tc • TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc.'s adjusted operating income increases for third consecutive quarter

Highlights

(in millions of dollars, except per share data)	Q2-13	Q2-12	%	YTD 2013	YTD 2012	%
Revenues	521.3	522.4	(0.2)%	1,050.0	1,010.0	4.0%
Adjusted operating income before amortization (1) (Adjusted EBITDA)	83.3	83.8	(0.6)%	154.9	155.2	(0.2)%
Adjusted operating income (1) (Adjusted EBIT)	56.9	55.9	1.8%	102.6	98.9	3.7%
Adjusted net income applicable to participating shares (1)	34.8	35.5	(2.0)%	63.3	62.6	1.1%
Per share	0.44	0.44	-	0.81	0.77	5.2%
Net income applicable to participating shares	27.5	(106.2)	-	45.3	(139.5)	-
Per share	0.35	(1.31)	-	0.58	(1.72)	-

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

- Increase of 1.8% in adjusted operating income.
- Decrease of 2.0% in adjusted net income applicable to participating shares.
- Payment of special dividend of $1.00 per participating share or approximately $78 million.
- Achieved more than $30 million, to date, in synergies from the acquisition of Quad/Graphics Canada, Inc.
- Renewed several multi-year printing contracts worth more than $200 million.
- Challenging market conditions with respect to advertising spending continued to affect our Media Sector.
- Maintained a solid financial position with a net indebtedness ratio of 1.05x.
- Renewed the Corporation's normal course issuer bid.

Montreal, June 6, 2013 -Transcontinental Inc.'s (TSX: TCL.A, TCL.B, TCL.PR.D) second-quarter revenues remained fairly stable, from $522.4 million in 2012 to $521.3 million in 2013. The acquisition of the printing operations of Quad/Graphics Canada, Inc., the digital operations of Redux Media and some publishing activities in the Media Sector helped stabilize revenues, which were adversely affected by the termination of the Zellers flyer printing and distribution contract due to Zellers' store closures, by a more difficult advertising environment and by incentives granted upon the renewal of certain contracts in the second half of 2012.

In the second quarter of 2013, adjusted operating income increased 1.8%, from $55.9 million to 56.9 million. This slight increase is due mainly to the synergies obtained from the acquisition of Quad/Graphics Canada, Inc., which were, however, mitigated by the factors noted above. Net income applicable to participating shares rose from a loss of $106.2 million, or $1.31 per share, to a profit of $27.5 million, or $0.35 per share. Excluding unusual items, adjusted net income applicable to participating shares was down 2.0%, from $35.5 million to $34.8 million. On a per-share basis, it remained stable at $0.44.

“I am very pleased with the synergies obtained from integrating Quad/Graphics Canada, Inc. with our printing network,” said François Olivier, President and Chief Executive Officer of Transcontinental Inc. “In addition to the benefit they brought to the Printing Sector, they were realized more quickly than anticipated. Furthermore, over the course of the quarter we continued to renew several agreements with our printing clients, further proof of the quality of our state-of-the-art printing platform. However, results in this sector were partially offset by the termination of the Zellers contract due to its store closures, and by incentives granted upon the renewal of

Transcontinental inc.
1 Place Ville Marie
Suite 3315
Montreal, QC H3B 3N2

Telephone: 514-954-4000
Fax: 514-954-4160
www.tc.tc

certain contracts in the second half of 2012. In the Media Sector, the difficult advertising environment created downward pressure on revenues. The lack of visibility on the recovery of the advertising market drove us to pursue the implementation of some cost-cutting measures to limit the impact on the Media Sector's profit margin. However, given our excellent financial position, our leading brands, our quality content and our multi-platform offering, we are well positioned to judiciously and efficiently continue our transformation."

Highlights of the first half

For the first half of 2013, TC Transcontinental's revenues were up 4.0%, from $1,010.0 million to $1,050.0 million. The increase stems mainly from the acquisition of Quad/Graphics Canada, Inc. and acquisitions in the Media Sector. It was partly offset by the termination of the Zellers flyer printing and distribution contract, by a difficult advertising environment and by incentives granted upon the renewal of certain contracts in the second half of 2012. Adjusted operating income grew 3.7%, from $98.9 million to $102.6 million, due to the synergies obtained from the acquisition of Quad/Graphics Canada, Inc., but this increase was partly offset by the factors noted above. Net income applicable to participating shares rose from a loss of $139.5 million, or $1.72 per share, to a profit of $45.3 million, or $0.58 per share. Excluding unusual items, adjusted net income applicable to participating shares grew 1.1%, from $62.6 million, or $0.77 per share, to $63.3 million, or $0.81 per share.

For more detailed financial information, please see *Management's Discussion and Analysis for the second quarter ended April 30th, 2013* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook

Synergies from integration of the operations of Quad/Graphics Canada, Inc. will continue in the second half of fiscal 2013. This contribution will, however, be partially offset by the closing of Zellers stores, which slowed their activities starting in our fourth quarter of 2012. Since early in fiscal 2013, we have signed new agreements worth an annualized value of about $30 million to print flyers and marketing products. The contribution from these contracts should increase more significantly as of the third quarter of 2013.

The difficult market conditions with respect to advertising spending are still likely to affect the Media Sector, so we will continue our rationalization and efficiency measures in order to limit possible impacts on the sector's profit margin. We will also continue investing in the development of new products and services to further diversify our offering.

In fiscal 2013, the excess cash flows generated in upcoming quarters, in conjunction with our excellent financial position, will permit us to invest a maximum of $70 million in in-house projects and to make strategic acquisitions as opportunities arise.

Reconciliation of Non-IFRS Financial Measures

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

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

Reconciliation of Non-IFRS financial measures

(unaudited)

	Three months ended April 30		Six months ended April 30	
(in millions of dollars, except per share amounts)	**2013**	2012	**2013**	2012
Net income (loss) applicable to participating shares	**$ 27.5**	$ (106.2)	**$ 45.3**	$ (139.5)
Dividends on preferred shares	**1.7**	1.7	**3.4**	3.4
Net loss (income) related to discontinued operations (after tax)	**—**	1.4	**—**	1.4
Non-controlling interests	**0.4**	0.2	**0.1**	0.2
Unusual adjustments to income taxes	**—**	—	**—**	42.0
Income tax expenses	**11.7**	(9.9)	**15.5**	(4.3)
Financial expenses related to unusual adjustments to income taxes	**—**	—	**—**	16.0
Financial expenses	**5.7**	6.0	**13.6**	13.7
Gain on business acquisition	—	(31.7)	**—**	(31.7)
Impairment of assets	**0.7**	180.0	**2.8**	180.8
Restructuring and other costs	**9.2**	14.4	**21.9**	16.9
Adjusted operating income	**$ 56.9**	$ 55.9	**$ 102.6**	$ 98.9
Amortization	**26.4**	27.9	**52.3**	56.3
Adjusted operating income before amortization	**$ 83.3**	$ 83.8	**$ 154.9**	$ 155.2
Net income (loss) applicable to participating shares	**$ 27.5**	$ (106.2)	**$ 45.3**	$ (139.5)
Net loss (income) from discontinued operations (after tax)	**—**	1.4	**—**	1.4
Unusual adjustments to income taxes (after tax)	**—**	—	**—**	42.0
Financial expenses related to unusual adjustments to income taxes (after tax)	—	—	—	16.0
Gain on business acquisition (after tax)	—	(31.7)	—	(31.7)
Impairment of assets (after tax)	**0.6**	162.1	**2.1**	162.7
Restructuring and other costs (after tax)	**6.7**	9.9	**15.9**	11.7
Adjusted net income applicable to participating shares	**$ 34.8**	$ 35.5	**$ 63.3**	$ 62.6
Average number of participating shares outstanding	**77.9**	81.0	**78.0**	81.0
Adjusted net income applicable to participating shares per share	**$ 0.44**	$ 0.44	**$ 0.81**	$ 0.77

	As at April 30, 2013	As at October 31, 2012
Long-term debt	**$ 132.9**	204.1
Current portion of long-term debt	**272.1**	283.5
Cash	**28.5**	16.8
Net indebtedness	**$ 376.5**	470.8
Adjusted operating income before amortization (last 12 months)	**$ 357.3**	$ 357.6
Net indebtedness ratio	**1.05** x	1.32 x

Dividends

Dividend on Participating Shares

The Corporation's Board of Directors declared a quarterly dividend of $0.145 per Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on July 19, 2013 to participating shareholders of record at the close of business on June 28, 2013.

Dividend on Preferred shares

The Board declared a quarterly dividend of $0.4207 per share on cumulative 5-year rate reset first preferred shares, series D. This dividend is payable on July 15, 2013. On an annual basis, this represents a dividend of $1.6875 per preferred share.

Additional Information

Conference Call

Upon releasing its second quarter 2013 results, the Corporation will hold a conference call for the financial community today at 4:15 p.m. The dial-in numbers are (514) 807-9895 or (1 647) 427-7450 or 1-888-231-8191 and the access code is: 64147296. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on the Corporation's Web site, which will then be archived for 30 days. For media requests for information or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at (514) 954-3581.

Profile

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

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

Forward-looking Statements

This press release contains certain forward-looking statements concerning the future performance of the Corporation. Such statements, based on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, many of which are beyond the Corporation's control, including, but not limited to, the economic situation, structural changes in its industries, exchange rate, availability of capital, energy costs, increased competition, as well as the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities. The risks, uncertainties and other factors that could influence actual results are described in the *Management's Discussion and Analysis (MD&A) for the fiscal year ended on October 31st, 2012* and in the *2012 Annual Information Form* and have been updated in the *MD&A for the second quarter ended April 30th, 2013*.

The forward-looking information in this release is based on current expectations and information available as at June 6, 2013. The Corporation's management disclaims any intention or obligation to update or revise any forward-looking statements unless otherwise required by the Securities Authorities.

For information:

Media

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

Financial Community

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