital and marketing communications. That is how we believe we can maximize our growth potential over the medium and long term.

1) Build on our existing business

Throughout our history we have built a solid foundation for future growth. We have core assets that can help us grow new services: we master print-based communication products, we have strong brands and the ability to distribute relevant content with targeted multi-channel reach and we continue to be a customer centric organization, servicing advertisers as well as end-consumers.

Below is a list of selected accomplishments in fiscal 2010:

- The *Globe and Mail* project is progressing as scheduled and production is expected to start in first quarter of fiscal 2011.
- We are continually improving our network of printing plants so that we remain state-of-the-art and augment our colour-printing capacities, production quality and efficiency.

In sum, our existing business is solid and generates considerable cash flow. We believe we can generate earnings above the industry average given our strong competitive position and our investments in our network of state-of-the-art printing plants.

2) Develop new opportunities in digital and marketing communications

Transcontinental derives the majority of its revenues from the marketing budgets of its customers. For the future, in addition to building on our traditional business, we are developing opportunities focused on new digital platforms, one-to-one advertising and an integrated service offering. We have also made several acquisitions in the past two years, and achieved the following in first quarter of fiscal 2010:

- We have signed agreements with major clients which ensure they benefit from our marketing communication solutions. These agreements involve a range of advertising personalization products, such as personalized email campaigns and electronic flyers.
- We have made strategic investments of about $2.5 million in our digital platforms in the Media Sector.

In sum, we are ramping up the development of our new integrated service offering for advertisers. The solid foundation we have built over the years through our operations, our niche-based strategy and our response to the new trends have put us in a good competitive position to take advantage of opportunities as they arise over the long term. In fact, we plan to deploy these new services at a much faster rate in the coming years.

New Structure

After a strategic review, we reorganized our Marketing Communications and Printing sectors, and the new structure took effect on November 1, 2009. As a result, all of our Canadian commercial printing operations in the Marketing

Communications Sector were transferred to the Printing Sector. The aim of this reorganization was to make the development of new integrated and one-to-one marketing communication solutions on multiple platforms the fundamental mission of a separate sector, with print production being concentrated in another sector.

The Printing sector now comprises our services to publishers of newspapers, books, magazines and catalogues, our marketing product printing business, our Mexican operations, our U.S. direct mail operations, and our services for retailers.

The Marketing Communications sector is now consolidating its offer through a new model based on growing business through specialization. This sector now has five divisions:

- Custom communications: creating custom content and one-to-one media programs by combining a journalistic offering and high-level marketing, to help clients achieve their goals of building a solid relationship with their customer base.
- Premedia: offering solutions aimed at creating, managing and transforming visual content for use on multiple platforms.
- One-to-one marketing solutions: developing and implementing one-to-one dialogue strategies so that customers can move from mass communication to highly personalized communication.
- Digital promotions: transforming print promotional material, i.e., flyers and catalogues, into enriched, user-friendly and interactive Web-based content that is distributed via multiple channels.
- Digital printing solutions: developing Internet marketing strategies tied in with digital printing.

As for the Media Sector, its four groups remain unchanged: Business and Consumer Solutions, Local Solutions, New Media and Digital Solutions, and Educational Book Publishing.

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

We recognize the critical nature of environmental issues, and take extensive precautions to protect our natural world. Transcontinental is not a major contributor to Greenhouse Gases (GHG) but that does not mean that we are not concerned about the impact of our activities on air quality. Striving everyday to improve our environmental performance, our company-wide environmental policies and procedures are founded on three main guiding principles: (1) protect the environment for present and future generations, (2) reduce risks and improve efficiencies, and (3) introduce improved technology and processes. The following describes our environmental policies and examples of how we are implementing them. For more information, please refer to the Environment section of *Management's Discussion and Analysis for the fiscal year ended October 31, 2009.*

Also, in February 2010, the Corporation tabled its *Sustainability Report 2009 – Committing ourselves to performance*, based on the *Global Reporting Initiative* standard. This report articulates Transcontinental's commitment to the path of sustainable development around four themes:

- **Engagement and ownership**: Mobilize employees at all levels of the organization, and our suppliers, customers and partners.

- **Innovation is the key driver, internally and externally**: Supporting and rewarding innovation as a key component of the strategy.

- **Connecting words to actions**: Setting targets and key performance indicators to measure progress.

- **Shared journey**: Communicating challenges and progress at each step of the way.

The following are some of Transcontinental's achievements mentioned in the report:

- **Greenhouse gas emissions**: reduction of 11% in 2009 and implementation of a global energy management program to reduce emissions by 15% by 2012 compared to the level in 2008.
- **Paper Purchasing Policy**: increase in the use of Gold and Gold Plus papers, the highest ranked papers in the environmental classification developed by Transcontinental, which represent 48% of the paper purchased in 2009, compared to 22% in 2008.
- **Chain-of-Custody**: triple forest product chain-of-custody certification (FSC/SFI/PEFC) in 42 Transcontinental printing plants.
- **Recycling programs**: recovery of 700 tonnes of paper in the Montreal subway system and contribution of $480,000 to provincial and municipal recycling programs.
- **Health, Safety and Wellness**: decrease in the accident frequency rate, from 1.30 in 2008 to 1.08 in 2009.
- **Corporate philanthropy**: investment of about $5.7 million in social and humanitarian causes in 2009, in the form of donations and sponsorships.
- **LEED certification**: LEED Silver certification for Transcontinental Northern California, the plant built in Fremont, California to print the *San Francisco Chronicle*.

For more information, please refer to the *Sustainability Report 2009 – Committing ourselves to performance* posted on our website at www.transcontinental.com.

SELECTED FINANCIAL DATA

For first quarters ended January 31
(unaudited)

(in millions of dollars, except per share data)

	2010	2009	Variation in %
Operations			
Revenues	$ 559.3	$ 625.4	-11%
Adjusted operating income before amortization [1]	82.4	58.3	41%
Operating income (loss)	43.0	(6.0)	n/a
Adjusted operating income [1]	45.2	25.3	79%
Net income (loss)	27.9	(6.4)	n/a
Net income (loss) applicable to participating shares	26.2	(6.4)	n/a
Adjusted net income applicable to participating shares [1]	25.3	15.1	68%
Cash flow from operating activities before changes in non-cash operating items [1]	63.1	44.5	42%
Cash flow related to operating activities	55.3	9.5	n/a
Investments			
Acquisitions of property, plant and equipment	63.5	98.7	-36%
Business acquisitions [2]	0.6	11.7	-95%
Financial condition			
Total assets	2,518.2	2,552.1	-1%
Net indebtedness [1]	804.1	826.0	-3%
Shareholders' equity	1,130.5	1,083.3	4%
Net indebtedness (including utilization of securitization program) / adjusted operating income before amortization (Last 12 months)	2.40	3.25	-26%
Per share data (basic)			
Net income (loss) applicable to participating shares	0.32	(0.08)	n/a
Adjusted net income applicable to participating shares [1]	0.31	0.19	63%
Cash flow from operating activities before changes in non-cash operating items [1]	0.78	0.55	42%
Cash flow related to operating activities	0.68	0.12	n/a
Dividends on participating shares	0.08	0.08	0%
Shareholders' equity	13.99	13.41	4%
Average number of participating shares outstanding (in millions)	80.8	80.8	
Number of participating shares at end of period (in millions)	80.8	80.8	

[1] Please refer to the section "Reconciliation of non-GAAP Financial Measures" on page 15 of this Management's Discussion and Analysis.

[2] Total consideration in cash or otherwise for businesses acquired through the purchase of shares or assets.

DETAILED ANALYSIS OF FIRST QUARTER 2010 OPERATING RESULTS

Analysis of Main Variances – Consolidated Results
For the first quarter ended January 31, 2010
(unaudited)

(in millions of dollars)	Revenues	%	Adjusted operating income	%	Net income (loss) applicable to participating shares	%
Results - First Quarter 2009	**$ 625.4**		**$ 25.3**		**$ (6.4)**	
Acquisitions/Divestitures/Closures	(18.2)	(2.9) %	2.6	10.3 %	2.5	n/a
Existing operations						
Paper effect	(10.4)	(1.7) %	1.6	6.3 %	1.5	n/a
Exchange rate effect	(20.5)	(3.3) %	(1.6)	(6.3) %	0.4	n/a
Organic growth (negative)	(17.0)	(2.7) %	17.3	68.4 %	5.8	n/a
Impairment of assets, restructuring costs and unusual adjustments to income taxes	-	-	-	-	22.4	n/a
Results - First Quarter 2010	**$ 559.3**	**(10.6) %**	**$ 45.2**	**78.7 %**	**$ 26.2**	**n/a**

As shown in the above table, a number of factors contributed to the variation between results in first quarter 2010 and first quarter 2009.

- The net effect of acquisitions, divestitures and closures decreased revenues by $18.2 million and increased adjusted operating income by $2.6 million. Almost the entire decrease in revenues, or 93.4%, comes from divestitures and closures in the Printing Sector, including the sale in fiscal 2009 of our Retail Group plant in Ohio and a printing plant in Rimouski. Net impact on net income, after deduction of financing expenses and income taxes, was $2.5 million.

- The paper effect had a $10.4 million negative impact on revenues. The paper effect includes the variation in the price of paper, paper supplied and changes in the type of paper used by customers of our printing operations. Note that for printing operations, these elements affect revenues without impacting adjusted operating income. For the Media Sector, the variation in the price of paper had a positive impact of $1.6 million on adjusted operating income and $1.5 million on net income.

- The variations in the exchange rate between the Canadian dollar and its U.S. and Mexican counterparts had a considerable impact on 2010 results, reducing revenues by $20.5 million and adjusted operating income by $1.6 million. In first quarter 2010, the impact of the exchange rate was mainly due to the variation in the Canadian and U.S. dollar exchange rate. The variation in average spot exchange rates in first quarter 2010 versus first quarter 2009 was 15.4% for the CAD/USD and 12.7% for the CAD/MXP. With respect to revenues, conversion of sales by U.S. and Mexican units had a negative impact of about $15.4 million on revenues. For export sales by plants in Canada, the negative impact, net of the currency hedging program, was $5.1 million. The conversion of results for U.S. and Mexican units had a positive impact of $0.5 million on adjusted operating income. Export sales, net of the currency hedging program and purchases in U.S. dollars, had a negative impact of $2.8 million on adjusted operating income. Finally, the positive impact of the conversion of balance sheet items related to the operation of Canadian units denominated in foreign currency was $0.7 million on adjusted operating income. Taking into consideration financial expenses and income taxes denominated in foreign currencies, the net positive effect was $0.4 million.

- Revenues in our base business were down $17.0 million, or 2.7%, in first quarter 2010. This decrease stemmed mainly from lower advertising spending, which affected some of our segments. This effect was partially offset by our new printing contracts with the *San Francisco Chronicle* and Rogers, as well as our operations in the areas of new media and digital solutions.

- The positive organic growth in adjusted operating income of $17.3 million, or 68.4%, in first quarter 2010, stems mainly from the full impact of the rationalization plan implemented in fiscal 2009. In addition, the sustained improvement in our operational efficiency and the start of new printing contracts largely offset the decrease in adjusted operating income in the Marketing Communications Sector, which is currently focusing on strategic investments to develop its offering of digital products and marketing services.

Amortization

Amortization expense increased by $4.2 million, or 12.7%, to $37.2 million in first quarter 2010, compared to $33.0 million in first quarter 2009. This increase results mostly from the start-up of our plant in Fremont, California, where we print the *San Francisco Chronicle,* and investments completed at the Transcontinental Transmag plant, partially offset by the exchange rate effect and the divestitures or closures of publications and plants.

Impairment of Assets and Restructuring Costs

In first quarter 2010, an amount of $2.2 million before tax ($1.5 million after tax) was accounted for separately in the consolidated statement of income as impairment of assets and restructuring costs. Of that amount, $2.1 million is due to workforce reduction costs and equipment transfers.

In first quarter 2009, an amount of $31.3 million before tax ($21.5 million after tax) was accounted for separately in the consolidated statement of income as impairment of assets and restructuring costs. Details are as follows:

- Impairment of assets of $18.8 million before tax ($13.2 million after tax) related to machinery and equipment no further necessary considering the lower level of activity of certain businesses.

- Restructuring costs of $12.5 million before tax ($8.3 million after tax) related to the consolidation of the direct mail activities in the U.S. announced during the fourth quarter of fiscal 2008.

Financial Expenses and Discount on Sale of Accounts Receivable

When combined, financial expenses and discount on sale of accounts receivable increased by $1.6 million, or 17.6%, from $9.1 million in first quarter 2009 to $10.7 million in first quarter 2010. This increase is mainly due to the increase in net indebtedness related to the purchase of property, plant and equipment, offset by the exchange rate effect and lower interest rates.

Income Taxes

Income taxes increased by $13.1 million, from a recovery of $9.0 million in first quarter 2009 to an expenditure of $4.1 million for the first quarter 2010. Excluding income taxes on restructuring costs and unusual adjustments, income taxes would have been $7.1 million, with an income tax rate of 20.7%, compared to $0.7 million, or 4.1%, in first quarter 2009. This increase is mainly due to the change in the geographic distribution of pre-tax earnings.

Dividends on Preferred Shares

During the quarter, dividends of $1.7 million on preferred shares were considered with respect to the preferred shares, series D issued in October 2009.

Net Income Applicable to Participating Shares

Net income applicable to participating shares increased by $32.6 million, from a net loss of $6.4 million in first quarter 2009 to income of $26.2 million in first quarter 2010. This increase is primarily due to positive organic growth in adjusted operating income and a favourable variation in unusual items (related mainly to asset impairment and restructuring costs). On a per-share basis, net income applicable to participating shares increased from a loss of $0.08 to a gain of $0.32.

Adjusted net income applicable to participating shares increased $10.2 million, or 67.5%, from $15.1 million in first quarter 2009 to $25.3 million in first quarter 2010. On a per-share basis, it increased $0.12, from $0.19 to $0.31.

REVIEW OF OPERATING SECTORS FOR FIRST QUARTER 2010

Analysis of Main Variances – Sector Results
For the first quarter ended January 31, 2010
(unaudited)

(in millions of dollars)	Printing Sector	Marketing Communications Sector	Media Sector	Inter-segment and Other Results	Consolidated Results
Revenues - First Quarter 2009	**$ 467.6**	**$ 39.9**	**$ 139.9**	**$ (22.0)**	**$ 625.4**
Acquisitions/Divestitures/Closures	(17.0)	1.6	(2.8)	-	(18.2)
Existing operations					
Paper effect	(10.4)	-	-	-	(10.4)
Exchange rate effect	(16.8)	(3.7)	-	-	(20.5)
Organic growth (negative)	(13.2)	(7.5)	(1.4)	5.1	(17.0)
Revenues - First Quarter 2010	**$ 410.2**	**$ 30.3**	**$ 135.7**	**$ (16.9)**	**$ 559.3**
Adjusted operating income - First Quarter 2009	**$ 19.5**	**$ 2.4**	**$ 7.7**	**$ (4.3)**	**$ 25.3**
Acquisitions/Divestitures/Closures	0.7	-	1.9	-	2.6
Existing operations					
Paper effect	-	-	1.6	-	1.6
Exchange rate effect	(1.1)	(0.5)	-	-	(1.6)
Organic growth (negative)	18.3	(0.6)	0.8	(1.2)	17.3
Adjusted operating income - First Quarter 2010	**$ 37.4**	**$ 1.3**	**$ 12.0**	**$ (5.5)**	**$ 45.2**

This review of operating sectors should be read in conjunction with the information presented in the above table and the information disclosed in the Segmented Information note (note 16) to the Consolidated Financial Statements for the quarter ended January 31, 2010.

Management believes that adjusted operating income by business segment used in this section is a meaningful measure of its financial performance.

Printing Sector

Printing Sector revenues were down $57.4 million, or 12.3%, from $467.6 million in first quarter 2009 to $410.2 million in first quarter 2010. Excluding divestitures, closures and the negative impact of fluctuations in the exchange rate and paper, revenues were down only $13.2 million, or 2.8%.

Our diversified clientele, leading position in most of our segments and the contribution from the printing contracts for the *San Francisco Chronicle* and Rogers limited the decline in Printing Sector revenues. Despite the fact that the profound transformation of the printing industry continued into the first quarter of 2010, the decrease in revenues compared to the first quarter 2009 was much less than for most of our peers. Although the negative impact of the changing industry was less than in past quarters, the hardest hit operations continued to be direct mail in the United States; magazine, book and catalogue printing; and marketing product printing. Apart from the decrease in base business, the lower revenues in this sector are also largely due to the sale, in May 2009, of the Retail Group plant in Ohio which specialized in flyer production for regional merchants. Also, because of their strong sales volume in U.S. dollars, our magazine, book and catalogue printing operations and our direct mail operations in the United States were heavily affected by exchange rate fluctuations.

Adjusted operating income almost doubled, from $19.5 million in first quarter 2009 to $37.4 million in first quarter 2010. The increase of $17.9 million also raised the adjusted operating income margin, which went from 4.2% in first quarter 2009 to 9.1% in first quarter 2010. Excluding divestitures, closures and the negative exchange rate effect, adjusted operating income rose $18.3 million, or 93.8%. This positive growth in adjusted operating income can be seen across all our printing operations and is largely due to our successful rationalization plan introduced in fiscal 2009; the full impact was felt in this first quarter of 2010. Thanks to the rationalization measures deployed, we were able to take a proactive approach and quickly adjusted our cost structure, thereby consolidating our competitive position. The enhanced operational efficiency of all the groups, as well as implementation of the new printing contracts with the *San Francisco Chronicle* and Rogers, also added to growth in adjusted operating income for the Newspaper Group, Magazine, Book and Catalogue Group and the Marketing Products Group.

In fiscal 2010, the Printing Sector will continue to invest in the project to print The Globe & Mail until 2028. The purpose of this investment project, which started in 2009, is to set up a new and innovative Canada-wide platform to print newspapers and flyers. It will be the first network to integrate the printing of these two products across Canada. This will result in certain synergies and improved overall efficiency, thanks to more productive equipment and better utilization of our production capacity. This strategic investment will also help reduce capital expenditures in the Retail Group in the next few years. The network will make it possible to add colour to each page of The Globe and Mail, and will also enable us to meet the needs of our retailers. The project is advancing on schedule and production should start early in fiscal 2011. Finally, the Printing Sector will continue to improve its operational efficiency in order to ensure its cost structure remains aligned with demand for printed products

Marketing Communications Sector

Revenues for the Marketing Communications Sector decreased $9.6 million, from $39.9 million in first quarter 2009 to $30.3 million in 2010. Excluding acquisitions and the exchange rate effect, revenues decreased $7.5 million, or 18.8%. The acquisitions of Totem (formerly Redwood Custom Communications), and Conversys added $1.6 million to 2010 revenues versus the corresponding period in first quarter 2009. However, this increase was more than offset by the rise in the Canadian dollar versus the US dollar, which explains the decrease of $3.7 million, or 9.3%, and by the decrease in base business of $7.5 million. The latter was mainly due to the Custom Communications Division, where a major customer postponed production of a publication to the second quarter of 2010 (it was produced in first quarter of fiscal 2009), and, to a lesser degree, by the 1:1 Marketing Solutions Division and the Digital Printing Solutions Division.

Adjusted operating income was down, from $2.4 million for the first quarter 2009 to $1.3 million in 2010, a decrease of $1.1 million. Excluding acquisitions and the exchange rate effect, adjusted operating income was down $0.6 million due to decreased revenues in 2010 and higher costs related to the development of our digital products and marketing services offering.

Adjusted operating income margin was also down, from 6.0% for the first quarter 2009 to 4.3% in 2010, mainly stemming from strategic investment in digital platforms in our sector divisions.

In fiscal 2010 we will be accelerating investments in new digital technologies to support our growth strategy and thereby enhance our unique service offering in this rapidly expanding market. Moreover, notwithstanding the fact that some customers have reduced their marketing budgets, we have signed several new agreements with major brands, which means they will be using our marketing communication services. Although these new customers come from a broad range of industries, our agreements with them reflect a common thread – Transcontinental's capacity to provide them with a full range of solutions designed to meet their different business needs and round out their mix of marketing products.

Media Sector

Revenues in the Media Sector declined from $139.9 million in first quarter 2009 to $135.7 million in first quarter 2010, down $4.2 million or 3.0%. Publications that were closed or divested in fiscal 2009 generated $2.8 million in revenue in the first quarter 2009. Excluding these items, revenues were down $1.4 million or 1.0%.

The decrease in base business in first quarter 2010 stems from lower revenues in our Business Solutions Division and educational publishing business, partially offset by our New Media and Digital Solutions Group. The decrease in our clients' national advertising budgets, mainly in the automotive and financial services sectors, continues to significantly affect the revenues of our Business Solutions Division. As for our newspaper publishing operations, the decline in local advertising was much less marked, particularly in the automotive and real estate sectors. Revenues from our new media and digital solutions operations were up more than 30%, reflecting the impact of the strategic investments in recent quarters to develop and improve our digital offering.

Adjusted operating income rose $4.3 million, or 55.8%, from $7.7 million in first quarter 2009 to $12.0 million in first quarter 2010. Excluding divestitures, closures and the paper effect, it rose $0.8 million, or 10.4%. This increase is mainly due to the rationalization measures deployed in fiscal 2009, partially offset by the lower adjusted operating income of our educational publishing business and our New Media and Digital Solutions Group, which are currently making strategic investments in various digital platforms.

Adjusted operating income margin rose to 8.8% in first quarter 2010, compared to 5.5% in first quarter 2009. This increase is mainly due to the full impact of the rationalization measures implemented in fiscal 2009.

It is important to note that our investments in digital platforms and new products are bearing fruit. In January 2010, according to the ComScore report, we had close to 4.5 million unique visitors on our websites, giving us 18.1% of the Canadian Internet market, up 0.8% from January 2009.

In fiscal 2010, the Media Sector will continue to expand and improve its offering on its multiple digital platforms, particularly with the upcoming launch of its *www.dealstreet.ca* site, and will continue improving performance in its traditional operations. Our New Media and Digital Solutions Group will focus on strategic investments to accelerate achievement of its objectives and take advantage of emerging markets.

Inter-Segment and Other Activities

Revenues of inter-segment and other activities went from a negative total of $22.0 million in first quarter of 2009 to a negative total of $16.9 million in 2010. The variation is mainly attributable to the decrease in inter-segment transactions. Adjusted operating income went from a negative total of $4.3 million in first quarter 2009 to a negative total of $5.5 million in 2010, due mainly to the decrease in pension plan expense in 2009.

Reconciliation of Non-GAAP Financial Measures

Financial data have been prepared in conformity with Canadian Generally Accepted Accounting Principles (GAAP). However, certain measures used in this discussion and analysis do not have any standardized meaning under GAAP and could be calculated differently by other companies. The Corporation believes that certain non-GAAP financial measures, when presented in conjunction with comparable GAAP financial measures, are useful to investors and other readers because that information is an appropriate measure for evaluating the Corporation's operating performance. Internally, the Corporation uses this non-GAAP 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 GAAP. Below is a table reconciling GAAP financial measures to non-GAAP financial measures.

For first quarters ended January 31
(unaudited)

(in millions of dollars, except per share amounts)		**2010**		2009
Net income (loss) applicable to participating shares	$	**26.2**	$	(6.4)
Dividends on preferred shares		**1.7**		-
Non-controlling interest		**0.3**		0.3
Income taxes		**4.1**		(9.0)
Discount on sale of accounts receivable		**0.6**		1.7
Financial expenses		**10.1**		7.4
Impairment of assets and restructuring costs		**2.2**		31.3
Adjusted operating income		**45.2**		25.3
Amortization		**37.2**		33.0
Adjusted operating income before amortization	$	**82.4**	$	58.3
Net income (loss) applicable to participating shares	$	**26.2**	$	(6.4)
Impairment of assets and restructuring costs (after tax)		**1.5**		21.5
Unusual adjustments to income taxes		**(2.4)**		-
Adjusted net income applicable to participating shares		**25.3**		15.1
Average number of participating shares outstanding		**80.8**		80.8
Adjusted net income applicable to participating shares per share	$	**0.31**	$	0.19
Cash flow related to operating activities	$	**55.3**	$	9.5
Changes in non-cash operating items		**(7.8)**		(35.0)
Cash flow from operating activities before changes in non-cash operating items	$	**63.1**	$	44.5
Long-term debt	$	**826.4**	$	672.1
Current portion of long-term debt		**7.4**		179.1
Cash and cash equivalents		**(29.7)**		(25.2)
Net indebtedness	$	**804.1**	$	826.0

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Financial Results
(unaudited)

	2010	2009				2008			
(in millions of dollars, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**$ 559**	$ 615	$ 547	$ 582	$ 625	$ 676	$ 605	$ 615	$ 619
Adjusted operating income before amortization	**82**	124	86	81	58	108	82	89	82
Adjusted operating income margin before amortization	**14.7 %**	20.2 %	15.7 %	13.9 %	9.3 %	16.0 %	13.6 %	14.5 %	13.2 %
Operating income (loss)	**$ 43**	$ 71	$ 46	$ (150)	$ (6)	$ (139)	$ 50	$ 55	$ 48
Adjusted operating income	**45**	87	53	47	25	76	51	57	50
Adjusted operating income margin	**8.1 %**	14.1 %	9.7 %	8.1 %	4.0 %	11.2 %	8.4 %	9.3 %	8.1 %
Net income (loss) applicable to participating shares	**$ 26**	$ 43	$ 25	$ (144)	$ (6)	$ (94)	$ 30	$ 37	$ 34
Per share	**0.32**	0.54	0.31	(1.79)	(0.08)	(1.16)	0.37	0.45	0.41
Adjusted net income applicable to participating shares	**25**	54	31	30	15	48	30	34	28
Per share	**0.31**	0.66	0.39	0.37	0.19	0.59	0.37	0.42	0.34
% of fiscal year	**- %**	41 %	24 %	23 %	12 %	34 %	22 %	24 %	20 %

The table above shows the evolution of the Corporation's quarterly results. Note the impact on revenues of the North American recession in 2009, and of the rise in the Canadian dollar versus its U.S. counterpart during the same period. However, note also the rationalization measures limited the impact of the slowdown on earnings starting in the third quarter of fiscal 2009. The fourth quarter is higher than the others since advertising spending is generally higher in the fall; also, it is the peak period for book printing and for our educational book segment.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Principal Cash Flows and Financial Position
For quarters ended January 31
(unaudited)

(in millions of dollars)	2010	2009
Operating activities		
Cash flow from operating activities before changes in non-cash operating items	$ 63.1	$ 44.5
Changes in non-cash operating items	(7.8)	(35.0)
Cash flow related to operating activities	55.3	9.5
Investing activities		
Business acquisitions, net of disposals	(0.6)	(11.7)
Acquisitions of property, plant and equipment, net of disposals	(62.7)	(98.6)
Other	(3.2)	(2.2)
Cash flow used in investing activities	(66.5)	(112.5)
Financing activities		
Increase (reimbursement) of long-term debt, net	27.8	(1.9)
Increase (decrease) in revolving term credit facility	(12.7)	46.8
Issuance of participating shares	0.1	-
Dividends on participating shares	(6.5)	(6.5)
Dividends on preferred shares	(1.9)	-
Other	(0.7)	(0.5)
Cash flow related to financing activities	6.1	37.9
Other relevant information		
Net indebtedness	804.1	826.0
Shareholders' equity	1,130.5	1,083.3
Net indebtedness (including usage of the securitization program) / adjusted operating income before amortization (last 12 months)	2.40	3.25
Credit rating		
DBRS	BBB high	BBB high
	Stable	Stable
Standard and Poor's	BBB-	BBB
	Stable	Stable

Operating Activities

Cash flow from operating activities before changes in non-cash operating items rose to $63.1 million in 2010, compared to $44.5 million in 2009. The change is primarily due to the increase in adjusted operating income before amortization, partially offset by higher financial expenses. Changes in non-cash operating items resulted in an outflow of $7.8 million in 2010, compared to an outflow of $35.0 million in 2009. This difference is mainly due to the decrease in accounts receivable, partially offset by the timing of payments of certain accounts payable. Consequently, cash flow from operating activities rose, resulting in an inflow of $55.3 million in 2010, compared to an inflow of $9.5 million in 2009.

Investing Activities

In first quarter 2010, $62.7 million was invested in property, plant and equipment, net of disposals, mainly for the *Globe and Mail* project. Fixed asset investments were down $35.9 million compared to $98.6 million invested in 2009, mainly because the *San Francisco Chronicle* project has now been completed.

Financing Activities

The Corporation paid $6.5 million in dividends on participating shares, or 8 cents per share, in first quarter 2010, the same as in 2009. Also in first quarter 2010, the Corporation paid $1.9 million in dividends on preferred shares issued in October 2009. Dividends paid by Transcontinental to Canadian residents are deemed eligible dividends under provincial and federal income tax laws.

Shares Issued and Outstanding	At January 31, 2010	At February 28, 2010
Class A (Subordinate Voting Shares)	65,100,467	65,100,562
Class B (Multiple Voting Shares)	15,709,390	15,709,295
Series D Preferred (with rate reset)	4,000,000	4,000,000

Debt Instruments

As at January 31, 2010, net indebtedness (including usage of the securitization program) to adjusted operating income before amortization stood at 2.40 (3.25 as at January 31, 2009) due to the preferred share placement, an increase in adjusted operating income before amortization, and the rise in the Canadian dollar versus the U.S. dollar. Furthermore, the Corporation has now achieved its objective, set in fiscal 2009, of keeping this ratio within a target range of 2.00 to 2.50.

On December 4, 2009, the Corporation repaid $150 million and cancelled Tranche B of its term revolving credit facility with a maturity date of May 14, 2010. Consequently, as at January 31, 2010, the Corporation had a committed line of credit in the form of a revolving credit facility ("Tranche A") which matures in September 2012, for $400.0 million or the equivalent in U.S. dollars, of which $268.1 million was used.

'During the third quarter of fiscal 2009, the Corporation concluded a six-year financing of €55.6 million ($82.1 million) with European bank HypoVereinsbank, bearing interest at EURIBOR + 1.60%, to acquire various production equipment over the next two years. This financing will be drawn in tranches, based on equipment delivery dates, and will be payable in equal instalments including principal plus interest, every six months from the date of the last drawdown, which cannot be later than July 2010. On December 1st, 2009, the Corporation entered into a six-year cross currency swap agreement, to lock the exchange rate at 1.5761 and to convert the interest rate to banker's acceptance rate plus 2.55%. As at January 31, 2010 an amount of €44.4 million ($65.6 million) was drawn from this facility (€23.7 million ($37.7 million) as at October 31, 2009).

As of January 31, 2010, letters of credit amounting to C$0.2 million and US$5.0 million were drawn on the committed line of credit in addition to the amounts presented above. In fiscal 2010, the Corporation was not in default under any of its obligations.

The Corporation made commitments to acquire production equipment and to complete leasehold improvements in a building. As at January 31, 2010, these commitments amounted to $47.8 million, or US$7.0 million, 12.0 million euros

and C$22.7 million respectively. The minimum payments required in 2010 and 2011 are equivalent to $38.4 million and $9.4 million, respectively.

Off-Balance Sheet Arrangements (Securitization)

Under its securitization agreement, the Corporation sells, on an on-going basis, certain of its receivables to a trust that has sold its beneficial interest to third-party investors. The maximum net consideration allowable under the program is $300.0 million, including a maximum of $100.0 million in U.S. dollars. The program matures in August 2010.

As at January 31, 2010, accounts receivable sold under the securitization program amounted to $254.0 million ($240.3 million as at October 31, 2009), of which $162.5 million ($128.4 million as at October 31, 2009) was kept by the Corporation as retained interest, resulting in a net consideration of $91.5 million, including C$57.3 million and US$32.0 million ($111.9 million as at October 31, 2009, including C$77.3 million and US$32.0 million). As at January 31, 2010, the maximum net consideration the Corporation could have obtained under the terms of the program was $210.4 million ($202.3 million as at October 31, 2009). The retained interest is recorded in the Corporation's accounts receivable at the lower of cost and fair market value. Under the program, the Corporation recognized an aggregate discount on sale of accounts receivable of $0.6 million for the first quarter 2010 ($1.7 million for the first quarter 2009). The Corporation is in compliance with all its covenants under the agreements governing this program.

PRINCIPAL ACCOUNTING ESTIMATES

The Corporation prepares its consolidated financial statements in Canadian dollars and in accordance with Canadian GAAP. A summary of the significant accounting policies is presented in Note 1 of the Consolidated Financial Statements for the fiscal year ended October 31, 2009. Some of the Corporation's accounting policies require estimates and judgments. The most significant areas requiring the use of management estimates and judgments include goodwill, intangible assets, accounting for future employee benefits and income taxes. Management reviews its estimates on an on-going basis, taking into account historical data and other factors, including the current economic situation. Given that future events or changes in circumstances and their effects cannot be determined accurately, actual results could differ materially from Management's estimates. Changes in these estimates resulting from on-going change in the economic situation will be reflected in the financial statements of subsequent periods. For more information, please see *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

EFFECT OF NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED

Business Combinations

In January 2009, CICA issued Section 1582, Business Combinations, which supersedes the like-named Section 1581. This Section applies prospectively to business combinations for which the date of acquisition is in fiscal years beginning on or after January 1, 2011. The Section establishes standards for the recognition of a business combination.

Consolidated Financial Statements

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, which supersedes the like-named Section 1600. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the preparation of consolidated financial statements.

Non-controlling Interests

In January 2009, the CICA issued Section 1602, Non-controlling Interests, which supersedes Section 1600, Consolidated Financial Statements. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the accounting of non-controlling interests in a subsidiary in the consolidated financial statements.

International Financial Reporting Standards (IFRS)

In February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011.

For the Corporation, the conversion to IFRS will be required for interim and annual financial statements for the year ending October 31, 2012. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures.

The Corporation is required to qualitatively disclose its changeover impacts in conjunction with its 2010 financial reporting as well as quantitative information if available, with its interim and annual financial reporting for the year ending October 31, 2011. This information will be used by the Corporation to present comparative information in its financial statements for the year ending October 31, 2012.

The Corporation set up an organizational project management team composed of members from different levels and positions to oversee project coordination and monitoring. Staff with the appropriate qualifications and experience have been assigned to the project.

The Corporation's conversion plan consists of three phases:

Phase 1 – Evaluation
During this phase the Corporation performed a high-level identification of the major differences between IFRS and the Corporation's accounting policies as well as an evaluation of the key areas that may be impacted by the transition to IFRS. A detailed conversion plan was developed. Since changes are expected to IFRS standards during the conversion period and could impact the conversion plan, a monitoring process was established.

Phase 2 – Conversion
In this phase, the Corporation designs and develops solutions to address the differences identified in phase 1. Changes required to the existing accounting policies, financial reporting, information systems, business processes and internal controls will be identified in order to perform conversion to IFRS. Impacts on contractual arrangements are evaluated and modifications made as required. A change management strategy is implemented to respond to the information and training needs of the different stakeholders

Phase 3 – Implementation
The objective of this final phase is to enable continued IFRS reporting and to facilitate knowledge sharing. Changes identified in phase 2 are implemented and tested to ensure that any difference is addressed prior to the changeover date. The change management strategy initiated in phase 2 continues until completion of the conversion.

The Corporation has completed Phase 1 and began Phase 2 in fiscal 2009. Preliminary evaluation of the differences in the Corporation's accounting policies and primary aspects has been completed, as has the priorization of the standards to be analyzed in Phase 2. The following list contains the IFRS standards currently in effect which have been identified as having a high level of difficulty in implementation or a potentially significant impact on the Corporation's consolidated financial statements. The evaluation is not definitive and the list is not exhaustive.

Changes could be made during the changeover to IFRS following a more in-depth analysis and possible changes to existing standards. The standards are as follows:

- First-time adoption of international Financial Reporting Standards (IFRS 1)
- Income Taxes (IAS 12)
- Property, Plant and Equipment (IAS 16)
- Consolidated and Separate Financial Statements (IAS 27)
- Impairment of Assets (IAS 36)
- Financial Instruments – Recognition and Measurement (IAS 39)

As the conversion process is implemented, the Corporation will outline the consequences of the transition to IFRS in its financial disclosures. The following table indicates progress of the IFRS changeover as at January 31, 2010.

	Main Activities	Schedule	Status
Financial Information	Identify and analyze the differences between IFRS and the Corporation's accounting policies. Design and develop solutions to resolve the differences. Select from among the IFRS accounting standards and the exemptions permitted in accordance with IFRS 1. Develop a model for IFRS financial statements, including notes.	Completed before October 31, 2010. Follow up and updates during fiscal 2011.	Completed the preliminary identification and evaluation of differences and selections. In progress: detailed analysis of differences and selection of accounting policies.
	Prepare the opening balance sheet and compile the financial information for preparing the comparative IFRS financial statements.	During fiscal 2011.	To come
Information Systems and Processes	Evaluate the impact of the changes on information systems and processes and make changes as required. Formulate a strategy for compiling the information in parallel (based on Canadian GAAP and IFRS) during fiscal 2011 and implement it.	Modify the information systems and processes finalized in time to compile financial information during fiscal 2011. Follow up and update during fiscal 2011.	Completed: Overall evaluation of potential impact on information systems and processes. Evaluated: Impacts on information systems and processes, with detailed analysis of differences with respect to financial information.
Internal Controls	Evaluate the impact of the changes on internal controls on financial information and controls and procedures for communicating information and implement the changes as required.	Implement the changes required starting in first quarter of fiscal 2011. Follow up and updates during fiscal 2011.	Evaluated: Impact on internal controls, plus detailed analysis of differences with respect to financial information.
Training and Communication	Identify training needs and provide training.	Training sessions in fiscal 2010 and 2011.	Training given to primary actors in the changeover process.
	Communicate the progress of the changeover plan to stakeholders.	Regular communications in fiscal 2010 and 2011.	Developed: Communication plan with regular communication of the plan as it progresses.
Business	Evaluate the impact on the Corporation's contractual undertakings (compliance with restrictive financial clauses, compensation plans, etc.). Make changes required to contractual agreements.	Changes made before October 31, 2011.	Completed: Overall evaluation of potential impacts on agreements. Evaluated: Impact on contractual agreements, plus detailed analysis of differences with respect to financial information.

RISKS AND UNCERTAINTIES

The Corporation attempts to continually reduce its exposure to risks and uncertainties that it may encounter in its operating sectors or treasury situation. As a result, the Director of Risk Management and management continually review together overall controls and preventive measures to ensure they are better matched to significant risks to which the Corporation's operating activities are exposed. A report on our risk-management program is reviewed once a year by the Audit Committee.

Managing the Corporation's risks is a major factor behind the decisions taken by management with regard to acquisitions, capital investments, disposal of assets, regrouping of plants, or efforts to create synergies among operating sectors. This focus also guides decisions regarding cost-reduction measures, product diversification, new market penetration, and certain treasury movements. Below is a list of the main risks the Corporation is exposed to that could have a significant impact on its financial situation and strategies it is taking to mitigate them.

Financial Risks

Availability of Capital and Use of Financial Leverage

In fiscal 2009, the Corporation completed substantive financing and re-financing activities in order to meet its capital expenditure program and to secure additional financial flexibility.

Although the Corporation has carried out all these financing and refinancing activities during a major economic crisis, there is no guarantee that additional funds will be available in the future, and if they are, that they will be provided in a timeframe and under conditions acceptable to the Corporation.

Our receivables securitization program of $300.0 million, of which $91.5 million was used as at January 31, 2010, matures in fiscal 2010. However, it is important to note that as at January 31, 2010, the Corporation had sufficient availability on Tranche A of its revolving credit facility to render unnecessary any use of its securitization program. We are confident that we will be able to renew our receivables securitization program to provide additional flexibility for the financing of our future capital requirements.

The risk is mitigated by the fact that the Corporation is in good financial condition with a ratio of net funded debt (including the securitization program) to adjusted operating income before amortization of 2.40. Also, the Corporation's available cash flows will be higher in fiscal 2010 given the additional cash flows generated by the *San Francisco Chronicle* project and the fact that capital expenditures will be lower than in fiscal 2009.

There is no assurance that the Corporation will be able to increase distributions to shareholders by way of dividends.

Interest Rate

Transcontinental is exposed to market risks related to interest-rate fluctuations. As at January 31, 2010, taking derivative financial instruments into account, the fixed rate portion of the Corporation's long-term debt represented 63% of the total, while the floating rate portion represented 37% (48% and 52%, respectively, as at January 31, 2009). The fixed rate portion of the debt increased mainly due to the financing arranged during 2009.

In order to mitigate this risk the Corporation tries to keep a good balance of fixed versus floating rate debt.

In fiscal 2009, the Bank of Canada and U.S. Federal Reserve reduced their discount rates and the Corporation partially benefited from these reductions, which eased the cost of its floating rate debt. However, the Corporation has

increased the fixed portion of its total debt compared to last year, since it expects that interest rates in the Canadian and U.S. economies will start to rise in fiscal 2010. It has thus reduced its exposure to interest rate risk.

Credit

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Pension Plans

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Operational Risks

Economic Cycles

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Competition

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Geographic Distribution and Exchange Rate

The Canadian-U.S. dollar exchange rate varied considerably in first quarter 2010, compared to the first quarter 2009. The average exchange rate was 1.2577 CAD/USD in first quarter 2009, compared to an average of 1.0644 CAD/USD during the first quarter of fiscal 2010.

The currency-hedging program uses derivatives to protect the Corporation from the risk of short-term currency fluctuations. Moreover, Transcontinental attempts to match cash inflows and outflows in the same currency. The policy approved by the Corporation's Board of Directors permits hedging of 50% to 100% of net cash flows for a period of one to 12 months, 25% to 50% for the subsequent 12 months and up to 33% for the following 12 months.

As at January 31, 2010, using forward contracts to manage the exchange rate risk related to its exports to the United States, the Corporation had contracts to sell US$128 million (US$118 million as at October 31, 2009), of which $60 million, $41 million and $27 million will be sold in fiscal 2010, 2011 and 2012, respectively. The terms of these forward contracts range from one month to 26 months, with rates varying from 1.0156 to 1.2839. Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the first quarter 2010.

New media

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Difficulty in Hiring Qualified Personnel

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Impairment Tests

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Exchange of Confidential Information

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Business Development

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Integration of Acquisitions

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Loss of Reputation

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Participating Shares and Preferred Shares

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Environmental Risks

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009* and the *Sustainability Report 2009 – Committing ourselves to performance.*

Raw Material and Postal Risks

Raw Materials and Energy Prices

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

Future Policies of the Canadian and U.S. Postal Systems

No major changes occurred in first quarter of fiscal 2010. For more information, please refer to *Management's Discussion and Analysis for the Year Ended October 31, 2009*.

SUBSEQUENT EVENTS

Sale of direct mail operations in the United States

On February 10, 2010, the Corporation signed an agreement with IWCO Direct, a U.S.-company headquartered in Minnesota, to sell substantially all of its high-volume direct mail assets in the United States for net proceeds of more than US$100.0 million. This group generated revenues of US$153.0 million in 2009 and employs about 1,200 people. The transaction is subject to regulatory approval and is expected to close by the end of the Corporation's second quarter of fiscal 2010.

Pension plans amendment

The Corporation offers various contributory and non-contributory defined benefit pension plans and defined contribution pension plans to its employees and those of its participating subsidiaries. On February 1st, 2010, the Corporation announced the conversion, for future service, of its defined benefit pension plans into defined contribution pension plans beginning on June 1st, 2010. Consequently, a special curtailment expense of approximately $3.3 million will be recorded in the consolidated financial statements of the second quarter of fiscal 2010.

DISCLOSURE CONTROLS AND PROCEDURES

Transcontinental's President and Chief Executive Officer and its Vice President and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and Vice President and Chief Financial Officer to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The President and Chief Executive Officer and the Vice President and Chief Financial Officer have evaluated whether there were changes to internal control over financial reporting during the year ended January 31, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

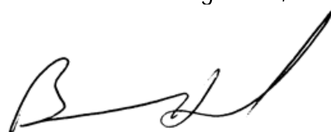
OUTLOOK

In the next three quarters of fiscal 2010, the Corporation will focus on four primary objectives. First, the Corporation will continue to develop its offering in digital products and marketing solutions by optimizing the contribution of the

recent acquisitions of Totem (formerly Redwood Custom Communications), Rastar, ThinData and Conversys. These acquisitions complement our existing offer of services and enable us to present unique digital solutions to our existing and new customers. Thus, we increase our market share. Second, we will be putting considerable effort into the *Globe and Mail* project, with production scheduled to start in early fiscal 2011. Note that this involves setting up a unique Canada-wide network to print newspapers and flyers, and will alone account for more than 50% of the Corporation's capital expenditures in fiscal 2010. This project will allow us to print *The Globe and Mail* under the terms of an 18-year contract that will take effect from the start of production. We will also continue to print the *San Francisco Chronicle*, which will generate higher cash flows than in fiscal 2009 in the second and third quarters. Finally, in addition to the rationalization measures introduced in fiscal 2009, we will continue to improve operational efficiency to better meet demand in our markets and will emphasize the development of new innovative products through cross-selling among our different groups.

Although the impact of the recession seems to be stabilizing, we expect that some niches will remain sensitive to market conditions in future quarters, such as our magazine, book and catalogue printing operations, which will likely continue to see lower page and copy counts, and less demand for specialty products and religious works. We also believe that our marketing product printing operations will continue to be affected by lower corporate marketing budgets. Similarly, our magazine and newspaper publishing operations will still feel the impact of budget cuts by "national" advertisers.

On behalf of Management,



Benoît Huard
Vice President and Chief Financial Officer

March 17, 2010

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

unaudited

(in millions of dollars, except per share data)	Three months ended January 31	
	2010	2009
Revenues	**$ 559.3**	$ 625.4
Operating costs	**417.1**	493.2
Selling, general and administrative expenses	**59.8**	73.9
Operating income before amortization, impairment of assets and restructuring costs	**82.4**	58.3
Amortization (Note 3)	**37.2**	33.0
Impairment of assets and restructuring costs (Note 4)	**2.2**	31.3
Operating income (loss)	**43.0**	(6.0)
Financial expenses (Note 5)	**10.1**	7.4
Discount on sale of accounts receivable (Note 8)	**0.6**	1.7
Income (loss) before income taxes and non-controlling interest	**32.3**	(15.1)
Income taxes (recovered) (Note 6)	**4.1**	(9.0)
Non-controlling interest	**0.3**	0.3
Net income (loss)	**27.9**	(6.4)
Dividends on preferred shares, net of related income taxes	**1.7**	-
Net income (loss) applicable to participating shares	**$ 26.2**	$ (6.4)
Net income (loss) per share - basic	**$ 0.32**	$ (0.08)
Net income (loss) per share - diluted	**$ 0.32**	$ (0.08)
Average number of participating shares outstanding (in millions)	**80.8**	80.8

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

unaudited

(in millions of dollars)	Three months ended January 31	
	2010	2009
Net income (loss)	**$ 27.9**	$ (6.4)
Other comprehensive income (loss):		
Unrealized net change in fair value of derivatives designated as cash flow hedges, net of income taxes of $(1.9) million ($(1.8) million in 2009)	**(5.1)**	(5.8)
Reclassification adjustments for net change in fair value of derivatives designated as cash flow hedges in prior periods, transferred to net income in the current period, net of income taxes of $0.7 million ($1.5 million in 2009)	**1.9**	3.3
Net change in fair value of derivatives designated as cash flow hedges	**(3.2)**	(2.5)
Unrealized net losses on translation of financial statements of self-sustaining foreign operations	**(0.9)**	(5.4)
Other comprehensive loss (Note 13)	**(4.1)**	(7.9)
Comprehensive income (loss)	**$ 23.8**	$ (14.3)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

unaudited

(in millions of dollars)	Three months ended January 31	
	2010	2009
Balance, beginning of period	**$ 645.9**	$ 753.5
Net income (loss)	**27.9**	(6.4)
	673.8	747.1
Dividends on participating shares	**(6.5)**	(6.5)
Dividends on preferred shares	**(1.9)**	-
Balance, end of period	**$ 665.4**	$ 740.6

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
unaudited

(in millions of dollars)	As at January 31, 2010	As at October 31, 2009
Current assets		
Cash and cash equivalents	$ 29.7	$ 34.7
Accounts receivable (Note 8)	294.1	330.7
Income taxes receivable	15.2	4.1
Inventories	76.2	78.2
Prepaid expenses and other current assets	22.6	23.0
Future income taxes	10.2	11.9
	448.0	482.6
Property, plant and equipment	983.8	972.0
Goodwill	670.7	673.4
Intangible assets	188.0	187.5
Future income taxes	169.8	165.8
Other assets	57.9	68.4
	$ 2,518.2	$ 2,549.7
Current liabilities		
Accounts payable and accrued liabilities	$ 299.1	$ 378.3
Income taxes payable	48.2	26.8
Deferred subscription revenues and deposits	47.1	43.7
Future income taxes	2.1	0.5
Current portion of long-term debt (Note 9)	7.4	7.8
	403.9	457.1
Long-term debt (Note 9)	826.4	819.0
Future income taxes	104.7	110.0
Other liabilities	52.4	48.3
	1,387.4	1,434.4
Non-controlling interest	0.3	0.1
Commitments (Note 15)		
Shareholders' equity		
Share capital	476.2	476.5
Contributed surplus (Note 12)	13.1	12.9
Retained earnings	665.4	645.9
Accumulated other comprehensive loss (Note 13)	(24.2)	(20.1)
	641.2	625.8
	1,130.5	1,115.2
	$ 2,518.2	$ 2,549.7

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
unaudited

(in millions of dollars)	Three months ended January 31 2010	2009
Operating activities		
Net income (loss)	$ 27.9	$ (6.4)
Items not affecting cash and cash equivalents		
Amortization (Note 3)	43.5	37.9
Impairment of assets (Note 4)	0.1	18.8
Gain on disposal of assets	(0.4)	(0.1)
Future income taxes	(7.3)	(14.0)
Net change in accrued pension benefit asset and liability	(2.0)	(2.4)
Stock-based compensation (Note 11)	0.5	0.2
Other	0.8	10.5
Cash flow from operating activities before changes in non-cash operating items	63.1	44.5
Changes in non-cash operating items	(7.8)	(35.0)
Cash flow related to operating activities	55.3	9.5
Investing activities		
Business acquisitions (Note 14)	(0.6)	(11.7)
Acquisitions of property, plant and equipment	(63.5)	(98.7)
Disposals of property, plant and equipment	0.8	0.1
Increase in intangible assets and other assets	(3.2)	(2.2)
Cash flow related to investing activities	(66.5)	(112.5)
Financing activities		
Increase in long-term debt	32.9	-
Reimbursement of long-term debt	(5.1)	(1.9)
Increase (decrease) in revolving term credit facility	(12.7)	46.8
Dividends on participating shares	(6.5)	(6.5)
Dividends on preferred shares	(1.9)	-
Issuance of participating shares	0.1	-
Other	(0.7)	(0.5)
Cash flow related to financing activities	6.1	37.9
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	0.1	(0.4)
Decrease in cash and cash equivalents	(5.0)	(65.5)
Cash and cash equivalents at beginning of period	34.7	90.7
Cash and cash equivalents at end of period	$ 29.7	$ 25.2
Additional information		
Interest paid	$ 9.3	$ 11.5
Income taxes paid (recovered)	$ (0.9)	$ 19.3

The notes are an integral part of the consolidated financial statements.

The interim financial statements should be read in conjunction with the most recent annual consolidated financial statements.

1. Significant accounting policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), using the same accounting policies as outlined in Note 1 and Note 2 to the consolidated financial statements for the year ended October 31, 2009. The operating results for the interim periods are not necessarily indicative of full-year results due to the seasonality of certain operations of the Corporation. Results of operations are significantly influenced by the advertising market, which is stronger in the second and fourth quarters. The back-to-school period is also the strongest for book printing and for our educational resources publishing unit.

On December 1st, 2009, the Corporation entered into a cross currency swap agreement to hedge among others i) the currency risk related to future purchases of production equipment, which will be financed by the €55.6 million ($82.1 million) facility obtained from European bank HypoVereinsbank and (or) ii) the currency risk related to payments of interest and principal of this facility denominated in euros. The cross currency swap agreement, whereby future purchases of production equipment denominated in euros and all payments of interest and principal on the facility denominated in euros have been set in Canadian dollars, is designated as a cash flow hedge.

Under hedge accounting, the Corporation applies the following policies:

For derivative financial instruments designated as cash flow hedges, the effective portion of the hedge is recorded in other comprehensive income and the ineffective portion is recorded in the consolidated statement of income. The effective portion of the currency risk hedging relationship related to future purchases of production equipment, deferred in accumulated other comprehensive income, is reclassified against the production equipment at initial recognition. The effective portion of the currency risk hedging relationship related to payments of interest and capital is reclassified to income in the period during which the hedged item affects income.

Interest expense on the hedged facility is recorded at the interest and foreign exchange rates of the hedge.

2. Effect of new accounting standards not yet implemented

a) Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which supersedes the like-named Section 1581. This Section applies prospectively to business combinations for which the date of acquisition is in fiscal years beginning on or after January 1, 2011. The Section establishes standards for the recognition of a business combination.

b) Consolidated Financial Statements

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, which supersedes the like-named Section 1600. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the preparation of consolidated financial statements.

c) Non-controlling Interests

In January 2009, the CICA issued Section 1602, Non-controlling Interests, which supersedes Section 1600, Consolidated Financial Statements. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the accounting of non-controlling interests in a subsidiary in the consolidated financial statements.

The Corporation is currently evaluating the impact of the adoption of these new standards on the consolidated financial statements.

3. Amortization

	Three months ended January 31	
(in millions of dollars)	**2010**	2009
Property, plant and equipment	$ **33.0**	$ 30.7
Intangible assets	**4.2**	2.3
	37.2	33.0
Intangible assets and other assets, presented in revenues, operating costs and financial expenses	**6.3**	4.9
	$ **43.5**	$ 37.9

4. Impairment of assets and restructuring costs

Over the last few years, the Corporation initiated restructuring plans as follows:

a) During the second quarter of fiscal 2009, the Corporation announced major rationalization measures to address the recession, including substantive cost-cutting measures throughout Canada, the United States and Mexico. The deterioration of the economy has reduced the communication and marketing investments of a number of customers of the Corporation. Therefore, commercial printing projects, direct mail projects, magazine and newspaper advertising placements have been cancelled or postponed by companies that are being affected by the recession. It is expected that these initiatives will be completed in 2010.

b) During the fourth quarter of fiscal 2008, the Corporation initiated a plan to consolidate production from the Warminster and Hamburg facilities in the Hamburg facility. These two facilities are part of the Direct Mail group of the Printing sector. This consolidation is part of a strategy to adapt production capacity to the demand and to reduce costs following major impacts of the financial crisis on marketing programs of financial institutions which represent a large portion of the customer base of this group. The restructuring is expected to be completed in 2010.

The following table provides details of these plans:

	Total		Three months ended January 31					
(in millions of dollars)	Total		2010				2009	
	Charged to income	Forecasted	Liability as at October 31, 2009	**Charged to income**	**Paid**	Liability as at January 31, 2010	Charged to income	Paid
a) Rationalization Measures								
Printing								
Workforce reduction costs	$ 25.0	$ 27.0	$ 8.8	**$ 1.3**	**$ 2.0**	$ 8.1	$ -	$ -
Transfer of printing equipment and other costs	3.5	3.8	0.1	**0.3**	**0.1**	0.3	-	-
Marketing Communications								
Workforce reduction costs	1.2	1.2	0.8	**-**	**0.1**	0.7	-	-
Transfer of equipment and other costs	0.2	0.2	-	**-**	**-**	-	-	-
Media								
Workforce reduction costs	9.2	9.2	3.7	**0.2**	**2.9**	1.0	-	-
	39.1	41.4	13.4	**1.8**	**5.1**	10.1	-	-
Printing								
Impairment of assets	17.6	17.6	n/a	**0.1**	**n/a**	n/a	17.7	n/a
Media								
Impairment of assets	1.5	1.5	n/a	**-**	**n/a**	n/a	1.1	n/a
	$ 58.2	$ 60.5	$ 13.4	**$ 1.9**	**$ 5.1**	$ 10.1	$ 18.8	$ -
b) Direct mail operations								
Workforce reduction costs	$ 14.2	$ 14.2	$ 0.7	**$ -**	**$ 0.4**	$ 0.3	$ 2.6	$ 8.7
Transfer of printing equipment and other costs	13.4	15.9	5.3	**0.3**	**0.6**	5.0	9.9	2.4
	27.6	30.1	6.0	**0.3**	**1.0**	5.3	12.5	11.1
Impairment of assets	17.1	17.1	n/a	**-**	**n/a**	n/a	-	n/a
	$ 44.7	$ 47.2	$ 6.0	**$ 0.3**	**$ 1.0**	$ 5.3	$ 12.5	$ 11.1
Total								
Workforce reduction costs	$ 49.6	$ 51.6	$ 14.0	**$ 1.5**	**$ 5.4**	$ 10.1	$ 2.6	$ 8.7
Transfer of equipment and other costs	17.1	19.9	5.4	**0.6**	**0.7**	5.3	9.9	2.4
Impairment of assets	36.2	36.2	n/a	**0.1**	**n/a**	n/a	18.8	n/a
	$ 102.9	$ 107.7	$ 19.4	**$ 2.2**	**$ 6.1**	$ 15.4	$ 31.3	$ 11.1

5. Financial expenses

(in millions of dollars)	Three months ended January 31 2010	2009
Financial expenses on long-term debt	$ 10.5	$ 7.0
Other expenses	0.7	0.3
Foreign exchange loss (gain)	(1.1)	0.1
	$ 10.1	$ 7.4

For the three-month period ended January 31, 2010, capitalized interest on property, plant and equipment amounted to $0.7 million ($1.6 million for the same period in 2009).

6. Income taxes

(in millions of dollars)	Three months ended January 31 2010	2009
Income taxes at statutory tax rate	$ 10.3	$ 4.9
Effect of foreign tax rate differences	(2.0)	(3.3)
Other	(1.2)	(0.9)
Income taxes before the following items:	7.1	0.7
Effect of income tax rate differences on impairment of assets and restructuring costs	(0.6)	(9.7)
Effect of Ontario corporate income tax rate reductions (a)	(2.4)	-
Income taxes at effective tax rate	$ 4.1	$ (9.0)

a) Corporate tax rate reductions announced in the March 26, 2009 Ontario budget were adopted on December 15, 2009. These reductions in corporation tax rates have reduced the income tax expense and net future income tax liabilities by $2.4 million in the first quarter of fiscal 2010.

7. Pension plans

The Corporation offers various contributory and non-contributory defined benefit pension plans and defined contribution pension plans to its employees and those of its participating subsidiaries. On February 1st, 2010, the Corporation announced the conversion, for future service, of its defined benefit pension plans into defined contribution pension plans beginning June 1st, 2010. Consequently, a special curtailment expense of approximately $3.3 million will be recorded in the consolidated financial statements of the second quarter of fiscal 2010.

The cost related to these plans is as follows:

(in millions of dollars)	Three months ended January 31 2010	2009
Defined benefit pension plans	$ 4.0	$ 4.2
Defined contribution pension plans	0.6	0.7
	$ 4.6	$ 4.9

8. Accounts receivable

The Corporation sells its accounts receivable through a securitization program, which matures in August 2010, whose maximum net consideration is $300.0 million, including a maximum of US$100.0 million. Under this program, the Corporation will sell on a continuous basis some of its accounts receivable to a trust who has sold the beneficial rights to investors unrelated to the Corporation.

The following table provides details of accounts receivable sold under this program:

(in millions of dollars)	**As at January 31, 2010**	As at October 31, 2009
Accounts receivable sold	**$ 254.0**	$ 240.3
Retained interest	**162.5**	128.4
Net consideration	**$ 91.5**	$ 111.9
Net consideration in Canadian dollars	**$ 57.3**	$ 77.3
Net consideration in U.S. dollars (US$32 million in 2010 and 2009)	**$ 34.2**	$ 34.6

As at January 31, 2010, the maximum net consideration that the Corporation could have obtained in accordance with the agreement terms and conditions was $210.4 million ($202.3 million as at October 31, 2009).

9. Long-term debt

As at October 31, 2009, the Corporation had a committed line of credit in the form of a term revolving credit facility, totalling $550.0 million or the US dollar equivalent, divided in two tranches, A and B, of $400.0 million and $150.0 million, respectively. On December 4, 2009, the Corporation repaid and cancelled Tranche B of $150.0 million. The maturity of Tranche B was to be May 14, 2010. The term revolving credit facility of the Corporation now consists solely of Tranche A which matures in September 2012.

During the third quarter of fiscal 2009, the Corporation concluded a six-year financing of €55.6 million ($82.1 million) with European bank HypoVereinsbank, bearing interest at EURIBOR + 1.60%, to acquire various production equipment over the next two years. This financing will be drawn in tranches, based on equipment delivery dates, and will be payable in equal instalments including principal plus interest, every six months from the date of the last drawdown, which cannot be later than July 2010. On December 1st, 2009, the Corporation entered into a six-year cross currency swap agreement, to lock the exchange rate at 1.5761 and to convert the interest rate to banker's acceptance rate plus 2.55%. As at January 31, 2010 an amount of €44.4 million ($65.6 million) was drawn from this facility (€23.7 million ($37.7 million) as at October 31, 2009).

10. Net income (loss) per share

The table below shows the calculation of basic and diluted net income (loss) per share for the three-month periods ended January 31:

	2010	2009
Numerator (in millions of dollars)		
Net income (loss) applicable to participating shares	**$ 26.2**	$ (6.4)
Denominator (in millions)		
Weighted average number of participating shares - basic	**80.8**	80.8
Weighted average number of dilutive options	**0.1**	-
Weighted average number of participating shares - diluted	**80.9**	80.8
Net income (loss) per share - basic	**$ 0.32**	$ (0.08)
Net income (loss) per share - diluted	**$ 0.32**	$ (0.08)

In the calculation of the diluted net income (loss) per share, 1,492,325 stock options were considered anti-dilutive as at January 31, 2010 (1,641,160 as at January 31, 2009), since their exercise price was greater than the average stock price during the period. Therefore, these stock options were excluded from the calculation.

11. Stock-based compensation plans

Stock option plan

The Corporation offers a stock option plan for the benefit of certain of its officers and senior executives. Under the plan, each stock option entitles its holder to receive one share upon exercise and the exercise price 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 costs of $0.2 million and $0.5 million were charged to income and as an increase to contributed surplus of shareholders' equity for the three-month periods ended January 31, 2010 and 2009, respectively.

The table below summarizes the changes in the stock options plan:

	Three months ended January 31			
	2010		2009	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of period	**2,006,575**	**$ 17.23**	1,820,621	$ 18.61
Granted	**173,100**	**13.09**	317,700	9.64
Exercised	**(15,120)**	**9.16**	-	-
Cancelled	**(118,970)**	**19.98**	(41,825)	18.45
Balance, end of period	**2,045,585**	**$ 16.78**	2,096,496	$ 17.26
Options exercisable as at January 31	**1,531,485**	**$ 18.26**	1,475,651	$ 18.61

Exercise of stock options

When senior executives exercise their stock options, the amounts received from them are credited to share capital. For stock options granted since November 1, 2002, the amount previously accounted for as an increase to contributed surplus is also transferred to share capital. For the three-month period ended January 31, 2010, the amount received was $0.1 million. For the three-month period ended January 31, 2009, there was no exercice of stock options. No amount was transferred from contributed surplus to share capital for these periods.

The table below summarizes the assumptions used to calculate the weighted average fair value of stock options granted on the date of grant using the Black-Scholes model for the three-month periods ended January:

	2010	2009
Fair value of stock options	**$ 4.31**	$ 3.90
Assumptions:		
Dividend rate	**1.5 %**	1,4 %
Expected volatility	**38.6 %**	32,2 %
Risk-free interest rate	**2.74 %**	2,09 %
Expected life	**5 years**	5 years

Share unit plan for senior executives

The Corporation offers a share unit plan to its senior executives under which deferred share units ("DSU") and restricted share units ("RSU") are granted.

The following table provides details of this plan:

	Three months ended January 31			
Number of units	**2010**	2009	**2010**	2009
	DSU		RSU	
Balance, beginning of period	**127,870**	103,282	**548,808**	221,357
Units granted	**53,240**	44,081	**277,013**	384,865
Units cancelled	**(58,141)**	(13,688)	**(54,616)**	(19,888)
Units paid	**(2,493)**	-	**(6,084)**	-
Dividends paid in units	**584**	-	**-**	-
Balance, end of period	**121,060**	133,675	**765,121**	586,334

The expense (reversal) recorded in the consolidated statements of income (loss) for the three-month periods ended January 31, 2010 and 2009 is $0.8 million and $(0.1) million, respectively. An amount of $0.1 million has been paid under the plan for the three-month period ended January 31, 2010 (no amount was paid for the same period in 2009).

11. Stock-based compensation plans

Share unit plan for directors

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

The following table provides details of this plan:

Number of units	Three months ended January 31 2010	2009
Balance, beginning of period	**167,783**	108,621
Directors compensation	**7,541**	14,989
Units paid	**(40,923)**	-
Dividends paid in units	**778**	983
Balance, end of period	**135,179**	124,593

The expense (reversal) recorded in the consolidated statements of income (loss) for the three-month periods ended January 31, 2010 and 2009 is $0.1 million and $(0.2) million, respectively. An amount of $0.5 million has been paid under the plan for the three-month period ended January 31, 2010 (no amount was paid for the same period in 2009).

12. Contributed surplus

(in millions of dollars)	Three months ended January 31 2010	2009
Balance, beginning of period	**$ 12.9**	$ 11.3
Compensation costs relating to stock option plan (Note 11)	**0.2**	0.5
Balance, end of period	**$ 13.1**	$ 11.8

13. Accumulated other comprehensive loss

(in millions of dollars)	Foreign Currency Translation Adjustment	Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as at November 1, 2008	$ (25.5)	$ (15.2)	$ (40.7)
Net change in unrealized losses, net of income taxes	(5.4)	(2.5)	(7.9)
Balance as at January 31, 2009	$ (30.9)	$ (17.7)	$ (48.6)
Balance as at November 1, 2009	**$ (20.8)**	**$ 0.7**	**$ (20.1)**
Net change in unrealized losses, net of income taxes	**(0.9)**	**(3.2)**	**(4.1)**
Balance as at January 31, 2010	**$ (21.7)**	**$ (2.5)**	**$ (24.2)**

As at January 31, 2010, the amounts expected to be reclassified to net income are as follows:

(in millions of dollars)	2010	2011	2012	2013	2014	2015	Total
Gains (losses) on derivatives designated as cash flow hedges	$ 2.8	$ (3.4)	$ (1.4)	$ (0.3)	$ (0.4)	$ (0.9)	$ (3.6)
Income taxes recovered (expensed)	(0.1)	0.9	0.2	-	-	0.1	1.1
	$ 2.7	$ (2.5)	$ (1.2)	$ (0.3)	$ (0.4)	$ (0.8)	$ (2.5)

14. Business acquisitions and disposals

During the three-month period ended January, 31, 2010, the Corporation has made no business acquisitions or disposals

Conversys

During the three-month period ended January 31, 2010, adjustments were made to the purchase price allocation of Conversys, acquired January 21, 2009, to reflect the final valuation of the assets acquired and the final determination of the costs related to this acquisition.

Redwood Custom Communications

During the three-month period ended January 31, 2010, adjustments were made to the purchase price allocation of Redwood Custom Communications, acquired November 18, 2008, to reflect the final valuation of the assets acquired and the final determination of the costs related to this acquisition.

The table below presents these adjustments:

(in millions of dollars)		
Assets acquired		
Working capital	$	(0.2)
Property, plant and equipment		(0.1)
Goodwill (no tax value)		(2.6)
Amortizable intangible assets		4.1
Future income taxes		0.2
	$	1.4
Liabilities assumed		
Future income tax liabilities	$	1.3
	$	0.1
Consideration		
Cash paid	$	0.1

PLM Group Ltd.

For the three-month period ended January 31, 2010, the Corporation paid an amount of $0.5 million, which was included in short-term liabilities as at October 31, 2009.

15. Commitments

Building and machinery and equipment

The Corporation is committed to acquire machinery and equipment and to complete leasehold improvements in a building. As at January 31, 2010, these commitments represented $47.8 million, including US$7.0 million, €12.0 million and C$22.7 million. Minimum payments required in 2010 and 2011 are equivalent to $38.4 million and $9.4 million,

16. Segmented information

In November 2009, the Corporation changed its operating structure to strengthen the position of the Corporation in the printing, marketing communications and media markets. Consequently, management has decided to transfer all of its Canadian commercial printing activities from the Marketing Communications sector to the Printing sector. The comparative figures have been reclassified in order to present the information in accordance with the new operating structure.

Sales between sectors of the Corporation are measured at the exchange amount. Transactions, other than sales, are measured at carrying value.

(in millions of dollars)	Three months ended January 31	
	2010	2009
Revenues		
Printing sector	**$ 410.2**	$ 467.6
Marketing Communications sector	**30.3**	39.9
Media sector	**135.7**	139.9
Other activities and unallocated amounts	**2.0**	1.7
Inter-segment sales		
Printing sector	**(14.8)**	(18.6)
Marketing Communications sector	**-**	(0.2)
Media sector	**(4.1)**	(4.9)
Total inter-segment sales	**(18.9)**	(23.7)
	$ 559.3	$ 625.4
Operating income before amortization, impairment of assets and restructuring costs		
Printing sector	**$ 66.1**	$ 45.3
Marketing Communications sector	**3.1**	4.2
Media sector	**16.3**	11.8
Other activities and unallocated amounts	**(3.1)**	(3.0)
	$ 82.4	$ 58.3
Operating income (loss)		
Printing sector	**$ 35.6**	$ (10.7)
Marketing Communications sector	**1.2**	2.4
Media sector	**11.9**	6.7
Other activities and unallocated amounts	**(5.7)**	(4.4)
	$ 43.0	$ (6.0)
Acquisitions of property, plant and equipment [(1)]		
Printing sector	**$ 43.0**	$ 56.2
Marketing Communications sector	**2.0**	0.7
Media sector	**2.0**	2.3
Other activities and unallocated amounts	**1.3**	1.2
	$ 48.3	$ 60.4
Amortization of property, plant and equipment and intangible assets		
Printing sector	**$ 28.7**	$ 25.8
Marketing Communications sector	**1.8**	1.8
Media sector	**4.3**	4.1
Other activities and unallocated amounts	**2.4**	1.3
	$ 37.2	$ 33.0

[(1)] These amounts represent total expenditures for additions to property, plant and equipment, whether paid or not.

16. Segmented information (continued)

(in millions of dollars)	As at January 31, 2010	As at October 31, 2009
Assets		
Printing sector	**$ 1,541.8**	$ 1,561.4
Marketing Communications sector	**115.5**	113.7
Media sector	**804.8**	793.4
Other activities and unallocated amounts	**56.1**	81.2
	$ 2,518.2	$ 2,549.7
Goodwill		
Printing sector	**$ 131.5**	$ 131.6
Marketing Communications sector	**30.6**	33.2
Media sector	**507.7**	507.7
Other activities and unallocated amounts	**0.9**	0.9
	$ 670.7	$ 673.4

17. Subsequent events

Modification to pension plans

On February 1st, 2010, the Corporation announced the conversion, for future service, of defined benefit pension plans into defined contribution pension plans beginning June 1st, 2010. Consequently, a special curtailment expense of approximately $3.3 million will be recorded in the consolidated financial statements of the second quarter of fiscal 2010.

Sale of direct mail operations in the United States

On February 10, 2010, the Corporation signed an agreement with IWCO Direct, a U.S.-company headquartered in Minnesota, to sell substantially all of its high-volume direct mail assets in the United States for net proceeds of more than US$100.0 million. This group generated revenues of US$153.0 million in 2009 and employs about 1,200 people. The transaction is subject to regulatory approval and is expected to close by the end of the Corporation's second quarter of fiscal 2010.

18. Comparative figures

Certain prior period figures have been reclassified to conform with the current period presentation.