



ANNUAL INFORMATION FORM

January 25, 2008
Fiscal Year Ended October 31, 2007

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Note: In this Annual Information Form, all dollar figures are in Canadian dollars, unless otherwise specified. All the information contained in this Annual Information Form is up to date as of October 31, 2007, unless otherwise specified

Item 1 - Corporate Structure

1.1 Name and Incorporation

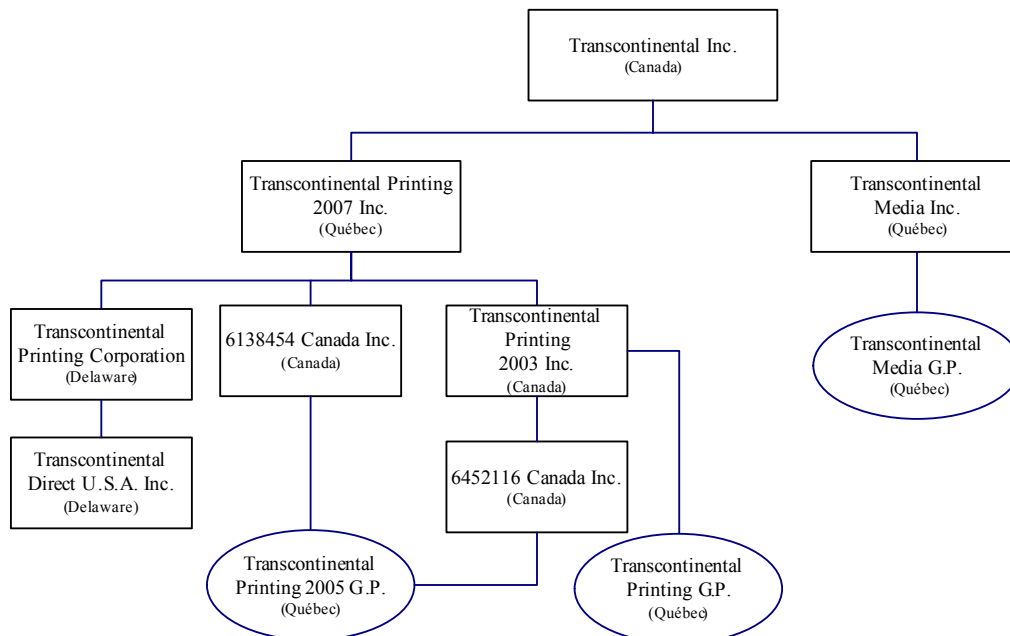
Transcontinental Inc. (the "Corporation") was incorporated under the *Canada Business Corporations Act* by a Certificate of Incorporation dated March 3, 1978. A Restated Certificate of Incorporation was issued to the Corporation on October 7, 1988 containing amendments pertaining to the name of the Corporation, the number and appointment of directors of the Corporation and the share capital of the Corporation. Since the issuance of the Restated Certificate of Incorporation, the Articles of Incorporation have again been modified. Specifically, on March 27, 2003, the Corporation modified its corporate name from G.T.C. Transcontinental Group Ltd. to Transcontinental Inc. and split the number of Class A Subordinate Voting Shares and the number of Class B Shares on the basis of two Class A Subordinate Voting Shares for each Class A Subordinate Voting Shares held and two Class B Shares for each Class B Share held, all of which took effect on April 10, 2003.

The registered office of the Corporation is located at 1 Place Ville Marie, Suite 3315, Montréal, Québec, Canada H3B 3N2.

In this Annual Information Form, the term "Corporation" means Transcontinental Inc. and the terms "Transcontinental" and "we" mean, according to the context, the Corporation, its subsidiaries (which include, for purposes of this Annual Information Form, partnerships, trusts and other unincorporated business entities) and other affiliated entities of the Corporation, or one or more of its affiliated entities.

1.2 Intercorporate Relationships

The following corporate chart is a list of the most important direct and indirect subsidiaries and other affiliated entities of the Corporation as of October 31, 2007, indicating their jurisdiction of incorporation. All of the shares or units of such subsidiaries and other affiliated entities are held directly or indirectly by the Corporation.



Item 2 - General Development of the Business

2.1 General Information

2.1.1 The Corporation

We are involved in the field of communications and carry on business in the printing, direct marketing, distribution and written and digital media sectors. In fiscal 2007, we generated revenues of \$2.3 billion. As of October 31, 2007, we had approximately 15,000 employees in Canada, the United States and Mexico.

We are the largest printer in Canada and sixth largest in North America. We are the country's leading publisher of consumer magazines and French-language educational resources and are the second largest community newspaper publisher. We distinguish ourselves by creating strategic partnerships that integrate us into our customers' value chain, notably through our unique newspaper printing outsourcing model and our value-added services. From mass to highly-personalized marketing, we offer our clients integrated solutions which also include a continent-leading direct marketing offering, a diverse digital platform and a door-to-door advertising material distribution network for advertising material.

With our portfolio of approximately 35 magazines, we are the leading consumer magazine publisher in Canada. We have two categories of magazines with leading positions in the Canadian market: (i) consumer publications such as *Canadian Living*, *Homemakers*, *Style at Home*, *Canadian Gardening*, *Good Times*, *More* and *Elle Canada* together with *Canadian Home Workshop* and *Outdoor Canada*, as well as their French language counterparts *Coup de Pouce*, *Madame*, *Décormag*, *Fleurs*, *Plantes et Jardins*, *Le Bel Âge* and *Elle Québec*; and (ii) business publications such as *Investment Executive*, *Les Affaires* and *Magazine Commerce*. With our newspaper portfolio that includes 11 dailies and 170 weekly, bi-weekly, and monthly newspapers published in the provinces of Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Québec, Ontario and Saskatchewan, we are the second largest publisher of community newspapers in Canada. With over 5,750 titles in print used in the majority of educational institutions offering courses in the French-language in Canada, we are North America's largest French-language educational publisher covering all grade levels, from kindergarten through university, as well as related sectors such as adult education, vocational training and teacher's professional resources.

2.1.2 Management of the Corporation

We favour decentralized management so as to further optimize the development of our operating sectors and provide customer services that are both flexible and rapid.

The corporate head office is responsible for financing, development, investor relations and control and offers services in the fields of human resources, procurement, information technology, legal affairs, external communications, taxation and insurance and risk management.

2.2 Three-year History

The events that have influenced the general development of our business over the past three completed fiscal years are the following:

2007

- Appointment of Mr. François Olivier as President and Chief Executive Officer, effective February 20, 2008;

- Implementation of a paper purchasing policy that promotes the use of environmentally preferable papers through a classification process that allows clients to make an informed choice regarding the paper they choose for their printing and publishing needs;
- Acquisition of PLM Group Ltd. Based in Markham, Ontario, a company whose niche is direct marketing products and services, which are increasingly in demand by businesses. PLM also offers leading edge services such as premedia and digital printing and prints a wide range of marketing related commercial printing products;
- Chosen by French publisher Les Éditions Gallimard to print *Harry Potter et les reliques de la mort* for the Canadian market, the seventh and final book in the Harry Potter series;
- Launch by Transcontinental Media of Transcontinental Custom Communications, a joint venture with Seven Squared, a United Kingdom agency, to provide custom publishing services to clients in Canada and the United States;
- Acquisition of the weekly newspaper *Seaway News* based in Cornwall, Ontario;
- Announcement of an investment of \$2 million for the expansion of our Transcontinental Metrolitho print plant located in Sherbrooke, Québec, which is specialized in short-run book, perfect bound, hard cover and bound book production;
- Acquisition of six magazines related to home building and renovation in Québec - *Maison D'aujourd'hui*, *Condo et Loft D'aujourd'hui*, *Maison Direct*, *Condo Direct*, maisonsneuves.com et maisonmax.com;
- Recipient of the Best Magazine of the Year at The Canadian Society of Magazine Editors 2007, Editors' Choice Awards for Transcontinental Media's publications *Canadian Gardening* and *The Hockey News*;
- Acquisition of weekly newspaper *The Oxbow Herald* based in southeast Saskatchewan;
- Acquisition of the weekly newspapers *The Grenfell Sun* and the *Broadview Express* based in southern Saskatchewan;
- Launch of *Vision Durable*, a new business magazine aimed at bridging the gap between the concept and implementation of sustainable development for Québec business people;
- Introduction by our Book Group of a new paper made from 100% post-consumer recycled material at price parity;
- Creation of a partnership between Solutions Net Logik and Transcontinental, through our Constructo division, to develop an Internet portal designed to meet the specific needs of the different players in the Québec construction industry;
- Launch of the first issue of the Canadian edition of *More* magazine, which targets women over 40;
- Creation of a division that will be responsible for developing our model for outsourced newspaper printing in North America and managing our U.S. plants in this niche;
- Acquisition of the community newspapers *The Radville Star* and *The Deep South Star* based in southern Saskatchewan;

- Execution of an exclusive 5-year contract with Hudson's Bay Company for all flyer printing for Zellers, The Bay, Home Outfitters and the HBC Loyalty Program;
- Sale of our interest in *TV Hebdo*, a television programming guide;
- Execution of an exclusive 15-year agreement with Hearst Corporation to print *The San Francisco Chronicle* daily newspaper and related products, as well as to provide complete post-press services.

2006

- Acquisition of the bi-weekly newspaper *The Triangle News* based in Coronach, Saskatchewan;
- Acquisition of all of the shares of 4130901 Canada Inc., a leader in the creation, development, adaptation, translation, publishing, commercialization and distribution of French-language educational resources and operating principally under "Chenelière Éducation";
- Launch of the magazine *CELLIER*, a high-end publication aimed at customers interested in learning more about wines and spirits, where we are the designated publisher;
- Acquisition of all of the shares of Zoupla Communications Inc., the Montreal-based publisher of the recipe website recettes.qc.ca and household tips trucsmaison.com;
- Official opening of our book printing plant in Louiseville, Québec, following an investment of more than \$20 million;
- Announcement of an investment of \$25 million for the acquisition of a press and peripheral equipment and expansion of the building in Saint-Hyacinthe, Québec, which plant is specialized in flyer and insert printing;
- Combination of our commercial printing and direct-marketing facilities in the Toronto area whereby production was ceased at Transcontinental O'Keefe Toronto and transfer of the equipment to the Transcontinental Direct Toronto facility;
- Acquisition of *Le Progrès* of Coaticook weekly community newspaper and the two regional directories serving the residents of Coaticook county in Québec's Eastern Township region;
- Opening of a new webcasting studio for the business and financial news of lesaffaires.com;
- Acquisition of a majority interest in the capital of Enixa Media Inc., a corporation which manages a network of 400 in-store digital advertising displays;
- Launch of the new free classified listing portal, merkado.ca;
- Execution of a co-publishing partnership for the new Canadian version of the world's number-one online men's lifestyle magazine, AskMen.com.

2005

- Chosen by French publisher Les Éditions Gallimard to print *Harry Potter et le Prince de Sang-Mêlé*, the sixth tome in the thrilling Harry Potter series; we become the official printer for the entire Canadian market of the French-language version;

- Consolidation of the book printing operations in Canada as part of our revised manufacturing strategy to further improve efficiency by investing in new technology and consolidating our network of plants. The plant of Transcontinental Best Book located in Peterborough, Ontario is closed and we announce that a new plant will be built in Louiseville, Québec;
- Signature of a 10-year contract to print the prestigious *The New York Times* for Toronto, Ontario and Upstate New York, starting in the fall of 2005;
- Signature of a five-year extension to the contract to print *Time Canada*, an agreement valued at approximately \$20 million, commencing in January 2006;
- Acquisition, through our wholly-owned subsidiary Transcontinental Direct U.S.A. Inc., of the operating assets of JDM, Inc., one of North America's premier direct mail companies;
- Signature of a five-year extension to the contract to print *The Globe and Mail*, Canada's National Newspaper, for the Ontario market, therefore extending the contract to 2015.

2.3 Significant Acquisition

During our fiscal year ended October 31, 2007, we did not complete any significant acquisition.

2.4 Strategic Orientation Update

2.4.1 Evolution 2010

Evolution 2010, our business project, builds on the achievements of *Horizon 2005* but goes a step further. We are adapting and changing to the new realities of increased competition and globalization, a stronger Canadian dollar, technological advances and the emergence of new media channels. We are investing more than ever in our long-term development.

Growth will continue to be challenging in the coming years due to intense competition in some printing segments, while other segments will present opportunities where increased strategic investments will be needed to further differentiate us. *Evolution 2010* will put more emphasis on our role as a marketing advisor to our customers by developing an even greater knowledge of their markets and integrating ourselves into their value chain. We will also aim to improve our content, product and service offering, and technology platform so that we can better serve our advertisers, readers and website visitors. Furthermore, we will be stressing organic growth, based on the innovative and creative initiatives of our people, while continuing to target strategic acquisitions.

Since the launch of *Evolution 2010*, we have set up working committees and implemented a series of initiatives. In 2007, we introduced the "Race towards excellence" concept. Since our business project ends in 2010, the same year as the Vancouver Winter Olympic Games, an analogy with sports - the idea of athletes training to become the best - was an obvious choice. With this concept we want to create conditions that will allow us to achieve the objectives of *Evolution 2010*. The "Race towards excellence" will also be a unique tool for mobilizing all employees working on our business project.

In some ways, the "Race towards excellence" will be our training program, where every business unit will be called upon to continually improve. By measuring ourselves against the best in each of our disciplines - each of our business groups - together, we will create the conditions for achieving excellence. Our training program will focus on four aspects, that is, the four issues of our *Evolution 2010* business project. By working on the four

Evolution 2010 issues within the "Race towards excellence" concept, each business unit will be able to set up the conditions that will allow it to excel at achieving the goals in its strategic plan.

The four issues of our *Evolution 2010* business project are: Talent, Sales Growth, Efficiency and Digital. Below is a description of each issue as well as the initiatives that have been started or completed since the launch of *Evolution 2010* in November 2005.

Talent

Talent gives us a competitive edge. It is our primary asset for rethinking and expanding our product and service offering and making sure we continue to grow in our North American markets. With the increasing shortages in skilled labor and greater employee mobility, the competition to recruit and retain outstanding people is becoming fiercer. We have made it a priority to develop and train our employees and recruit first-rate candidates. To do so, we must all make sure that our employees are mobilized and work in a challenging and respectful environment, where they can grow and are called upon to innovate.

Therefore, the focus of this issue is to attract, develop and retain the best talent that will enable us to achieve our strategic objectives and foster engagement. Management believes that this can be achieved in six specific ways: (i) identify and define the priority positions that are critical for the success of strategic initiatives; (ii) plan for succession of our highly qualified individuals; (iii) retain our people by investing in their development; (iv) develop our ability to teach, coach and pass on knowledge from current to future leaders; (v) provide employees with opportunities to achieve their potential; and (vi) provide a culture and an environment in line with employees, needs and which foster continuous improvement and innovation.

Since the launch of *Evolution 2010*, we have introduced a number of initiatives to support this vision, and most are still in progress. To develop our talent, we deployed *Mission Leadership*, a series of training courses that are reinforcing and developing leadership bench strength. To date, over 85% of our managers have completed the courses. We launched the 360-degree Feedback program, an evaluation exercise for our senior managers, to help them set objectives and receive feedback about their behaviours as leaders. We accelerated succession plans for priority positions and constantly assess our leadership depth to meet organizational challenges and ensure on-going identification of successors and acquisition of new skills. To date, we have completed succession plans for management-level positions and launched the *Talent Greenhouse*, in which a group of our employees are selected to work on the start-up of the San Francisco Chronicle project. We deployed a management trainee program for specific functions and launched *TransFormation*, an Intranet website dedicated to online training.

To recruit and retain talent, we launched an employer branding initiative, which focuses on building an image of Transcontinental that will attract talent internally and externally in the North American marketplace. We regularly monitor the progress of all these initiatives through our Talent Issue program to ensure that our managers improve their skills as talent developers.

Sales growth

Organic sales growth is a natural springboard for growth as the partnerships are already in place, the customers are already talking to us, and we are already familiar with the products. Cross-selling, sales-force training projects and developing new sales opportunities will be the key to our success as these three components both complete and complement one another.

Therefore, the focus of this issue is to increase global organic sales growth by 5% on average per year by maximizing our sales and marketing effectiveness. For our Media sector this translates into the launch of new products and services that complement our activities, while for our two print sectors this means exploiting

opportunities such as our newspaper outsourcing model and cross selling initiatives. Management believes that this can be achieved in four specific ways: (i) implement common measurement tools; (ii) build on our existing sales culture; (iii) develop a lead generation process and/or systems to ensure the funnel is adequate to hit targets; and (iv) support and remove barriers to promote new products and cross-selling.

Since the launch of *Evolution 2010*, we executed on a number of initiatives to support this vision. On the media side, we launched a number of new products and services that complement our activities using multi-platform brand strategy. First, we focused on developing custom publishing services as we see this as a high growth potential niche for ourselves. Custom publishing involves strategic and creative services that achieve a company's marketing objectives by delivering unique branded content to customers using print or digital channels. In line with this strategy, we created the *CELLIER* magazine, a custom publishing partnership with Société des Alcools du Québec (SAQ). In addition, we started Transcontinental Custom Communications, a joint venture with UK agency Seven Squared to provide custom publishing services to clients in Canada and the U.S.

Furthermore, we launched new magazines. In 2007, after signing an exclusive, multi-year licensing agreement with U.S. publisher Meredith Corporation, we launched the Canadian edition of *More* magazine, which targets women over 40. In its very first year, it exceeded expectations as the number of subscriber copies reached over 70,000, almost double what we had initially expected. The magazine has reached a circulation of over 100,000 for the first six issues. The U.S. version has tripled its circulation since Meredith Corporation launched it in 1998 and it was named 2006 Magazine of the Year by Advertising Age. This promising partnership with a major American publisher is a step forward in our strategy to develop innovative products and services. In addition, we launched a new sustainable development magazine (printed on 100% recycled paper), *Vision Durable*, which aims at bridging the gap between the concept and implementation of sustained development for Québec business people.

On the print side, we further developed our newspaper outsourcing model. We first entered the U.S. newspaper printing market in November 2005 by signing a 10-year strategic contract to print the New York Times for Toronto and Upstate New York. This strategic contract effectively increased our visibility in the U.S. and ultimately led to the signing of a much larger contract in this market one year later. In fact, we signed an exclusive 15-year contract with Hearst Corporation to print *The San Francisco Chronicle* daily newspaper and its related products, as well as provide complete post-press services. The production is slated to begin in the spring of 2009 in a new plant equipped with state-of-the-art technology in The San Francisco Bay Area. The contract with *The San Francisco Chronicle* plus the printing of other products at this new facility will surpass US\$1 billion in total revenues (US\$2 billion including paper) over the 15-year period. This contract with Hearst Corporation is yet another vote of confidence for our market-leading newspaper production model. In fact, we are currently meeting with a number of interested parties and are optimistic about the outcome of these discussions. In line with this strategy, we set up a new division responsible for the management of newspaper printing operations in the U.S. A dedicated team is already in place to further develop sales in this unique newspaper outsourcing model. In addition to developing our newspaper outsourcing model, we have continued to promote cross selling activities through sales contests, best practice sharing and annual sales events and have had promising results so far.

Efficiency

Improving efficiency is not only a continuous process, it is a way of life, part of our culture. Our business units must strive to continually exceed expectations and find better ways to deliver the final product. In an increasingly competitive and ever-changing marketplace, it is a challenge to increase volume. So we have to focus on improving quality and shortening cycle times. The proposals put forward by our continuous improvement teams give us more information about best practices and will help us take continuous improvement to a whole new level.

Therefore, the focus of this issue is to improve both production and administrative efficiency. Management believes that this can be achieved by focusing on five key elements: (i) promote a strong continuous improvement leadership and culture; (ii) reinforce employee engagement; (iii) optimize business processes; (iv) optimize operational performance; and (v) reinforce customer focus.

Since the launch of *Evolution 2010*, we have executed on a number of initiatives to support this vision, with most initiatives remaining in progress. First, we completed our *Continuous Improvement Roadmap*, the foundation from which to build. This tool takes each of the five steps listed above and describes in detail all the components required to improve productivity and efficiency. It will allow business units to determine their strengths and weaknesses in order to develop action plans that will ultimately help them in their race towards excellence.

Within our *Continuous Improvement Roadmap*, we have focused on two specific areas. First, we deployed our integrated manufacturing software across approximately 60% of our printing plants so far. This initiative will allow for the standardization of information across our printing network and thus facilitate benchmarking between business units. Second, we recently started the implementation of the workplace organization model 5S (sort, straighten, shine, standardize, sustain). 5S is defined as a strong commitment to maintain order and cleanliness. It is the foundation of continuous improvement activities and the promotion of a safe work environment. In essence, the requisite tools for doing one's job are easily accessible, non value-added activities are minimized, all workstations are visually organized, controlled and maintained and there are efficient processes in place for improvement and follow-up.

Digital

Digital technology is relevant for both our media and printing operations. For our media business, the Internet is gaining momentum. In 2011, PricewaterhouseCoopers estimates that 18% of advertising budgets in Canada will be spent on the Web, from 9% in 2006. It is crucial that we be part of this shift. We are in a better position than anyone else to succeed. We have the content, advertisers are already using our publications, and our salespeople are already active in the most popular areas of the Web. Similarly, for our print business, digital technology is gaining momentum. What we need to do now is leverage the power of digital technology to make things easier for our printing customers. Whether we are filling orders, approving proofs on the Web or billing, we must constantly re-think our ways of dealing with our customers.

Therefore, the focus of this issue is to broaden our offering through products and services based on digital capabilities. For our Media sector this translates into increasing our revenues coming from the Internet and other digital platforms, while for our two print sectors this means expanding our offer by adding value added services. Management believes that this can be achieved in six specific ways: (i) increase revenue sources from digital; (ii) develop a multi-platform approach; (iii) leverage database management capabilities; (iv) develop a customer-centric culture; (v) successfully launch new products in our strong market niches; and (vi) enable electronic exchange of information with clients and partners.

Since the launch of *Evolution 2010*, we have executed on a number of initiatives to support this vision. First, on the media side, we started to increase our digital revenues in five target growth areas: (i) cyberbrands: we created a co-publishing agreement for the new Canadian site of online men's lifestyle leader AskMen.com and we acquired the popular user-generated recipe website recettes.qc.ca; (ii) transactional sites: we launched merkado.ca, an innovative classified listing site for the Québec market; (iii) brand extension: we opened a new webcasting studio for lesaffaires.com and launched and re-launched a number of websites for our magazines including lebelage.ca, lesaffaires.com, canadianliving.ca, servicevie.ca, thehockeynews.com and visiondurable.com; (iv) portals: we partnered with MSN Sympatico for the strategic move of our TV Guide strategy to the Web and to be their exclusive content provider in most of the lifestyle sub-sections of their portal; and (v) multi-platform: we acquired a majority interest in Enixa Media, an in-store flat-screen advertising

company. With these initiatives, our network of sites increased their unique monthly visitors by 29% and pages viewed by 46% in 2007 as compared to 2006.

On the print side, we expanded our value added offering, both upstream and downstream, around our core printing operations. For instance, we started the Premedia Group in order to offer our customers an integrated one-stop-shop offering. By consolidating our premedia services under one roof, we are able to sell more complex solutions, a growing trend in this market. Furthermore, we increased our digital printing capacity in a number of plants in our network in order to meet the growing demand for shorter print runs. In fact, we recently announced an investment of \$2 million for the expansion of our Transcontinental Metrolitho printing plant, based in Sherbrooke, Québec, which specializes in short-run books. The expansion is expected to be completed by the end of the first quarter of 2008 and will enable us to increase our digital capacity going forward. We also doubled our commingling capacity in order to meet the increasing demand for these services following the U.S. postal rate increases in the past two years. It is our belief that customers will increasingly be looking for postal optimization solutions and those players that are able to offer these services will benefit from a competitive advantage. Finally, with the acquisition of PLM Group, we increased our value-added service offering in direct marketing. PLM's offering complements our own, with wide format digital printing and off-line production work while at the same time strengthens it, with strong digital capabilities and advanced premedia solutions.

2.5 Strategic Acquisitions

In parallel to executing *Evolution 2010*, we plan to continue to grow through acquisitions. In fact, since the launch of *Evolution 2010*, we have made a number of acquisitions spanning across five business groups.

On the media side:

Newspaper Group (publishing): we acquired nine newspapers in Ontario, Québec, Saskatchewan and Nova Scotia, namely *The Triangle News*, *Le Progrès de Coaticook*, *The Oxbow Herald*, *The Grenfell Sun*, *The Broadview Express*, *The Radville Star*, *The Deep South Star*, *The Seaway News*, and, recently, *The Springhill-Parrsboro Record*. While small, these acquisitions are tuck-ins in markets we already serve.

Educational Publishing Group: in August 2006 we acquired "Chenelière Éducation", the leader of French-language educational resources publishing in Canada which gave us a non advertising based complementary growth platform.

Magazine Group: we acquired six magazines related to home building and renovation from Les Éditions Ma Maison ltée which truly complement our existing *Décormag* and *Mon chalet* titles and confirm our leading position in the Québec market as well as our position as Canada's leading publisher of consumer magazines.

Digital Media Group: we acquired a popular user-generated recipe website, recettes.qc.ca, which complements our women's magazines and websites. We also acquired a majority interest in *Enixa Media*, an in-store flat screen advertising company.

On the print side:

In October 2007, we acquired PLM Group Ltd, Canada's fourth largest printer. This acquisition will increase our exposure to the growing Canadian direct marketing industry, complement our current Canadian offering and manufacturing platform, enhance our range of value-added digital products and services and provide meaningful access to the Ontario market and strong customer base.

We plan to continue to make strategic acquisitions going forward. We expect there will be more opportunities in the U.S. and Canada at more reasonable prices. Nevertheless, we will maintain our disciplined approach and

ensure that the companies we acquire fit our stringent acquisition criteria: (i) fit our core businesses; (ii) be profitable and growing; (iii) provide synergies with our operations; (iv) have good management and compatible corporate culture; and (v) be accretive to earnings and economic value creation positive within a year.

2.6 Environmental Responsibility

We are committed to implementing ways of doing business that promote sustainable development. Having implemented our first environmental policy in 1993, we have often been recognized for our environmental initiatives, including a 2007 award from *PrintAction* magazine in the category Most Progressive Environmental Process. Company-wide environmental policy and procedures are founded on three guiding principles: protection of the environment for present and future generations, reduction of risks and efficiency improvement, and introduction of improved technology and processes.

In fiscal 2007, we executed a number of initiatives which support this vision. Three of these initiatives were strategic. First, our Book Group introduced and now promotes a new paper made from a premium quality 100% post-consumer recycled material at price parity, an environmentally friendly choice for trade book publishers with short, medium and long runs, or even in specialty publications. In addition, we implemented a Paper Purchasing Policy that promotes the use of environmentally preferable papers through a classification process that allows customers to make an informed choice regarding the paper they choose for their printing and publishing needs. Finally, we recently announced that we have chosen an EPI-certified biodegradable plastic bag for our PubliSac, a well known tool used to distribute marketing material door-to-door to more than 2.8 million households in Québec and eastern Ontario. The plastic is engineered to degrade and totally fragment in 90 to 120 days and to biodegrade in a further 12 to 24 months after disposal.

We also launched a new sustainable development magazine (printed on 100% recycled paper), *Vision Durable*, which aims at bridging the gap between the concept and implementation of sustained development for Québec business people. As a companion to the magazine, we also launched a new website visiondurable.com. Moreover, in April, our magazines *Canadian Living* and *Coup de pouce* invited readers to sign up for the Green Challenge. Those who joined received a green-living tip every day in their email and had the opportunity to discuss environmental issues with other *Canadian Living* and *Coup de pouce* readers.

2.7 Changes to the Organizational Structure

There have been no material changes to our organizational structure in 2007. However, immediately following the end of fiscal 2007, our Transcontinental Boucherville printing plant located in Boucherville, Québec was moved into our Catalogue and Magazine Group from our Commercial Products Group.

Item 3 - Narrative Description of the Business

3.1 Operating Sectors

The following table sets forth the revenues and the percentage of revenues by operating sector for the fiscal years ended October 31, 2007 and 2006.

Fiscal Year Ended October 31

(in millions of dollars except for percentages)	2007 (\$)	2007 (%)	2006 (\$)	2006 (%)
Printing Products and Services Sector	718.2	30.9	714.7	31.3
Marketing Products and Services Sector	1,066.6	45.9	1,082.2	47.4
Media Sector	633.5	27.2	579.8	25.4
Inter-segment sales, other activities and unallocated amounts	(92.1)	(4.0)	(94.4)	(4.1)
Total	2,326.2	100	2,282.3	100

3.2 Economic Cycles

A significant risk that we face and over which we have no control is related to economic cycles. However, because we have a development strategy based on becoming a leader in market niches that have high growth potential, and because we are well diversified, we have successfully reduced our exposure to economic cycles, without, of course, eliminating their occurrence or controlling their magnitude. We believe we mitigate this risk by the very nature of the composition of our operations as described below:

- Approximately 60% of our consolidated revenues stems from niches that are less exposed to cyclical changes in the economy, such as book, flyer and insert printing, direct marketing, publishing of educational resources, publishing of local and regional newspapers and distribution of advertising material. Also, a large portion of the customer base is in less cyclical sectors, such as food, health, beauty products and home improvement.
- We have entered into mid- and long-term agreements ranging from one to 15 years with customers who generate from 50% to 60% of revenues in the two printing sectors.
- In the Media sector, we benefit from a good mix of local and national advertising. More than 50% of our advertising revenues generated by this sector come from local advertising, which has been less volatile than national advertising in the last few years.

Currently, credit markets are in turmoil creating concern and cost containment philosophies with companies involved in the sub-prime mortgage market and this is having a ripple effect across the financial services vertical. The large part of our customer base in our direct marketing segment is in this vertical, pressuring short term results. The direct marketing segment represents about 12% of our total revenues.

3.3 Printing Sectors

As of October 31, 2007, we were operating 67 production plants in Canada, the United States and Mexico. Management believes that our strategic focus on achieving plant specialization and reducing costs in the printing products that we create has allowed us to offer our customers superior quality products at very competitive prices.

3.3.1 Services, Equipment and Manufacturing Process

Services

We operate 67 production plants in Canada, the United States and Mexico, allowing us to offer our customers a complete line of specialized services for the production of printed material, from the beginning to the end of the graphical production line:

- premedia and prepress services such as campaign planning and data management, creative services, digital photography, digital asset management, remote proofing, digital file transfer and computer-to-plate;
- printing services including production on sheet-fed press, heat-set and cold-set web presses, ink jet printers, laser and digital printers, and screen printing;
- postpress services including finishing, lamination/coating, binding/stitching and folding, customized ink jet printing, surprinting, branding, trimming and inserting; and
- distribution services including postal management and shipping.

Given the geographic location of our plants and the type of equipment we have, we are able to serve local, regional and national markets. The simultaneous printing of a single product in several plants leads to a reduction in transportation costs for the customer and allows for shorter lead times. Our operating flexibility allows us to transfer work from one plant to another to meet production deadlines while enabling us to handle contingencies.

Equipment and Manufacturing Process

We operate 230 presses and several ultramodern printers spread out over our plants. The fleet of equipment includes:

- heat-set web offset presses;
- cold-set web offset presses;
- sheet-fed presses;
- ink jet printers;
- laser printers;
- digital printers; and
- large format presses.

The equipment and manufacturing process allow for short make-ready time, speed in printing, superior reproduction quality and product differentiation. Most of our presses and printers are computer-controlled, and many have in-line finishing capabilities. Technical compatibility between presses gives tremendous flexibility and allows us to adapt easily to last-minute changes and ensure delivery seven days a week.

The quality of printing services is ensured by expert staff in compliance with industry standards. We currently use the services of the laboratories of the Québec Institute of Graphic Communications (QIGC). These ultramodern installations allow for the ongoing analysis of the inks, papers and other raw materials used by our network of plants. We share the results with our suppliers in order to quickly correct any problems or discrepancies, thus ensuring our high level of quality.

We use the offset printing process. This process is characterized by the transfer of a printing plate image to a rubber surface, called a blanket, which is mounted on a cylinder. The blanket is first rolled over the printing

plate in order to receive the image, which is then transferred to paper. There are several types of offset printing processes: sheet-fed and web, heat-set and cold-set. The web printing process consists of printing on rolls of paper while the sheet-fed printing process consists of printing on sheets of paper. Short-run printing is generally best served by sheet-fed, while longer run printing is generally best served by web.

Heat-set web offset printing involves a press using a dryer to fix or dry instantaneously the oil-based inks. This process provides great speed (up to 90,000 copies per hour) and a better quality of printing on higher quality coated paper. This process is used mainly to print magazines, periodicals, catalogues, flyers, newspaper inserts, tabloids, books, directories and direct mail products. We own 80 heat-set web offset presses.

Cold-set offset printing involving a press that does not use a dryer; rather ink is absorbed into the paper and dries by oxidation. This process is used mainly to print newspapers, books printed in black and white, directories and certain types of flyers. We own 42 cold-set web offset presses.

We operate 81 sheet-fed presses which allow us to offer the highest quality services for books, commercial printing, entertainment and direct mail products.

The majority of our production plants are equipped with prepress equipment that allows carrying out the various stages of graphic production with the help of digital technology. Skills developed by us with electronic prepress equipment are used in all markets to further reduce production lead time while increasing the opportunity for last-minute changes.

We are able to provide our customers with direct digital imaging services that streamline the process of preparing pages for print, and allow use of data from other vehicles such as the Internet. We have also installed direct computer-to-plate production systems for offset printing in most of our production plants, which eliminate the costly and time-consuming film preparation in print productions.

ISO Certifications

We have received the ISO 9001 and the ISO 9002 certifications for some of our plants. Furthermore, some of our plants located in Québec and Ontario are certified ISO 14001 with respect to environmental quality standards.

3.3.2 Customers and Competition

Although we are the largest printer in Canada, the printing industry is highly competitive with respect to most categories of products and regions and is North American in scope in several categories. Most of the industry's markets are currently oversupplied in several geographic regions in North America. Some North American companies involved in those printing activities have greater capacity and financial resources than we do. We compete in certain segments with several large firms in North America, including R.R. Donnelley & Sons Company, Cenvo, Inc., Quebecor World Inc. and Quad/Graphics, Inc, as well as with numerous regional printers. With respect to certain other niche markets where delivery lead times are not as crucial, competition is intensifying as a result of the increased penetration of Asian printing companies, especially from China, in the North American market.

We believe that the major competitive factors in the printing business are quality and product innovation, the range of services offered, pricing, the availability of printing time with the appropriate equipment and state-of-the-art technology, delivery lead times, distribution capacity and customer service. We believe that, primarily due to the continued excess capacity in the industry, there has been downward pricing pressure in many market segments in recent years and it has led to increased competition in the printing industry.

No single customer of the Printing Products and Services Sector or the Marketing Products and Services Sector has accounted for more than 15% of such sectors' combined revenues during the last two fiscal years. Furthermore, we have entered into contracts with a significant number of our major customers in the Printing Products and Services Sector and Marketing Products and Services Sector. Such contracts have terms between one to 15 years and generally have price adjustment clauses based on volume, cost of raw materials, labour and/or the Consumer Price Index. Moreover, niche markets such as sheet-fed printing and the printing of direct marketing materials are not typically subject to long-term contracts with customers.

3.3.3 Geographic Distribution

The following table sets forth the revenues and the percentage of revenues based on their geographic distribution for the Printing Products and Services Sector and the Marketing Products and Services Sector for the fiscal years ended October 31, 2007 and 2006.

Revenues by Geographic Region

(in millions of dollars except for percentages)	Fiscal Year Ended October 31			
	2007 (\$)	2007 (%)	2006 (\$)	2006 (%)
Revenues generated from plants in Canada	1,164.2	65.2	1,153.4	64.2
Exports from plants in Canada	219.2	12.3	237.2	13.2
Revenues generated from plants in the United States and in Mexico	401.4	22.5	406.3	22.6
Total	1,784.8	100	1,796.9	100

3.3.4 Raw Materials and Energy Prices

The primary raw materials we use in our two printing sectors are paper, ink and plates. We are highly dependent on the availability of paper for our day-to-day operations. While we can benefit from our purchasing power, the current tightening in the paper market, resulting from paper mill closures could result in a decrease in the supply of paper and thus an increase in paper prices. While paper costs are a pass through our printing operations, an increase in the price of paper could change the consumption habits of our customers. On the other hand, for our Media sector, an increase in the price of paper is typically absorbed in the cost structure. In order to mitigate this risk, we do not rely on any one supplier and have agreements with our most important suppliers in order to ensure a stable flow of resources. In addition, some supply agreements contain escalation clauses that index selling prices to fluctuations in raw material costs and currency.

Energy prices, more specifically natural gas and oil, have been prone to major fluctuations in recent years. While we expect to be able to pass on a portion of the increase to our customers, the bulk will be absorbed in the current cost structure. As a result, we have hedging mechanisms in place to mitigate the risk related to fluctuations in natural gas prices in order to minimize the impact on our results and financial position. In addition, we continue to make efforts of finding new ways to reduce energy costs.

In conclusion, we continue our stringent approach to risk management, remaining alert to any new risk that could affect our operations and ensuring that our current control measures are effective. Management also continues its structured approach to risk prevention and control and to business continuity planning, which establishes measures to encourage business units to prevent risk, manage organizational change and recover from unforeseeable events more effectively.

3.3.5 Printing Products and Services Sector

As of October 31, 2007, the Printing Products and Services Sector was combining printing services for publishers and commercial clients (such as newspapers, books, commercial printing of catalogues, brochures, annual reports and other financial documents, posters and specialized packaging). This sector also includes our Mexican operations.

Newspaper Group

Outsourcing the printing of daily newspapers is part of a growing trend among several publishers who wish to concentrate solely on editorial content while printing companies are contracted to print these products under long-term contracts.

We are the leading printer of newspapers in Canada. Newspapers are produced in 16 of our plants located in eight provinces, of which seven are specialized. The list of customers is comprised of more than 150 newspapers across the country, including 21 dailies. The dailies include the *Globe and Mail* in its principal markets (the Atlantic Provinces, Québec and Ontario), *La Presse* for its overall market, *The New York Times* for Toronto and Upstate New York as well as the *National Post* in British Columbia, *The Telegram* in Newfoundland and Labrador, *Le Droit* in Québec and Ontario, *Le Soleil* in Québec, *Le Nouvelliste* in Trois-Rivières and *Métro* in Montréal.

On November 17, 2006, we announced that we had signed an exclusive 15-year contract with Hearst Corporation to print *The San Francisco Chronicle* daily newspaper and its related products, as well as provide complete post-press services. Production is expected to begin in the spring of 2009 in a new plant equipped with state-of-the-art technology in the San Francisco Bay Area. The contract with *The San Francisco Chronicle* plus the printing of other products at this new facility is expected to surpass US\$1 billion (US\$2 billion including paper) in total revenues over the 15-year period. Total investments are estimated at over US\$200 million. This contract with Hearst Corporation is yet another vote of confidence for our market-leading newspaper production model. In fact, we are currently meeting with a number of interested parties and are optimistic about the outcome of these discussions.

To date, the San Francisco Chronicle project continues to progress well. The construction is expected to begin in the first quarter of 2008, the printing equipment has been ordered and the bulk of the ancillary equipment has been purchased. In line with this strategy, we set up a new division responsible for the management of newspaper printing operations in the U.S. A dedicated team is already in place to further develop sales in this unique newspaper outsourcing model.

Book Group

We are one of North America's leading book printers and Canada's largest book printer. Our three specialized plants, located in Québec, offer printing services for various products (educational, trade, religious, cookbooks, yearbooks and maps) with a vast array of options: soft and hard covers, a variety of formats and bindings and personalized versions. We have developed expertise in the short-run printing of books, in particular for the educational market, using traditional and digital technologies. In addition to our printing services, we routinely work with book publishers to help them with choices regarding distribution channels and inventory management.

Commercial Products Group

For several customers such as financial institutions, pharmaceutical corporations, retailers and manufacturing companies, printed material is the vehicle of choice for efficiently promoting their image as well as their

products and services. Therefore, commercial printing includes various printed materials used in marketing which can be offered in a multitude of forms and sizes and in a large variety of formats: catalogues, brochures, inserts, posters, financial documents, annual reports, direct marketing tools and specialized packaging being some of the products offered.

The Commercial Products Group has 15 production plants specializing in commercial printing located in Québec and the Atlantic Provinces. These business entities provide integrated services required to develop and deliver customized printing campaigns.

Mexico Group

As one of the largest printers in Mexico, we operate three printing plants and one distribution network, all located in the Mexico City area and employing over 1,100 people. With a population of over 100 million in Mexico, management believes this market offers long term potential. Services offered include printing of flyers for the retail market, magazines, school books and books, direct marketing pieces, catalogues, and commercial material. Other services include prepress, premedia and finishing capabilities, including binding and on-press gluing capabilities. The distribution operation provides door-to-door and other types of delivery of over 6.5 million flyers per month for both large and small retailers. We are one of the largest printers of direct marketing material in Mexico, providing printing and related services to large direct marketers.

3.3.6 Marketing Products and Services Sector

The Marketing Products Services Sector combines printing services for products geared to commercial customers (retailers, advertising agencies, financial institutions and corporations). These products include, among others, flyers, inserts, magazines, catalogues and complementary services such as digital prepress, database management, Internet solutions and direct marketing.

Retail Group

The flyer is a concept used by retailers and manufacturers to sell their goods to consumers. With its seven specialized plants located in five provinces and in the State of Ohio, we have the capacity to print large runs of flyers of uniform quality and can produce multiple versions of a particular flyer. Moreover, retail customers can benefit from a complete design service for flyers, all the way from conception to the final product. We are the leading printer of flyers in Canada and one of the leading printers of flyers in North America. We have several regular clients, mostly Canadian, but including some American, including national retailers, food chains and drugstores. Major contracts typically have terms of at least three years.

Catalogue and Magazine Group

With six specialized plants located in Québec, Ontario, Manitoba and Saskatchewan, we print more than 260 magazines, including such prestigious titles as *Time Canada*, as well as all of the magazines published by Transcontinental's Media Sector (see the information set forth hereunder in Section 3.4.5). We also print catalogues for major retailers. We offer specialized services and capabilities such as variable printing and packaging, sorting, addressing and mailing capabilities enabling clients to personalize the overall package sent to their customers at the lowest possible mailing cost.

Direct Marketing Group

We work in partnership with our customers as well as their advertising agencies and graphic design studios to better understand their needs and to be in a position to propose innovative materials as well as finishing solutions. Our business entities control all of the production stages in order to ensure that our customers are fully

satisfied. Whether it be at the prepress stage or at the printing, personalization and finishing stages, these entities use the best equipment available as well as the expertise of skilled professionals accustomed to the daily challenges provided by complex projects that are both diverse and numerous. We are concerned with making sure that the marketing material put out by our customers stands out from the competition and has the desired impact.

The Direct Marketing Group has 11 production plants specializing in direct marketing and commercial printing located in Pennsylvania, California and Texas. These business entities provide integrated services required to develop and deliver customized direct marketing campaigns.

Transcontinental Direct U.S.A. Inc. has significant capabilities in litho printing, personalization, finishing, inserting and commingling, strategically located across the United States, which complement its other skills in database design and management, fulfillment, statement processing and printing and print-to-mail disaster recovery.

In the opinion of management of the Corporation and as supported by industry data, direct marketing is a growing market in North America. Manufacturers or service-oriented businesses must constantly maximize the information contained in their databases in order to better target their promotional material and drive return on their marketing investment. We offer our customers marketing support as well as our expertise in executing original and high-quality campaigns, thus maximizing the results of each dollar invested.

We are the only direct marketer with a geographic platform that covers all of North America. With an annual capacity of five billion pieces, we are a leading supplier of direct marketing services to financial institutions, a strategic segment.

The Marketing Products and Services Sector also has two business entities specializing in database management located in Ontario and Pennsylvania. Working in conjunction with clients, these entities help collect, manage and analyze customer data, develop knowledge-based marketing programs and track and measure program results.

Premedia Group

The Premedia Group was formed in November 2005 to reflect the strategic deployment of value-added services. With three locations located in Québec and Ontario, and other in-plant solutions throughout the network, this Group provides complete outsourcing of advertising creation and management of digital services to its customers, a strategic gateway to recruiting and keeping clients. Premedia services offered include advertising design, campaign planning and development, photography, page assembly, and other premedia production services. Our Premedia Group provides integrated marketing solutions through database management and analytics, driving improved marketing performance of creative advertising campaigns. The Premedia Group also includes a team of technical resources dedicated to development and deployment of technology-enabled production solutions to streamline customer interactions with us, and increase production efficiency for publishing and marketing document creation.

PLM

We acquired PLM Group Ltd. in October 2007, Canada's fourth largest printer. PLM has 470 employees in four facilities in the Greater Toronto Area. In 2006, it reported revenues of \$126 million. PLM is a fast-growing company that has skilfully anticipated the new marketing needs of major financial institutions, retailers and publishers. Its primary niche is direct marketing products and services, which are increasingly in demand by businesses. PLM also offers leading edge services such as premedia and digital printing and prints a wide range of marketing-related commercial printing products. PLM boasts state-of-the-art equipment and a diversified

customer base that includes many leading companies. With PLM, we become the leader in Canada's direct marketing industry while expanding our North American platform in a fast-growing segment.

3.4 Media Sector

As the fourth largest press Group in Canada, the Media Sector combines our magazines, local and regional newspapers and educational book publishing activities, digital media activities and our Canadian distribution activities. This sector is known under the name of Transcontinental Media.

3.4.1 Customers and Competition

No single customer of the Media Sector has accounted for more than 15% of the sector's revenues during the last two years.

The overall activities of the Media Sector allow advertising customers to reach consumers in the most efficient manner for them by using products suitable to their needs.

The revenues of the Magazine Group are generated by its advertising revenues as well as through subscription and newsstand sales. We are the second largest publisher of magazines in Canada and the largest publisher of consumer-oriented magazines. Magazines geared to consumers constitute the largest part of our sales. Magazines published by others, whether of general interest or with a special focus, as well as the other medias (television, radio, Internet and other communication or advertising platforms) compete with our magazines for sales of advertising space and subscription and newsstand sales. In particular, the availability in Canada of several magazines published by American publishers creates significant competition for our magazines.

The revenues of the Newspaper Group are derived primarily from advertising as well as from subscription and newsstand sales. We are the second leading publisher of local and regional newspapers in Canada and the first in Eastern Canada. We reach more than 2.4 million households per week with our weekly newspapers, 1.2 million in the Montréal region alone. Because of their level of penetration and strong credibility, our local and regional newspapers are an excellent information tool within their community as well as an ideal vehicle for any advertising campaign. Other existing local and regional newspapers as well as other media (television, radio, Internet and other communication or advertising platforms) compete with the Newspaper Group regarding sales of advertising space and subscription and newsstand sales.

By distributing approximately three billion printed products per year and other products each week to more than four million homes, the Distribution Group is a leader in the distribution market. The Distribution Group competes for distribution of advertising material and other products with daily and weekly newspapers, direct mail services and some regional distribution companies. We believe that the major competitive factors in the distribution business are pricing, quality of service, delivery lead times, targeted distribution and market penetration.

The revenue base of the Educational Publishing Group is diversified by market, customer, subject and title. Its principal customers are departments of education, school boards, elementary and high schools, Cégeps, colleges and vocational schools, community colleges, universities and, in some cases, foreign distributors. This Group operates in all three sectors of the Canadian French language educational publishing industry and its competitors differ in each of these three sectors. Its competitors include Groupe Modulo, Les Éditions du Renouveau Pédagogique Inc. and Les Éditions CEC.

The revenues of the Digital Media Group are derived solely from online advertising. Overall, our properties reach more than four million unique visitors per month across Canada in both French and English. The Group markets more than 100 websites derived from our leading print brands and from specific cyberbrands. In

Canada, our properties are the leading destinations for niche communities - women, young adult males, business owners and professionals and offer online content in growing categories such as food, family, health, home, garden, decor, TV entertainment, business news and sports. The Group is also involved in the development of Enixa Media, an in-store flat screen advertising company.

3.4.2 Geographic Distribution

The following table sets forth the revenues and the percentage of revenues based on their geographic distribution for the Media Sector for the fiscal years ended October 31, 2007 and 2006.

Revenues by Geographic Region

(in millions of dollars except for percentages)	Fiscal Year Ended October 31			
	2007 (\$)	2007 (%)	2006 (\$)	2006 (%)
Canada	633.5	100	576.3	99.4
United States	–	–	3.5	0.6
Total	633.5	100	579.8	100

3.4.3 Raw Materials

Paper is the primary raw material used in our publishing activities. To increase our purchasing power, we combine our purchases of raw materials for our three operating sectors. For more information on this particular topic, see Section 3.3.4 - Raw Materials and Energy Prices.

3.4.4 Seasonal Variations

Generally, our Media Sector's revenues are subject to seasonal variations, with increases in both the second and fourth fiscal quarters. In particular, the Educational Publishing Group's revenues are highly seasonal with the majority of the revenues occurring in the months of June to September to correspond with the traditional back-to-school season of educational institutions.

3.4.5 Media Sector

Magazine Group

The Magazine Group publishes approximately 35 regular titles. Through our magazines, we serve readers from coast to coast in Canada in both official languages. We give advertisers access to a readership that is not only national, but one that also offers significant added value that arises from the prestige of our brands. We have two categories of specialized titles: consumer publications and business publications. We are the largest publisher of consumer-oriented magazines and the second largest publisher of magazines in Canada.

We consider the brand names of the Magazine Group as major assets, such brand names being associated to magazines with a large circulation and recognized for the quality of their content.

The following table provides a list of our various titles published by the Magazine Group, the number of issues per year and their circulation as of June 30, 2007, the most recent date at which information is available.

Magazines	Number of issues by year	Circulation
<i>Consumer Publications</i>		
Canadian Gardening	8	151,539 ⁽¹⁾
Canadian Home & Country	8	127,198 ⁽¹⁾
Canadian Home Workshop	9	112,393 ⁽¹⁾
Canadian Living	12	512,220 ⁽¹⁾
Condo Direct	16	40,000 ⁽³⁾
Coup de Pouce	12	220,662 ⁽¹⁾
Décormag	10	83,206 ⁽¹⁾
Elle Canada (Les Publications Transcontinental-Hachette inc.)	12	132,951 ⁽¹⁾
Elle Québec (Les Publications Transcontinental-Hachette inc.)	12	87,425 ⁽¹⁾
Fleurs, Plantes et Jardins	7	73,756 ⁽¹⁾
Good Times	11	145,690 ⁽¹⁾
Guide de l'Acheteur	1	5,000 ⁽³⁾
Hockey Business News	5	5,500 ⁽³⁾
Homemakers	9	406,121 ⁽²⁾
Le Bel Âge Magazine (Les Publications Senior inc.)	11	136,303 ⁽¹⁾
Le Journal du Bel Âge (Les Publications Senior inc.)	10	74,200 ⁽³⁾
Madame	9	113,962 ⁽²⁾
Maison d'aujourd'hui	2	50,000 ⁽³⁾
Maison Direct	26	40,000 ⁽³⁾
Maisonneuve.com	11	25,000 ⁽³⁾
Mon Chalet	6	29,700 ⁽³⁾
More	6	120,000 ⁽³⁾
Ottawa at Home	4	20,000 ⁽³⁾
Outdoor Canada	8	90,069 ⁽¹⁾
Québec Vert	8	5,500 ⁽³⁾
Style at Home	12	230,028 ⁽¹⁾
The Hockey News	42	109,173 ⁽¹⁾
Vancouver Magazine	10	47,753 ⁽²⁾
Western Living	10	184,712 ⁽²⁾

Magazines	Number of issues by year	Circulation
<i>Economic Publications</i>		
Affaires Plus	12	86,065 ⁽¹⁾
Finance et Investissement	15	13,613 ⁽²⁾
Investment Executive	16	47,930 ⁽³⁾
Les Affaires	52	81,364 ⁽¹⁾
Magazine PME	8	34,895 ⁽²⁾
Magazine Commerce	12	41,973 ⁽¹⁾

(1) Latest statistics from the Audit Bureau of Circulation (A.B.C.).

(2) Latest statistics from Canadian Circulation Audit Board (C.C.A.B.).

(3) Internal statistics.

Transcontinental Media, through its subsidiary Les Éditions Transcontinental Inc., also publishes books in French and English destined to Canadian consumers. In addition to publishing management and personal finance books, Les Éditions Transcontinental Inc.'s original specialty, it also publishes more than 35 practical books in several niches: psychology, self-help, work and career, cooking, consumption, health, leisure and sports. Its catalogue contains almost 300 titles.

We are also involved in several consumer and trade shows throughout the year. We own rights to a number of shows including the *Canadian Home Workshop Show* and the *Canadian Home & Country Show*. We have a significant presence at many other shows. These consumer and trade shows provide additional exposure and awareness of our brands and offer advertisers further opportunities to market within targeted environments via sampling, signage and interactive contests at our booths.

In August, 2007, we announced the launch of Transcontinental Custom Communications, a joint venture with UK agency Seven Squared, to provide custom publishing services to clients in Canada and the United States. Custom publishing involves strategic and creative services that achieve a company's marketing objectives by delivering unique branded customized content to customers using print or digital channels. In addition, Transcontinental Custom Communications offers fully integrated relationship marketing services that include database marketing, research, variable printing, photo studio and premedia tools.

Newspaper Group

We publish local and regional newspapers in the Provinces of Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Québec, Ontario and Saskatchewan. With a total circulation of approximately 250,000 copies for the dailies and approximately 2.4 million copies for the weeklies, these newspapers are preferred communication tools in the communities and regions which they service.

The newspaper's notoriety is due to the importance of the role that it plays in a community. Some of these papers have been published for more than 100 years: *The Telegram* (St. John's, Newfoundland and Labrador - 1879), *The Guardian* (Charlottetown, Prince Edward Island - 1887), *Moose Jaw Times-Herald* (Moose Jaw, Saskatchewan - 1889), *The Daily News* (Truro, Nova Scotia - 1891), *The Amherst Daily News* (Amherst, Nova Scotia - 1893), *The Prince Albert Daily Herald* (Prince-Albert, Saskatchewan - 1894), *The Western Star* (Corner Brook, Newfoundland and Labrador - 1900) and *l'Union de Victoriaville* (Victoriaville, Québec - 1866).

The local and regional newspapers are recognized both for the quality of their writing and their production, as indicated by the several prestigious awards which they receive each year. Always attentive to the needs of its readers and advertisers, the Newspaper Group regularly conducts market studies which enable it to consistently improve the quality of its products. Moreover, this Group publishes a large number of theme inserts, special sections, directories and other publications which respond to the specific needs both of advertisers and readers.

A list of the local and regional newspapers published by us as of June 30, 2007, the most recent date at which information is available, is attached hereto as Schedule A.

We are also part of a group that publishes *Métro*, a free tabloid that is distributed Monday to Friday in 67 of Montréal's 68 metro stations. *Métro* is also distributed in 574 other points, including 74 McDonald's restaurants.

Distribution Group

Developed for the door-to-door distribution in Québec of newspapers printed mainly by us, as well as flyers and advertising material, the Distribution Group has since added new products and services to its distribution activities to become the leader in this industry in Eastern Canada. We also have distribution operations in various areas in Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Saskatchewan and Ontario.

Our distribution network enables us to offer our customers a wide range of products and services enabling them to reach targeted consumers. We also offer, through our Canadian Media Network division, a Pan-Canadian distribution brokerage service. Our solutions reach more than 12 million Canadian households every week, delivering samples and advertising items right to consumers' doors. These innovative and popular products, such as the Publi-Sac, deliver over three billion pieces of advertising items a year. Advertisers can target customers based on criteria such as age, family size, family income and consumption habits.

We offer our customers innovative products and services such as:

- The Publi-Sac, a plastic bag containing flyers, advertising material and newspapers that is delivered at the consumer's door or mailbox. The Publi-Sac reaches three million households in Québec every week, delivering 97% market penetration. The Publi-Sac has been well received and valued in Québec for years. In fact, over 50 million advertising items are delivered to more than three million households every week;
- The Publi-Sac Media, a Publi-Sac on which advertising messages are printed;
- The Ad-Stand, a display stand located in the lobby of multi-unit residential buildings and in which flyers and newspapers are made available to residents;
- The Service Marketing and Geomarketing which, by directly accessing the Print Measurement Bureau database of Statistics Canada and with the help of the Arc View software cartography program which enables the correlation of data with geography, provide a targeted distribution of advertising material for a given product to specific markets defined by the demographic and geographic factors established by customers, such as age, income, size of family and consumption habits; and
- The Themed-Bags, namely Publi-Sacs in which the flyers revolve around a specific theme.

With our computerized systems, we handle the distribution by means of databases that enable us to segment the market and to target customers based on socio-demographic consumer attributes such as household income and purchasing preferences. In addition, by calculating the precise number of copies to be distributed, these systems provide advertisers with a maximum return on their advertising dollar. We rely on a team of contractors

operating independently who ensure distribution to households and business establishments. We maintain a rigorous and on-going control over distribution points and provide our customers with services that allow them to measure the effectiveness of particular flyers and to target consumers.

In early 2008, we will begin using a biodegradable plastic bag for our Publi-Sac. The plastic is engineered to degrade and totally fragment in 90 to 120 days and to biodegrade in further 12 to 24 months after disposal.

Educational Publishing Group

The Educational Publishing Group specializes in the creation, development, adaptation, translation, publishing, commercialization and distribution of French-language educational resources, including textbooks, teachers' guides, activity books, digital resources and other related materials and resources. Its product lines cover all grade levels, from kindergarten through university, as well as related sectors such as adult education, vocational training and teachers' professional resources.

We are a preferred collaborator of the ministries of education of all Canadian provinces and territories and are the only educational publisher that has published French-language materials for all departments of education across Canada. This Group's mission is to publish quality materials and resources required for teaching and learning to support Canadian educators and students in the implementation of learning programs and course planning.

Our operations are divided into three divisions which serve the three main school markets (the school market in Canada outside Québec, the school market in Québec and the higher education market). We are the leading publisher in the French school market in Canada outside Québec and in the French higher education publishing market in Canada. This Group benefits from a revenue base that is diversified by market, customer, subject and title. In addition to its catalogue of over 5,750 existing or previously published titles (commonly referred to as the backformlist), the Educational Publishing Group has over 500 titles currently being developed for the current or future school years (commonly known as the frontlist). On average, the vast majority of its publishing revenue has been derived from its backformlist and the balance from its frontlist demonstrating the quality of titles selected and validating investments historically made. The Educational Publishing Group's strong brands include Chenelière/McGraw Hill, Beauchemin, Chenelière Éducation, Gaëtan Morin Éditeur and Graficor.

Digital Media Group

We recently added the Digital Media Group in response to the changing face of the media industry. Information is increasingly being distributed on a digital platform and technology and creating interactive communities of interest has become a major trend. The share of the Internet in advertising has grown significantly in recent years. As publisher, Transcontinental Media distributes some of the content of its magazines and newspapers over the Internet.

Many of our magazines have their own websites. Moreover, our Media Sector operates a business and finance portal (lesaffaires.com), which is an extension of its newspaper *Les Affaires*. The Newspaper Group operates more than 80 local and regional websites that are the local reference with respect to virtual community information.

The Digital Media Group's strategy is to increase our revenues derived from our digital platform and launch new products and services that complement our activities. To achieve these goals, we are leveraging our existing brands such as *Coup de pouce* and *Canadian Living*, developing cyberbrands focusing on specific communities of interest such as leveraging our local position by offering related services on the Internet, and extending content dissemination through various channels.

In line with this strategy, a new version of lesaffaires.com was launched at the end of September 2007. This new version is much more aligned with the publication. In addition, this version of the site will drive traffic and generate audience for and from the full set of our business content (*Commerce, PME* and *Affaires Plus*). After the purchase in 2006 of recettes.qc.ca and its integration, a new version of the site was launched in October 2007. This new version enriches the user experience and offers more opportunities to advertisers. At the same time that we were celebrating the 60th anniversary of *The Hockey News*, a new site was launched which includes new features such as videos from the NHL and blogs. The site lebelage.ca was launched in August 2007, targeting the 50+ community.

3.5 Reorganizations

We regularly proceed with legal reorganizations of some of our subsidiaries and affiliated entities in order, among other considerations, to improve our organizational structure, none of which have had a material effect on our activities, operations or financial results.

3.6 Environmental Regulations

We are subject to laws and regulations regarding the environment. These laws and regulations relate to the production, storage, transportation, disposal and emission into the environment of various substances. Permits are required for the operation of our business. We are also subject to various laws and regulations, which allow regulatory authorities to require us to proceed with the cleanup of any environmental contamination of our own sites and at facilities where our waste is or has been disposed of. In addition, we ensure compliance with environmental standards by means of an audit program carried out with the help of a firm specializing in environmental issues.

The Board of Directors of the Corporation adopted an environmental policy with respect to the entire Corporation. In connection with this policy, an environment handbook was prepared and information and continuous training sessions are held for the benefit of the employees concerned. We also have staff members working to ensure compliance with applicable environmental standards. Our environmental policy is founded on the following guiding principles: (i) protect the environment for present and future generations; (ii) reduce risks and improve efficiencies; and (iii) introduce improved technology and processes.

Our commitment with respect to the environment is reflected, among other things, by the use of short cut-off presses for the printing of flyers, which allows for substantial savings in paper. In addition, paper waste is recycled and specialized firms are retained to process or eliminate used inks, solvents, plates and films in accordance with applicable laws and regulations. We promote the use of environmentally friendly paper and some of our plants are FSC (Forest Stewardship Council) approved.

In October 2007, we announced the implementation of a paper purchasing policy that promotes the use of environmentally preferable papers through a classification process that allows clients to make an informed choice regarding the paper they choose for their printing and publishing needs. The policy promotes the use of paper with maximized post-consumer and de-inked recycled fibre and it encourages the use of paper made with pre-consumer recovered fibre or alternative fibres in preference to virgin wood fibre. Where virgin fibre is required, the policy states a preference for fibre from forests that are managed to maintain high conservation values and certified by a recognized organization. The policy is supported by a classification document which evaluates paper based on criteria like the total percentage of recycled fibre and the level of protection for ancient forests.

3.7 Human Resources

As of October 31, 2007, we had approximately 15,000 employees. The following table presents the approximate breakdown of our employees of our operating sectors as of October 31, 2007. Employees at head office and other shared services are excluded.

Description	Number of employees as of October 31, 2007
Printing Products and Services Sector	5,000
Marketing Products and Services Sector	6,500
Media Sector	3,100

As of October 31, 2007, 2,975 of our employees were represented by certified associations under 29 active and separate collective agreements. These agreements expire at different dates up to December 2011. Seven collective agreements were renewed during the last year. There are presently four collective agreements covering 440 of our employees under negotiation and 10 collective agreements covering 965 employees will expire in 2008.

With respect to our non-unionized employees, the working conditions, which are periodically revised, are governed by agreements between the various business units involved and their employees.

3.8 Properties

We believe that our owned and leased facilities are adequately equipped and maintained regarding existing and planned operations. Substantially all of our properties and equipment are free and clear of any security interests in favour of lenders.

3.9 Risk Factors

The risk factors related to the Corporation and our activities are described on pages 2 and 27 to 32 of our Management's Discussion and Analysis for the year ended October 31, 2007. Among other things, the important factors which may affect the results of the Corporation include, but are not limited to, management of credit, turmoil in financial markets, market dynamics, liquidity, funding and operational risks; the strength of the Canadian, Mexican and United States' economies in which we conduct business; economic cycles; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar and the Mexican peso; the effects of changes in interest rates, and commodity prices; the effects of competition in the markets in which we operate; judicial judgments and legal proceedings; our ability to successfully realign our organization, resources and processes; our ability to complete strategic acquisitions and joint ventures and to integrate our acquisitions and joint ventures successfully; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks, availability and cost of raw materials and qualified labour, other factors which may affect future results including, risks associated with our operations outside the United States and Canada, timely development and introduction of new products and services, changes in tax laws, changes in environmental laws, changes in occupational health and safety requirements, new media, technological changes and the resulting need for additional capital expenditures, new regulations, exchange of confidential information, loss of reputation, Canadian and U.S. postal systems' future policies; 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.

The heading "Risks and Uncertainties" under our Management's Discussion and Analysis for the year ended October 31, 2007, is therefore incorporated herein by reference and will be updated on a quarterly basis under the heading "Risks and Uncertainties" of the Management's Discussion and Analysis quarterly report.

Item 4 - Selected Consolidated Financial Information

4.1 Dividends

Each holder of Class A Subordinate Voting Shares and Class B Shares of the Corporation is entitled to receive the dividends that the Board of Directors can declare at its discretion. However, in the past, our policy has been to pay a quarterly dividend in cash. It should be noted however that the our policy has been to retain the major portion of our cash flows in order to finance our growth. Currently, there are no restrictions preventing us from paying dividends.

The following table presents a summary of the cash dividends declared and paid by the Corporation to all holders of its Class A Subordinate Voting Shares and Class B Shares over the last three fiscal years:

Fiscal Years Ended October 31	
2005	\$0.21
2006	\$0.25
2007	\$0.275

4.2 Subsequent Event

On December 17, 2007, the Board of Directors of the Corporation declared a quarterly dividend of \$0.07 per share to all holders of the Corporation's Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on January 25, 2008 to all shareholders of record as of the close of business on January 7, 2008.

Item 5 - Capital Structure of the Corporation

5.1 General Description of the Capital Structure

The Corporation is authorized to issue an unlimited number of Class A Subordinate Voting Shares, an unlimited number of Class B Shares and an unlimited number of Preferred Shares, all without par value.

The following table sets forth the principal rights of the shares that the Corporation is authorized to issue:

Class of Shares	Rights
Class A Subordinate Voting Shares:	<p><i>Voting Rights</i> The Class A Subordinate Voting Shares entitle the holders thereof to one vote per share.</p> <p><i>Dividends:</i> The Class A Subordinate Voting Shares entitle the holders thereof to receive, <i>pari passu</i> with the holders of Class B Shares, any and all dividends declared by the Corporation.</p>

Class of Shares	Rights
Class B Shares:	<p><i>Conversion:</i> The Class A Subordinate Voting Shares can be converted into Class B Shares on the basis of one for one when a takeover bid is made directly or indirectly to the Majority Group (as defined in the Articles). Moreover, they confer the same privilege when the majority group makes a takeover bid.</p> <p><i>Dissolution:</i> The holders of Class A Subordinate Voting Shares are entitled, <i>pari passu</i> with the holders of Class B Shares, to share the remaining assets of the Corporation following its dissolution.</p> <p><i>Voting Rights:</i> The Class B Shares entitle the holders thereof to 20 votes per share.</p> <p><i>Dividends:</i> The Class B Shares entitle the holders thereof to receive, <i>pari passu</i> with the holders of Class A Subordinate Voting Shares, any and all dividends declared by the Corporation.</p> <p><i>Conversion:</i> The Class B Shares can, at any time, be converted into Class A Subordinate Voting Shares on the basis of one for one.</p>
Preferred Shares:	<p><i>Dissolution:</i> The holders of Class B Shares are entitled, <i>pari passu</i> with the holders of Class A Subordinate Voting Shares, to share the remaining assets of the Corporation following its dissolution.</p> <p><i>Issuance in Series:</i> First Preferred Shares and Second Preferred Shares can be issued in series.</p> <p><i>Voting Rights:</i> The Preferred Shares do not entitle the holders thereof to vote or assist at any meeting of shareholders unless required pursuant to the <i>Canada Business Corporations Act</i>.</p> <p><i>Dividends:</i> The Preferred Shares entitle the holders thereof to receive preferential cumulative dividends.</p> <p><i>Dissolution:</i> In the event of the liquidation or dissolution of the Corporation, holders of Preferred Shares are entitled to receive, for each such share held by them, a sum equal to the consideration received by the Corporation upon the issuance of such shares.</p>

On December 17, 2003, in connection with the acquisition of the assets of CC3, 350,000 warrants for Class A Subordinate Voting Shares, maturing in 2007, were issued at an exercise price of \$19.91, namely the trading price of the Corporation's Class A Subordinate Voting Shares at the time the agreement in principle was entered into between the parties. The fair market value of the warrants at the date of acquisition was \$2.1 million and was credited as contributed surplus in the shareholders' equity. As of October 31, 2007, all of these warrants were outstanding. As of December 31, 2007, all of such warrants have been cancelled.

5.2 Ratings

Transcontinental has received the following credit ratings from Standard & Poors Ratings Services ("S&P") and DBRS Limited ("DBRS").

	S&P	DBRS
Corporate Rating	BBB/Stable	–
Senior Unsecured Debt	BBB/Stable	–
Senior Unsecured Debentures	–	BBB (High) / Negative

Standard & Poors Ratings Services

A S&P Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they become due. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor.

S&P credit ratings range from AAA to D, which represent the range from the highest to lowest quality. According to S&P, the BBB rating is the fourth highest of 10 major rating categories. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. An obligor rated "BBB" has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

DBRS Limited

According to DBRS, credit ratings are forward-looking measures that assess an issuer's ability and willingness to make timely payments of principal and interest. Credit ratings are not buy, hold, or sell recommendations, but rather the result of qualitative and quantitative analysis focusing solely on the credit quality of the issuer and its underlying obligations.

DBRS credit ratings range from AAA to D, which represent the range from the highest to lowest quality. According to DBRS, the BBB rating is the fourth highest of 10 major rating categories. Each rating category is denoted by the subcategories "high" and "low".

The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category. The AAA and D categories do not utilize "high", "middle" and "low" as differential grades. Long-term debt rated BBB is of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities.

Each DBRS rating category is appended with one of three rating trends - "Positive", "Stable", or "Negative". The rating trend helps to give the investor an understanding of DBRS's opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

5.3 Normal Course Issuer Bid

We have been authorized to purchase for cancellation on the open market, between November 21, 2005 and November 20, 2006, up to 3,578,325 of our Class A Subordinate Voting Shares, representing 5% of our 71,566,506 issued and outstanding Class A Subordinate Voting Shares as of November 11, 2005, and 887,015 of our Class B Shares, representing 5% of our 17,740,294 issued and outstanding Class B Shares as of November 11, 2005. We have also been authorized to purchase for cancellation on the open market, between November 21, 2006 and November 20, 2007, up to 3,448,698 of our Class A Subordinate Voting Shares, representing 5% of our 68,973,966 issued and outstanding Class A Subordinate Voting Shares as of November 7, 2006, and 852,907 of our Class B Shares, representing 5% of our 17,058,145 issued and outstanding Class B Shares as of November 7, 2006. On December 18, 2007, we announced the renewal of our normal course issuer bid in order to purchase for cancellation on the open market, between December 20, 2007 and December 19, 2008, up to 3,333,994 of our Class A Subordinate Voting Shares, representing 5% of our 66,679,889 issued and outstanding Class A Subordinate Voting Shares as of December 10, 2007, and up to 845,271 of our Class B Shares, representing 5% of our 16,905,432 issued and outstanding Class B Shares as of December 10, 2007. The purchases will be made in the normal course of business at market prices through the facilities of the Toronto Stock Exchange in accordance with the requirements of the exchange.

During the 12-month period ended October 31, 2007, we purchased 2,354,700 of our Class A Subordinate Voting Shares at a weighted average price of \$21.27 for a total consideration of \$50.1 million and 137,800 of our Class B Shares at a weighted average price of \$21.69, for a total consideration of \$3.0 million.

We believe that the purchase of our Class A Subordinate Voting Shares and Class B Shares is in the best interest of the Corporation and our shareholders. Moreover, we consider that the purchase of Class A Subordinate Voting Shares and Class B Shares will optimize our capital structure and create long term value for our shareholders.

Item 6 - Management's Discussion and Analysis of the Financial Condition and Results of Operations

A discussion and analysis by management of the financial condition and results of operations for the fiscal year ended October 31, 2007 is presented in our Management's Discussion and Analysis for the year ended October 31, 2007, which is incorporated herein by reference. To complement such management's discussion and analysis, reference is made to the Consolidated Financial Statements for the years ended October 31, 2007 and 2006 and the Notes to Consolidated Financial Statements, which Consolidated Financial Statements and Notes are incorporated herein by reference.

Item 7 - Market for Securities

Our Class A Subordinate Voting Shares and our Class B Shares are listed for trading on the Toronto Stock Exchange under ticker symbols TCL.A and TCL.B, respectively.

During the fiscal year ended October 31, 2007, we repurchased 2,354,700 Class A Subordinate Voting Shares and 137,800 Class B Shares for an aggregate amount of \$53.1 million.

The following tables present the monthly price variations as well as the volume of operations with respect to the Class A Subordinate Voting Shares and the Class B Shares on the Canadian market for the fiscal year ended October 31, 2007.

Class A Subordinate Voting Shares - TCL.A

Month	High (\$)	Low (\$)	Volume
November 2006	22.42	19.02	2,903,988
December 2006	22.90	20.06	2,798,548
January 2007	22.54	20.00	4,155,650
February 2007	22.63	20.80	1,729,652
March 2007	21.90	19.54	2,028,223
April 2007	21.95	20.96	2,436,459
May 2007	22.66	21.00	3,575,329
June 2007	21.95	19.60	4,696,733
July 2007	22.22	19.40	1,674,057
August 2007	20.75	18.54	1,646,648
September 2007	22.15	19.20	1,581,816
October 2007	21.84	20.07	2,196,416
Total			31,423,519

Class B Shares - TCL.B

Month	High (\$)	Low (\$)	Volume
November 2006	22.65	20.10	3,950
December 2006	23.79	20.40	8,400
January 2007	23.00	20.50	8,236
February 2007	23.00	20.85	43,285
March 2007	21.94	20.35	11,680
April 2007	22.00	20.86	16,932
May 2007	22.25	21.01	69,014
June 2007	22.70	20.37	8,924
July 2007	22.66	20.39	17,052
August 2007	22.40	19.00	6,778
September 2007	21.00	19.02	11,900
October 2007	22.40	20.71	23,592
Total			229,743

Item 8 - Directors and Officers

The names of our directors, their city of residence, their principal occupation, the year since each has exercised their mandate, the number of Class A Subordinate Voting Shares and Class B Shares of the Corporation that the directors owned beneficially or over which they exercised control or direction, as well as the number of share units held by the directors pursuant to the Deferred Share Units Plan of the Corporation, as of December 31, 2007 are indicated below.

Name		Principal Occupation	Director Since	Number of Class A Subordinate Voting shares	Number of Class B Shares	Number of Deferred Shares Units
Lucien Bouchard Montréal, Québec	☐	Partner, Davies Ward Phillips & Vineberg LLP (law firm)	2001	1,128	–	10,579
Robert Chevrier ⁽¹⁾ Île-des-Soeurs, Québec	○	President, Société de gestion Roche inc. (holding company)	2001	8,000	–	8,748
J.V. Raymond Cyr, O.C. Montréal, Québec	▽ ◇	Chairman of the Board, Polyvalor inc. (telecommunications)	1997	6,000	–	10,324
Luc Desjardins ⁽²⁾⁽³⁾ Baie d'Urfé, Québec		President and Chief Executive Officer, Transcontinental inc.	2000	40,500	–	–
Claude Dubois Montréal, Québec	☐	President, Gestion Phila inc. (holding company)	1978	142,572 ⁽⁴⁾	4,000 ⁽⁴⁾	10,072
Richard Fortin Longueuil, Québec	○	Executive Vice President and Chief Financial Officer, Alimentation - Couche Tard inc. (distribution - convenience stores)	2004	1,000	–	7,294
Harold "Sonny" Gordon, c.r. Sunny Isles, Florida United States	▽	Chairman of the Board, Dundee Corporation (financial services - corporations and investment funds)	1993	–	1,000	10,214
Hubert T. Lacroix ⁽⁵⁾ Montréal, Québec	○ ▽	Special Advisor, Stikeman Elliott LLP (law firm)	2000	4,000	–	13,774
Monique Lefebvre Montréal, Québec		Psychologist, Executive Coaching, and Consultant in Strategic Management	2000	1,000	–	7,411
Isabelle Marcoux ⁽⁶⁾ Montréal, Québec		Vice Chair of the Board and Vice President, Corporate Development, Transcontinental Inc.	2005	4,000	1,000	–

Name	Principal Occupation	Director Since	Number of Class A Subordinate Voting shares	Number of Class B Shares	Number of Deferred Shares Units
Pierre Marcoux ⁽⁶⁾ Île-des-Sœurs, Québec	Vice President, Business Publications, Transcontinental Media G.P.	2005	5,000	1,000	–
Rémi Marcoux C.M, F.C.A. Montréal, Québec	Executive Chairman of the Board, Transcontinental Inc.	1978	–	13,209,840 ⁽⁶⁾	–
André Tremblay Montréal, Québec	<input type="checkbox"/> Partner, Trio Capital inc. (private equity fund)	2007	–	–	1,523

◇ Lead Director.

○ Member of the Audit Committee of the Board of Directors.

▽ Member of the Human Resources and Compensation Committee of the Board of Directors.

□ Member of the Corporate Governance Committee of the Board of Directors.

- (1) Mr. Robert Chevrier will not stand for re-election as a director of the Corporation at the next annual meeting of the shareholders of the Corporation.
- (2) Mr. Luc Desjardins will not stand for re-election as a director of the Corporation at the next annual meeting of the shareholders of the Corporation. Mr Desjardins is leaving the Corporation on February 20, 2008.
- (3) Pursuant to the Share Unit Plan of Transcontinental Inc., (i) 17,197 deferred share units were granted on January 18, 2005 at a price of \$21.98 per unit; (ii) 605 deferred share units were granted in payment of dividends with respect to the share units referred to under (i); (iii) 15,423 deferred share units were granted on December 14, 2005 at a price of \$19.2857 per unit; (iv) 404 deferred share units were granted in payment of dividends with respect to the share units referred to under (iii); (v) 26,632 deferred share units were granted on January 9, 2007 (of which 16,389 share units depend on the Corporation achieving certain financial goals and 10,243 share units depend on Mr. Desjardins remaining in the employment with the Corporation over a three-year period). Share units referred to under (i) and (ii) were cancelled on January 18, 2008. Pursuant to the termination of employment contract of the President and Chief Executive Officer, one-half of the share units will vest upon his termination of employment.
- (4) Of which 137,572 Class A Subordinate Voting Shares and 4,000 Class B Shares are held by Gestion Phila Inc., a holding company controlled by Mr. Claude Dubois.
- (5) Mr. Hubert T. Lacroix has resigned from the Board of Directors on January 1, 2008. This resignation follows the appointment of Mr. Lacroix as President and Chief Executive Officer of CBC/Radio Canada and a decision of the Conflict of Interest and Ethics Commissioner that his directorship was incompatible with his public duties.
- (6) The 13,209,840 Class B Shares are held by Capinabel Inc. The shares of Capinabel Inc. are held in direct and indirect ownership by Mr. Rémi Marcoux and members of his immediate family. Mr. Rémi Marcoux has control over Capinabel Inc. The shares of Capinabel Inc. represent 65.25% of the voting rights attached to the outstanding participating shares of the Corporation. Mrs. Isabelle Marcoux and Mr. Pierre Marcoux are members of Mr. Rémi Marcoux's immediate family.

Each director remains in office until the following annual shareholders' meeting or until the election or appointment of his successor, unless he resigns or his office becomes vacant as a result of his death, removal or other cause. A vacancy was created as of January 1, 2008 due to the resignation of Mr. Hubert T. Lacroix. This resignation follows the appointment of Mr. Lacroix as President and Chief Executive Officer of CBC/Radio-Canada and a decision of the Conflict of Interest and Ethics Commissioner that his directorship was incompatible with his public duties. Messrs. Robert Chevrier and Luc Desjardins are not seeking their re-election as directors at the next annual meeting of shareholders. Management of the Corporation is proposing the election at the annual meeting or shareholders to be held on February 20, 2008 of Messrs. François Olivier and Lino A. Saputo, Jr. as directors of the Corporation. Mr. Olivier, presently Chief Operating Officer of the Corporation, will become President and Chief Executive Officer of the Corporation on February 20, 2008. Mr. Lino A. Saputo, Jr. is President and Chief Executive Officer of Saputo Inc.

The following table sets forth the names, city of residence and position held with the Corporation of each officer of the Corporation.

Name and city of residence	Position held with the Corporation
Jean Blouin Montréal, Québec	Vice President, Corporate Communications
André Bolduc Outremont, Québec	Director of Internal Audit
Réal Boulet Chateauguay, Québec	Corporate Vice President, Efficiency and Innovation
France de Blois Laval, Québec	Corporate Controller
Jean Denault Saint-Mathias-sur-Richelieu, Québec	Corporate Vice President, Procurement and Technology
Christine Desaulniers Town of Mount-Royal, Québec	Vice President, Chief Legal Officer, and Corporate Secretary
Luc Desjardins ⁽¹⁾ Baie d'Urfé, Québec	President and Chief Executive Officer
Julien Houle Montréal, Québec	Corporate Vice President, Human Resources
Benoît Huard Lorraine, Québec	Vice President and Chief Financial Officer
Isabelle Lamarre Île-des-Sœurs, Québec	Director, Legal Affairs and Assistant Corporate Secretary
Natalie Larivière Île-des-Soeurs, Québec	President, Media Sector
Donald LeCavalier Montréal West, Québec	Corporate Treasurer
Guy Manuel Toronto, Ontario	President, Marketing Products and Services Sector
Isabelle Marcoux Montréal, Québec	Vice Chair of the Board and Vice President, Corporate Development
Rémi Marcoux Montréal, Québec	Executive Chairman of the Board
Jennifer McCaughey Candiac, Québec	Director, Investor Relations
François Olivier ⁽²⁾ Montréal, Québec	Chief Operating Officer

(1) Mr. Luc Desjardins will be stepping down as President and Chief Executive Officer of the Corporation on February 20, 2008.

(2) Mr. François Olivier will become President and Chief Executive Officer of the Corporation on February 20, 2008.

The directors and officers of the Corporation who have not held their principal occupation with the Corporation for more than five years have had the following principal occupations during the last five years (except where a director or officer has occupied more than one position in the same company or an affiliate thereof, only the date of his appointment to his current position is indicated):

- Ms. France De Blois became Corporate Controller on April 26, 2007. From 1993 until 2007, she occupied different positions with Sanofi-Aventis, lastly as Director, Financial and Administrative Services (a pharmaceutical company);

- Ms. Christine Desaulniers became Vice President, Chief Legal Officer, and Corporate Secretary, on November 21, 2005. Until November 2005, she had been partner at the Montréal office of the law firm Stikeman Elliott LLP;
- Ms. Isabelle Lamarre became Director, Legal Affairs and Assistant Corporate Secretary on May 22, 2007. From 2001 until 2007 she had been a partner at the Montréal office of the law firm Lavery, de Billy LLP;
- Mrs. Natalie Larivière became President, Media Sector, effective August 7, 2006. Previously, she was President and General Manager of Archambault Group Inc. (a member of the Quebecor Media group of companies) (a media company).;
- Mr. Donald LeCavalier became Corporate Treasurer on July 24, 2006. Before such date, he was Treasurer of Transat A.T. Inc. (a tourism company) from August 2000 until April 2006;
- Mr. Guy Manuel became President, Marketing Products Services Sector of Transcontinental Inc. on February 10, 2003. Before such date, he was Vice President, Sales and Marketing of Mail-Well, Inc. from 2002 to 2003 (a printing company);

As of October 31, 2007, the directors and officers of the Corporation (other than Mr. Rémi Marcoux), as a Group, beneficially owned, directly or indirectly, 327,938 Class A Subordinate Voting Shares and 7,100 Class B Shares of the Corporation, then representing approximately 0.49% and 0.04% respectively of the outstanding shares of each such class.

To the best knowledge of the Corporation, no director or officer of the Corporation is, as at January 9, 2008, or has been, within 10 years before the date hereof, (a) subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while the director or officer of the Corporation was acting in the capacity as director, chief executive officer or chief financial officer of that company; (b) subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in such capacity, (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (d) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets, except for:

- (i) Mr. Cyr who was a director of Air Canada when it voluntarily filed for protection under the *Companies' Creditors Arrangement Act* (the "CCAA") in April 2003 and was a director of Cable Satisfaction International Inc. when it voluntarily filed for protection under the CCAA in July 2003. Air Canada successfully emerged from the CCAA proceedings and was restructured pursuant to a plan of arrangement in September 2004 and Cable Satisfaction International Inc.'s second amended and restated plan of arrangement and reorganization was approved by its creditors and sanctioned by the Québec Superior Court in March 2004. Mr. Cyr is no longer a director of Air Canada nor of Cable Satisfaction International Inc. Mr. Gordon is no longer a director of Great Northern Paper, Inc.;
- (ii) Mr. Gordon, who was a director of Great Northern Paper, Inc., a private U.S. corporation, until June 3, 2002, approximately seven months before such corporation filed for an arrangement under Chapter II of the

U.S. Bankruptcy Code on January 9, 2003, followed by liquidation on May 22, 2003 pursuant to Chapter 7 of said Act. Mr. Gordon is no longer a director of Great Northern Paper, Inc.;

- (iii) Mr. Lacroix, who was a director of Adventure Electronics Inc. from April 1996 until February 6, 1998 when he resigned, approximately nine months before Adventure Electronics Inc. declared bankruptcy on November 17, 1998; and
- (iv) Mr. Tremblay who was a director and President and Chief Executive Officer of Microcell Telecommunications Inc., when it asked for and was granted protection under the CCAA on January 3, 2003. Microcell Telecommunications Inc. successfully emerged from the CCAA proceedings. Mr. Tremblay is no longer a director of Microcell Telecommunications Inc.

Item 9 - Transfer Agent and Registrar

The transfer agent and registrar of our shares is CIBC Mellon Trust Company ("CIBC Mellon"), having a place of business at 2001 University Street, Suite 1600, Montréal, Québec, H3A 1A6. CIBC Mellon also has offices in Toronto.

Item 10 - Proceedings

In the normal course of business, we are involved in various legal proceedings. Legal proceedings resulting from our activities in the Printing or Media sectors could have adverse effects both with respect to costs and to our reputation. In order to manage this risk, we, in addition to having a civil liability insurance policy, often limit our potential responsibility with respect to damages under the contracts which we sign regarding our printing activities, and with respect to our media activities, we provide our journalists with information sessions and continuous training in addition to signing specific contracts with freelancers.

Item 11 - Material Contracts

No material contract outside the ordinary course of business was entered into by the Corporation during the last two years.

Item 12 - Information Regarding the Audit Committee

12.1 Charter of the Corporation's Audit Committee

The charter of the Corporation's audit committee is included in Schedule B.

12.2 Composition of the Audit Committee

As of December 31, 2007, The Corporation's Audit Committee was composed of the three following persons:

Name of the Director	Independent	Financially Literate
Robert Chevrier, acting as Audit Committee Chairman	x	x
Richard Fortin	x	x
Hubert T. Lacroix ⁽¹⁾	x	x

- (1) Mr. Hubert T. Lacroix has resigned from the Board of Directors on January 1, 2008. This resignation follows the appointment of Mr. Lacroix as President and Chief Executive Officer of CBC/Radio Canada and a decision of the Conflict of Interest and Ethics Commissioner that his directorship was incompatible with his public duties.

12.3 Background and Related Experience

Mr. Robert Chevrier

Mr. Chevrier has a Bachelor of Commerce from Concordia University and is a Fellow of the Order of Chartered Accountants. He is President of Société de gestion Roche Inc. since March 31, 2001. Before such date and since November 1993, he was Chairman and Chief Executive Officer of Rexel Canada Inc., a leading integrated distributor of electrical, plumbing, heating, refrigeration, ventilation and water conveyance supplies in North America. He is currently a member of the Board of Directors of several publicly traded Canadian companies and of other audit committees. His background and experience have provided him with a good understanding of the accounting principles used by Transcontinental as well as the capacity to evaluate, in general, the application of accounting principles as they relate to the accounting of estimates, accounts receivable, accounts payable and reserves, and to carry out an evaluation of financial statements presenting accounting issues whose scope and level of complexity overall is comparable with those raised by Transcontinental's financial statements.

Mr. Richard Fortin

Mr. Richard Fortin has a Bachelor in Administration with a major in Finance from Laval University. Throughout his career, he has constantly remained on top of any new accounting rules. He worked for more than 13 years in the banking industry, holding various management positions, namely as Vice President, Québec, for the Société Générale (Canada). As such, Mr. Fortin was called upon to analyze numerous financial statements and to familiarize himself with generally accepted accounting principles. Mr. Fortin is currently Executive Vice President and Chief Financial Officer of Alimentation Couche-Tard Inc., a publicly traded corporation, a position that he has held since 1986. In his role as Executive Vice President and Chief Financial Officer, he has acquired the knowledge and experience required to understand the accounting principles used by Transcontinental, to evaluate the application of accounting principles as they relate to the accounting of the Corporation's estimates, accounts receivable, accounts payable and reserves, to understand the efficiency of internal controls and the major principles regarding the disclosure of financial information. In addition, as Executive Vice President and Chief Financial Officer, he is responsible for directly supervising and directing the staff in charge of audit-related activities as well as taking into consideration accounting issues whose complexity is comparable with those raised by Transcontinental's financial statements.

Mr. Hubert T. Lacroix

Mr. Hubert T. Lacroix has an LLB and a Masters in Business Administration from McGill University. He is also a member of the Québec Bar since 1977. Until the end of 2007, he was a Special Advisor to the law firm of Stikeman Elliott LLP (Montréal Office). From February 1, 2000 until May 2, 2003, he served as Executive Chairman of the Board of Télémedia Corporation as well as sitting on the Board of Directors of several of its affiliated companies. Prior thereto, he was a partner at McCarthy Tétrault LLP (Montréal office). Mr. Lacroix is Chairman of the Board of SFK Pulp Fund and a member of its audit committee in addition to being a director of (i) Zarlink Semiconductor Inc. and chairing its audit committee (having been designated by the committee as the "financial expert", as such term is defined by American securities legislation) and (ii) of ITS Investments Limited Partnership where he also sits on the audit committee. He also acted as a visiting professor at the Université de Montréal, Faculty of Law (teaching security laws as well as corporate mergers and acquisitions in public markets).

Mr. Lacroix has acquired a good understanding of the accounting principles used to prepare financial statements in general resulting from his legal practice specializing in business law and the positions held with Télémedia as well as the experience acquired as a member of audit committees for several public and private corporations over a period of nearly 20 years. This experience allows him to understand the accounting principles used by Transcontinental in preparing its financial statements and to evaluate, in general, the application of accounting

principles as they relate to the accounting of the Corporation's estimates, accounts receivable, accounts payable and reserves. Moreover, he has an excellent understanding of the procedures regarding the disclosure of financial information.

12.4 Reliance on Certain Exemptions

We have not at any time during our last fiscal year relied on any exemption set out in Multilateral Instrument 52-110.

12.5 Policies and Procedure Regarding Prior Approval

The Audit Committee has adopted rules regarding the scope of the services provided by the external auditor, which rules have been implemented as of its fiscal year starting on November 1, 2002. Our external auditor provides audit-related services to the Corporation and its subsidiaries, audit-related or connected services, consulting services regarding research and development credits as well as tax-related consulting services. We will not give our external auditor any mandates to provide certain non-audit and non-tax related services to the Corporation and its subsidiaries, such as bookkeeping or other services related to the accounting books or financial statements or regarding the design and implementation of financial disclosure systems, services related to evaluation, actuarial services, internal auditing services, investment banking services and legal services. With respect to all other non-audit and non-tax related consulting services with fees exceeding \$100,000, management must obtain the prior approval of its Audit Committee.

12.6 Fees Relating to the Services of the External Auditor

The following table sets forth, by category, the fees incurred by and payable to the external auditor of the Corporation, Samson Bélair Deloitte & Touche LLP, for the fiscal years ended October 31, 2007 and 2006:

Category of Fees (in thousands of dollars)	2007 (\$)	2006 (\$)
Auditing fees	1,331.0	1,306.9
Fees for audit-related or connected	45.8	77.9
Compliance with taxation requirements and consulting services thereto	355.8	374.0
Other fees	78.3	51.9
Total	1,810.9	1,810.7

Auditing fees include total fees paid to Samson Bélair Deloitte & Touche LLP for auditing the annual consolidated financial statements and other regulatory audits and filings.

Fees for audit-related or connected services included the total fees related to auditing services paid to Samson Bélair Deloitte & Touche LLP, in particular for auditing the pension plans and for consulting services with respect to accounting and financial disclosure standards.

Tax-related fees include the total fees related to tax services paid to Samson Bélair Deloitte & Touche LLP, in particular for consulting services regarding our compliance with income tax laws, tax planning in the preparation of our tax returns as well as regarding capital taxes and sales taxes. Samson Bélair Deloitte & Touche LLP also offers consulting services with respect to tax credits for scientific research and experimental development.

Other fees include the total fees related to other services paid to Samson Bélair Deloitte & Touche LLP for all other services rendered to the Corporation that do not fall under any of the above-mentioned categories, in particular services related to financial structuring.

Item 13 - Forward-Looking Statements

The statements in this Annual Information Form that are not historical facts are forward-looking statements and involve inherent risks and uncertainties, known and unknown, both general and specific.

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: management of credit, security of data, market dynamics, liquidity, funding 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, particularly the U.S. dollar and the Mexican peso; the impact from raw material and energy prices; the seasonal nature of certain businesses, notably the Educational Publishing Group, the effects of changes in interest rates; the effects of competition in the markets in which we operate; the effect of new media; judicial judgments and legal proceedings; our ability to successfully realign our organization, resources and processes; our ability to hire qualified personnel and maintain a good reputation; our ability to complete strategic acquisitions and joint ventures and to integrate our acquisitions and joint ventures successfully; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and 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. The forward-looking statements contained herein are based on current expectations and information available as of the date hereof.

When relying on forward-looking statements to make decisions with respect to the Corporation, investors and others should carefully consider the risk factors set forth in this Annual Information Form and other uncertainties and potential events, including those set forth in our Management's Discussion and Analysis for

the year ended December 31, 2007, as updated in our interim Management's Discussion and Analysis issued since then.

Item 14 - Additional Information

Additional information, including remuneration of directors and officers, loans to officers, stock options, share units and interest of insiders in material transactions is, where applicable, contained in our Management Proxy Circular for our Annual General Meeting of Shareholders. Additional financial information is provided in the comparative consolidated audited financial statements of the Corporation for the year ended October 31, 2007. A copy of these documents may be obtained, free of charge from our Secretary or our Director, Investor Relations at 1 Place Ville Marie, Suite 3315, Montréal, Québec, H3B 3N2. These documents can also be obtained on SEDAR's website (www.sedar.com) or on our website (www.transcontinental.com).

In addition, when securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed, the following documents may be obtained free of charge from our Secretary or our Director, Investor Relations:

- (i) A copy of this Annual Information Form, together with a copy of any document or portion thereof incorporated by reference therein;
- (ii) A copy of the comparative financial statements of the Corporation for its most recently completed financial year together with the report of the auditors thereon and a copy of any interim financial statements of the Corporation subsequent to financial statements for its most recently completed financial year;
- (iii) A copy of the Corporation's Management Proxy Circular for its most recent Annual General Meeting of Shareholders; and
- (iv) A copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus.

At any other time, a copy of the documents referred to in subparagraphs (i), (ii) and (iii) above will be provided free of charge from our Secretary or our Director, Investor Relations.

A copy of this Annual Information Form can be obtained, free of charge, from our Secretary or our Director, Investor Relations at 1 Place Ville Marie, Suite 3315, Montréal, Québec, H3B 3N2, on SEDAR's website (www.sedar.com) or on the Corporation's website (www.transcontinental.com).

Schedule A
List of the newspapers of Transcontinental

The following table provides a list of the local and regional newspapers published by Transcontinental and their circulation as of June 30, 2007, the most recent date at which information is available.

<u>Daily Newspapers</u>	<u>Circulation</u>		
<u>Prince Edward Island</u>		The Annapolis County Spectator	1,600 ⁽²⁾
The Journal Pioneer	9,325 ⁽⁶⁾	The Coast Guard	4,575 ⁽²⁾
The Guardian	20,604 ⁽⁶⁾	The Advance	3,087 ⁽²⁾
Driver PEI (internet only)	29,000 ⁽⁴⁾	The Halifax West-Clayton Park Weekly	22,600 ⁽⁴⁾
<u>Nova Scotia</u>		Dartmouth East-Cole Harbour Weekly News	24,500 ⁽⁴⁾
The News (Glasgow)	7,826 ⁽⁶⁾	The Bedford-Sackville Weekly News	24,100 ⁽⁴⁾
The Daily News	22,880 ⁽⁶⁾	Sunday Post	44,000 ⁽⁴⁾
The Truro Daily News	6,704 ⁽⁶⁾	A & G Advertiser	12,500 ⁽⁴⁾
The Cape Breton Post	24,700 ⁽⁶⁾	The Citizen	3,300 ⁽⁶⁾
Amherst Daily News	3,054 ⁽⁶⁾	The Yarmouth Vanguard	5,835 ⁽²⁾
Driver NS (internet only)	60,000 ⁽⁴⁾	The Advertiser NS	6,284 ⁽²⁾
<u>Newfoundland</u>		The News	18,000 ⁽⁶⁾
The Telegram	27,353 ⁽⁶⁾	A and G Transaction	12,000 ⁽⁴⁾
The Western Star	7,531 ⁽⁶⁾	Transaction	26,000 ⁽⁴⁾
<u>Québec</u>		The Market	17,000 ⁽⁴⁾
Métro	143,000 ⁽⁵⁾	<u>New Brunswick</u>	
<u>Saskatchewan</u>		Sackville Tribune Post	2,700 ⁽⁶⁾
The Prince Albert Daily Herald	7,366 ⁽⁶⁾	<u>Québec</u>	
The Moose Jaw Times Herald	8,200 ⁽⁴⁾	Journal de Rosemont / Petite Patrie	38,391 ⁽¹⁾
<u>Weekly Newspapers</u>		Progrès de Villeray	24,912 ⁽¹⁾
<u>Newfoundland</u>		Le Plateau	37,627 ⁽¹⁾
The Charter	1,090 ⁽²⁾	Courrier Ahuntsic	34,576 ⁽¹⁾
The Southern Gazette	4,064 ⁽²⁾	Le VM Ville-Marie / Vieux Montréal	21,906 ⁽¹⁾
The Labradorian	2,192 ⁽²⁾	Progrès de Saint-Léonard	31,831 ⁽¹⁾
The Aurora	2,067 ⁽²⁾	Guide Montréal-Nord	37,059 ⁽¹⁾
The Compass	4,944 ⁽²⁾	Flambeau Mercier	38,739 ⁽¹⁾
The Packet	5,096 ⁽²⁾	Flambeau Hochelaga-Maisonneuve	24,319 ⁽¹⁾
The Beacon	4,514 ⁽²⁾	Informateur de Rivières-des-Prairies	20,053 ⁽¹⁾
The Pilot	3,815 ⁽²⁾	Avenir Anjou / Montréal-Est / P.A.T.	41,789 ⁽¹⁾
The Coaster	1,747 ⁽²⁾	Courrier Laval Jeudi	121,803 ⁽¹⁾
The Norwester	3,351 ⁽²⁾	Courrier Laval Dimanche	121,803 ⁽¹⁾
The Gulf News	2,717 ⁽²⁾	Le Trait d'Union	56,358 ⁽¹⁾
The Georgian	2,072 ⁽²⁾	Journal Le Courrier	55,472 ⁽¹⁾
The Northern Pen	5,311 ⁽²⁾	Courrier Laval Weekly News	14,123 ⁽⁴⁾
<u>Nova Scotia</u>		Messenger de Verdun	25,431 ⁽¹⁾
The Hants Journal	3,676 ⁽²⁾	Lanaudière en vacances	200,000 ⁽⁴⁾
The Digby Courier	2,178 ⁽²⁾	Messenger de Lasalle	34,465 ⁽¹⁾
The King County Register	6,558 ⁽²⁾		

Messenger de Lachine Dorval	26,942 ⁽¹⁾	L'Hebdo Mékinac des Chenaux	13,211 ⁽¹⁾
La Voix Populaire Côte St-Paul / St-Henri / Ville Émard	32,340 ⁽¹⁾	L'Écho de La Tuque Haut St-Maurice	6,784 ⁽¹⁾
Nouvelles St-Laurent News	28,385 ⁽¹⁾	<u>Ontario</u>	
L'Express d'Outremont	16,726 ⁽¹⁾	The Star	32,750 ⁽²⁾
Express du Mont-Royal	9,039 ⁽⁴⁾	L'Express (d'Orleans)	12,000 ⁽¹⁾
Courrier Bordeaux-Cartierville	17,496 ⁽¹⁾	The Weekly Journal (d'Orleans)	50,096 ⁽²⁾
Magazine de L'Île-des-Sœurs	10,000 ⁽¹⁾	Ottawa Business Journal	18,000 ⁽⁵⁾
Cités Nouvelles	53,000 ⁽¹⁾	Seaway News	37,000 ⁽²⁾
The Chronicle	52,500 ⁽²⁾	<u>Prince Edward Island</u>	
Chronicle West End Edition	35,000 ⁽²⁾	Island Market Place	7,500 ⁽⁴⁾
Westmount Examiner	9,800 ⁽²⁾	<u>Saskatchewan</u>	
L'Action	50,000 ⁽¹⁾	The Southwest Booster	19,100 ⁽⁴⁾
L'Expression	49,875 ⁽¹⁾	The Triangle News	1,000 ⁽⁴⁾
L'Écho d'Autray	18,260 ⁽¹⁾	Rural Roots	31,300 ⁽⁴⁾
L'Écho Maskinongé	12,415 ⁽¹⁾	MJ This Week Sunday Times	18,800 ⁽⁴⁾
Hebdo Rive-Nord du mercredi	51,630 ⁽¹⁾	The Radville Star	1,000 ⁽⁶⁾
Hebdo Rive-Nord du samedi	49,344 ⁽¹⁾	The Deep South Star	1,000 ⁽⁶⁾
La Nouvelle Union	31,216 ⁽¹⁾	The Grenfell Sun	1,171 ⁽²⁾
La Nouvelle Union Week-End	44,812 ⁽¹⁾	The Broadview Express	538 ⁽²⁾
L'Avenir de l'Érable	11,438 ⁽¹⁾	The Oxbow Herald	1,300 ⁽²⁾
Le Reflet du Lac	25,324 ⁽¹⁾	Bi-Weekly Newspaper	Circulation
La Parole d'affaires	45,500 ⁽⁴⁾	<u>Newfoundland</u>	
L'Express du mercredi	47,657 ⁽¹⁾	The Adviser	2,924 ⁽²⁾
L'Express du dimanche	45,688 ⁽¹⁾	Monthly Newspapers	Circulation
Le Progès de Coaticook	8,850 ⁽¹⁾	<u>Prince Edward Island</u>	
La nouvelle (Embrun)	16,500 ⁽¹⁾	Atlantic Post Calls	900 ⁽¹⁾
La Revue du mercredi (Gatineau)	90,000 ⁽¹⁾	Island Harwest	5,000 ⁽⁴⁾
La Revue du samedi (Gatineau)	90,000 ⁽¹⁾	PEI Seniors (internet only)	25,000 ⁽⁴⁾
Le Bulletin	12,800 ⁽¹⁾	Live Summerside	3,500 ⁽⁴⁾
La Petite Nation	9,825 ⁽¹⁾	<u>Nova Scotia</u>	
Journal Le Lac St-Jean	22,433 ⁽¹⁾	Farm Focus of Atlantic Canada	15,000 ⁽⁴⁾
L'Étoile du lac	14,395 ⁽¹⁾	Nova Scotia Business Journal	60,000 ⁽⁴⁾
La Voix du Sud Bellechasse-Etchemin	23,174 ⁽¹⁾	The Burnside News	7,700 ⁽⁴⁾
Journal L'Appel	54,251 ⁽¹⁾	The Sou'Wester	6,000 ⁽⁴⁾
Journal Charlesbourg Express	26,345 ⁽¹⁾	Valley Values	15,000 ⁽⁴⁾
Journal BEAUPORT Express	39,801 ⁽¹⁾	<u>Québec</u>	
Journal L'Actuel	41,384 ⁽¹⁾	Mon Toit en Outaouais	15,000 ⁽⁴⁾
Journal Québec Express	39,148 ⁽¹⁾	My Home in Outaouais	15,000 ⁽⁴⁾
Journal Le Jacques-Cartier	10,080 ⁽¹⁾	Montréal Express East edition	171,299 ⁽⁴⁾
Québec Hebdo	200,000 ⁽¹⁾	Montréal Express Centre edition	144,651 ⁽⁴⁾
Hebdo Journal	51,000 ⁽¹⁾	Montréal Express Mt-Royal	109,545 ⁽⁴⁾
Hebdo du St-Maurice	30,761 ⁽¹⁾	Montréal Express South edition	165,525 ⁽⁴⁾
Courrier Sud	21,350 ⁽¹⁾	Montréal Express West edition	130,344 ⁽⁴⁾
		Le Shopper	101,950 ⁽¹⁾

Le Journal Agricole	4,500 ⁽⁴⁾
Mauricie Express	100,000 ⁽⁴⁾
Le Courrier du Lac	7,200 ⁽⁴⁾

Bi-Monthly Newspapers ***Circulation***

Saskatchewan

The Northern Visitor	9,600 ⁽⁴⁾
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Québec

Edition de Quartier - Sud-Est de Laval	26,876 ⁽⁴⁾
Edition de Quartier - Vimont / Auteuil	19,865 ⁽⁴⁾
Edition de Quartier - Ste-Dorothée / Ouest de Laval	24,112 ⁽⁴⁾
Edition de Quartier - Ste-Rose / Fabreville	23,594 ⁽⁴⁾
Action Montcalm	23,800 ⁽⁴⁾
Journal de l'Habitation & Clic Immobilier	24,470 ⁽¹⁾
Journal Le Jacques-Cartier	10,080 ⁽¹⁾

Other Periodicals ***Circulation***

Nova Scotia

Atlantic Canada Group Tour Planner	8,000 ⁽⁴⁾
New England Tour Planner	8,000 ⁽⁴⁾
Ontario Group Tour Planner	8,000 ⁽⁴⁾
Western Canada Group Tour Planner	8,000 ⁽⁴⁾
Atlantic Construction and Transportation Journal	15,000 ⁽⁴⁾
Halifax Regional Municipality Business Parks Directory	6,000 ⁽⁴⁾
Occasions	50,000 ⁽⁴⁾
East Coast Gardener	25,000 ⁽⁴⁾

Québec

Guide Constructo	2,880 ⁽⁴⁾
Courrier Sud Étudiant	23,000 ⁽¹⁾
Constructo Magazine	20,000 ⁽⁴⁾
Forum Agricole-Agroalimentaire-Forestier	11,000 ⁽⁴⁾
L'Express Étudiant	14,000 ⁽⁴⁾
Le Cahier de l'Expo Agricole inclus dans Étoile du Lac	48,000 ⁽¹⁾
Le Canard de Lachine	27,000 ⁽⁴⁾
Le Canard de Lasalle	35,000 ⁽⁴⁾
Le Canard de Verdun	26,000 ⁽⁴⁾
Le Grand Express	59,500 ⁽⁴⁾
Tour de l'île	11,000 ⁽⁴⁾
Génération Boomers	47,740 ⁽⁴⁾

Ontario

Book of Lists	21,000 ⁽⁵⁾
Ottawa HR	21,000 ⁽⁵⁾
Ottawa Technology Industry Guide	21,000 ⁽⁵⁾
Ottawa at Home	25,000 ⁽⁵⁾

- (1) Latest statistics of the ODC Certified Distribution Inc.
- (2) Latest statistics of the Canadian Community Newspaper Association (C.C.N.A.).
- (3) Latest statistics of the Ontario Community Newspaper Association (O.C.N.A.).
- (4) Internal statistics.
- (5) Latest statistics of the Canadian Circulation Audit Board (C.C.A.B.).
- (6) Latest statistics of the Audit Bureau of Circulation (A.B.C.).

Schedule B

Mandate of the Audit Committee

The Audit Committee of Transcontinental Inc. (the "Corporation") is composed exclusively of independent directors who have no direct or indirect material relationship with the Corporation or any of its subsidiaries or affiliated companies. A material relationship is defined as any relationship that, in the opinion of the Board of Directors, could reasonably impede upon the exercise of the independent judgement of a member of the Committee. The Board of Directors must appoint a minimum of three (3) of its members to sit on the Audit Committee, one (1) of whom shall serve as Committee Chairman and all of whom shall be financially literate. Two (2) members shall constitute a quorum. The responsibilities of the Audit Committee are established by the Board of Directors and include the following:

1. helping members of the Board of Directors to fulfill their obligations, in particular their obligation with respect to overseeing the procedures regarding financial information;
2. improving the credibility and objectivity of financial information;
3. recommending to the Board of Directors the nomination of the external auditor and approving its remuneration;
4. ensuring better lines of communication between directors and external auditor;
5. ensuring of the independence of external auditor;
6. favouring the implication of directors by encouraging in-depth discussions between directors, management and external auditor;
7. examining and approving the mandate of external auditor and the nature and scope of the audit that it is to conduct and receiving from such auditor an official written statement attesting to its independence;
8. monitoring the work of the external auditor retained to prepare or deliver the audit report or to carry out other auditing, inquiry or certification services for the Corporation, including resolving any issues between management and the external auditor with respect to financial information;
9. approving beforehand all of the non-auditing services that the external auditor of the Corporation must carry out for the Corporation or its subsidiaries in order to allow the Committee to carry out an orderly evaluation of the repercussions of the services on the independence of the external auditor. In particular, examining and authorizing all fees paid to the external auditor for work other than tax or audit related for amounts in excess of those determined by the Audit Committee from time to time. This responsibility of the Audit Committee cannot be delegated to the management of the Corporation in any way whatsoever;
10. examining and approving the mandate, the organization and the independence of the internal auditors of the Corporation, including the scope of its responsibilities, goals and work programs as well as its staff and its policy with respect to the presentation of information;
11. examining the accounting principles and practices followed by the Corporation, including all material changes made thereto during the fiscal year and ensuring that they are adequate given the circumstances and in compliance with the laws and regulations in effect;

12. monitoring and assessing the efficiency and integrity of the Corporation's internal controls and management information systems after consultation with the external auditor, the internal auditors of the Corporation and the Chief Financial Officer of the Corporation;
13. examining the financial data in the Corporation's quarterly financial statements, including management's discussion and analysis, as well as the impact of a major sale or acquisition on the disclosure of financial information;
14. examining the annual and quarterly consolidated financial statements of the Corporation, including the notes related thereto, management's discussion and analysis relating thereto, the press releases regarding the annual and quarterly results, as well as the auditor's report to shareholders, and recommending that the Board of Directors approves the annual and quarterly consolidated financial statements of the Corporation, management's discussion and analysis relating thereto and the press releases regarding the annual and quarterly results;
15. discussing with the external auditor any restrictions imposed on the scope of its work and any problems arising with respect to its auditing of the Corporation and its subsidiaries;
16. examining the recommendations that the internal auditors and the external auditor bring to the attention of the management of the Corporation and which they consider important with a view to improving accounting practices, internal controls and management information systems;
17. ensuring that procedures are implemented regarding the reception, the conservation and the processing of complaints received by the Corporation regarding accounting, internal accounting controls or auditing and regarding the confidential and anonymous delivery by any employees of the Corporation of concerns regarding debatable issues with respect to accounting or auditing;
18. examining and approving the hiring policies of the Corporation regarding the current and former associates and employees of the current external auditor and the former external auditor of the Corporation;
19. ensuring the implementation of a process enabling management to identify the major risks the Corporation is facing and taking all necessary measures or requesting that such measures be taken to manage such risks; in this respect, making inquiries with respect to the insurance portfolio, the currency position, any pending and threatened litigation as well as any contingent liabilities of the Corporation and its subsidiaries, reviewing the level of provisions with respect to the Corporation's accounts and evaluating their adequacy;
20. examining, in conjunction with management and external auditor, any new financial or regulatory requirements that could affect the presentation of the Corporation's financial information;
21. notifying the Board of Directors of the Corporation of any conflict between the external auditor and the management of the Corporation which the Committee did not settle within a reasonable time period;

22. in order to allow it to fulfill the obligations mentioned hereinabove, the Audit Committee shall have unlimited access, at any time, directly or through duly appointed representatives, to the pertinent registers and accounting systems of the Corporation, to its external auditor, to its internal auditors, to its accounting staff and management staff and to any independent legal counsel or other counsel deemed appropriate by the Committee and has the authority to fix their remuneration for such services. The external auditor as well as the internal auditors of the Corporation and the management staff shall also have unlimited access to the Audit Committee;
23. meeting privately on a regular basis with the internal auditors and the external auditor, without management being present, to discuss the management of the Corporation's financial affairs and internal controls.

The Audit Committee reports to the Board of Directors after every Committee meeting.