PRESS RELEASE

For Immediate Release

TRANSCONTINENTAL REPORTS CONTINUED GOOD PERFORMANCE IN SECOND QUARTER AND MAINTAINS FOCUS ON ITS DEVELOPMENT

- Growth of 2% in revenues; excluding the foreign exchange rate impact, growth of 5%.
- Decrease of 2% in adjusted operating income before amortization; excluding the foreign exchange rate impact, growth of 5%.
- Increase of 11% in net income; on a per-share basis, net income rose from $0.40 to $0.46, a 15% increase.
- Increase of 2% in adjusted net income before unusual items; on a per-share basis, adjusted net income grew 5%, from $0.41 to $0.43, but growth of 15% excluding the foreign exchange rate impact.
- Signing of exclusive six-year contract, valued at $35 - $40 million a year, to print Rogers Communications' magazines starting in February 2009; this is all new business for Transcontinental.
- In digital, acquisitions of ThinData, a Canadian leader in permission-based email marketing, and Acquizition.biz, the most important marketplace in Canada for buying and selling businesses; launch of recipefeast.com, the English version of the highly successful site recettes.qc.ca.; and introduction of mobile technology to the site thehockeynews.com.
- Announcement of investments totalling $80 million in two printing plants in the Montreal area.
- Closure of the Halifax *Daily News* and launch of the free *Metro* daily in Halifax, in partnership with Metro International and Torstar.
- Extra $150 million added to the Corporation's bank credit facility, increasing it to $550 million.
- DBRS maintains its BBB (high) rating and improves the trend for the Corporation's Senior Unsecured Debentures.

Montreal, June 12, 2008 – Transcontinental posted another good performance in the second quarter ended April 30, 2008, despite the negative impact of the foreign exchange rate. The Corporation kept its focus on growth by continuing to invest in new technologies and developing its digital media while making strategic acquisitions. Transcontinental should thus continue to profit from its integrated marketing service offering for existing and new customers. The Corporation is in an excellent financial position for further growth, with a net funded debt to total capitalization ratio of 34% at April 30, 2008. Unless there is a sudden rise in the Canadian dollar, the negative impact of the foreign exchange rate should diminish over the course of the fiscal year since the Canadian dollar achieved parity with the U.S. dollar in the third quarter of 2007, before exceeding it in the fourth quarter.

“We are reaping the rewards of our investments in new technologies and our company-wide continuous improvement efforts,” said François Olivier, President and Chief Executive Officer of Transcontinental. “We have again succeeded in offsetting the negative impact of the exchange rate, and have done so despite the tougher conditions in the media and print industries. Our solid balance sheet and significant cash flows from operations put us in an excellent position to serve our customers by developing growth platforms to meet their new marketing requirements, as illustrated by the integration of ThinData, the Canadian leader in permission-based email marketing, into our service offering. We are also looking for acquisitions in targeted niches across North America.”

Financial Highlights

In the second quarter of 2008, Transcontinental recorded consolidated revenues of $595.1 million, compared to $584.7 million in the same quarter in 2007, an increase of 2%. Adjusted operating income before amortization was down 2%, from $92.8 million to $90.7 million. Excluding the exchange rate fluctuations between the Canadian dollar and its U.S. and Mexican counterparts, which had a negative impact of $19.3 million on revenues and $6.5 million on adjusted operating income before amortization, growth would have been 5% in revenues and adjusted operating income before amortization. The acquisition of PLM Group, the fourth largest printer in Canada, as well as a series of other smaller but strategic acquisitions in 2007 and 2008, as well as higher sales in certain segments, more than offset lower demand in other segments and additional investments in the Media sector.

Net income grew by 11%, from $34 million for the second quarter of 2007 to $37.7 million in 2008; on a per-share basis, net income rose 15%, from $0.40 to $0.46. Adjusted net income, which does not take into account unusual items arising from asset impairment, restructuring costs and unusual adjustments to income taxes, was up 2%, from $34.4 million to $34.9 million; on a per-share basis, adjusted net income rose 5%, from $0.41 to $0.43. This higher percentage reflects the positive impact of the Corporation’s normal course issuer bid. Excluding the foreign exchange rate impact, adjusted net income would have been $0.47 per share, up 15% over the second quarter of 2007.

In the first six months of fiscal 2008, consolidated revenue rose 3%, from $1.16 billion to $1.19 billion, while adjusted operating income before amortization increased 3%, from $168.5 million to $173.1 million. Excluding the foreign exchange rate impact, which reduced revenues by $40.3 million and adjusted operating income before amortization by $11.8 million, growth would have been 6% and 10%, respectively.

Net income rose 32%, from $54.2 million in the first half of 2007 to $71.8 million in 2008. This increase is mainly due to a decrease in the tax rate, an increase in adjusted operating income before amortization and a favourable change in unusual items. On a per-share basis, net income increased 38%, from $0.63 to $0.87. Adjusted net income, which does not take into account unusual items arising from asset impairment, restructuring costs and unusual adjustments to income taxes, rose 6%, from $59.5 million to $63.3 million. On a per-share basis, adjusted net income rose 10%, from $0.70 to $0.77.

Excluding the adverse effect of the exchange rate in the first half of 2008, earnings per share would have been $0.84, up 20% over the first half of 2007. This measure provides a good indicator of the Corporation's operating performance in the first half of the year.

For more detailed financial information, please see *Management's Discussion and Analysis for the Second Quarter Ended April 30, 2008* at www.transcontinental.com, under "Investors."

Operating Highlights

The main operating highlights for the second quarter of 2008 are as follows.

- Transcontinental signed an exclusive six-year contract to print all of Rogers' magazines, which number more than 70 and include *Châtelaine, Maclean's, L'actualité* and *Canadian Business.* This contract, which takes effect on February 1, 2009 and is valued at $35 to $40 million a year, is new business for Transcontinental. It will make Transcontinental Canada's biggest catalogue and magazine printer.
- On March 11, Transcontinental acquired ThinData Inc., the Canadian leader in permission-based email marketing. ThinData's services fit in perfectly with Transcontinental's strategy to increase its integrated marketing services, including the expansion of its capabilities in premedia, database management and analysis, direct marketing and cybermarketing, so that the Corporation can offer unique business solutions to its customers and its media assets.
- The digital and interactive front saw several other strategic developments, including the acquisition of the most important marketplace in Canada for buying and selling businesses, Acquizition.biz, a site that also makes it easier to find strategic or financial partners; the launch of recipefeast.com, the English-language counterpart of the highly popular site recettes.qc.ca, which receives more than a million visitors a month; and the introduction of mobile technology (cell phone, BlackBerry and Apple iPhone) to the popular thehockeynews.com site, which receives close to 400,000 visitors a month and has a readership of over two million for its print publication.
- On February 11, Transcontinental stopped publishing the Halifax *Daily News* and on February 14 launched a *Metro* free daily paper in partnership with Metro International S.A. and Torstar Corporation. Management considers this type of publication to be more suited to the Halifax market.
- In February, Transcontinental announced two investment projects totalling $80 million in the Montreal area. The first, for $60 million, is to expand the Transcontinental Transmag newspaper printing plant and buy state-of-the-art technology so that customers, including Transcontinental Media (which prints about 40 of its newspapers at the plant), can put colour on every page of their publications, a key requirement for growth in the newspaper industry. The second investment, of $20 million, will be used to buy the latest equipment for Transcontinental Interweb Montreal on Montreal's South Shore, which prints catalogues and magazines.

Reconciliation of Non-GAAP Financial Measures

Financial data have been prepared in conformity with Canadian Generally Accepted Accounting Principles (GAAP). However, certain measures used in this press release do not have any standardized meaning under GAAP and could be calculated differently by other companies. The Corporation believes that certain non-GAAP financial measures, when presented in conjunction with comparable GAAP financial measures, are useful to investors and other readers because that information is an appropriate measure for evaluating the Corporation's operating performance. Internally, the Corporation uses this non-GAAP financial information as an indicator of business performance, and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with GAAP.

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

	Three months ended April 30		Six months ended April 30	
(in millions of dollars, except per share amounts)	2008	2007	2008	2007
Net income	$ 37.7	$ 34.0	$ 71.8	$ 54.2
Non-controlling interest	-	-	0.3	0.3
Income taxes	9.0	16.0	11.4	23.5
Discount on sale of accounts receivable	2.1	2.7	5.2	5.9
Financial expenses	7.1	8.9	15.6	15.9
Impairment of assets and restructuring costs	2.4	0.6	4.3	7.8
Amortization	32.4	30.6	64.5	60.9
Adjusted operating income before amortization	$ 90.7	$ 92.8	$ 173.1	$ 168.5
Net income	$ 37.7	$ 34.0	$ 71.8	$ 54.2
Impairment of assets and restructuring costs (after tax)	1.7	0.4	3.0	5.3
Unusual adjustments to income taxes	(4.5)	-	(11.5)	-
Adjusted net income	34.9	34.4	63.3	59.5
Average number of shares outstanding	81.8	85.4	82.7	85.6
Adjusted earnings per share	$ 0.43	$ 0.41	$ 0.77	$ 0.70
Cash flow related to operating activities	$ 23.3	$ 24.4	$ 56.3	$ 22.5
Changes in non-cash operating items	(54.2)	(52.6)	(89.7)	(116.4)
Cash flow from operating activities before changes in non-cash operating items	$ 77.5	$ 77.0	$ 146.0	$ 138.9
Long-term debt			$ 643.7	$ 503.3
Current portion of long-term debt			14.4	10.5
Cash and cash equivalents			(32.0)	(44.1)
Net indebtedness			$ 626.1	$ 469.7

Environment

Transcontinental plans to continue exercising its leadership in sustainable development in its own way: by mobilizing its employees and taking concrete action. Achievements in the second quarter include FSC (Forest Stewardship Council) certifications for nine plants in Canada and the United States. This certification indicates that a product is environmentally and socially responsible, and 18 of our facilities are now FSC certified. Furthermore, since February 20, Publi-Sac has been manufactured using biodegradable plastic. For this, the Distribution Group management chose the oxo-biodegradable technology developed by EPI, a Vancouver firm that has pioneered innovative environmental technologies. Lastly, Transcontinental and its *Métro* daily paper have agreed to be the official sponsors of Montreal's National Environment Show, the largest event of its kind in Quebec, which will be held in the Old Port of Montreal from June 13 – 15, 2008.

Further recognition: in March, Jantzi Social Index® (JSI), a market-capitalization socially weighted common stock index consisting of 60 Canadian companies that pass a set of broadly based environmental and social rating criteria, announced that Transcontinental remains a member of its select group of companies. Transcontinental has been on the index since March 2004.

Corporate Affairs

On May 14, Transcontinental received an additional commitment of $150 million from its banking syndicate for a period of 364 days. This arrangement brings the Corporation's credit facility to $550 million and gives management greater flexibility to pursue its growth strategy. In addition, due to the Corporation's sound financial position and operating performance, rating agency DBRS has maintained Transcontinental's BBB (high) rating and improved the trend for its Senior Unsecured Debentures.

On May 23, Transcontinental announced the appointment of François R. Roy to the Corporation's board of directors. Mr. Roy has in-depth experience as a senior financial executive in the media, print and marketing sectors which will provide unique insight and perspective that will help Transcontinental's growth. Mr. Roy has a long history of involvement in the Montreal arts community. He is currently Vice Principal, Administration and Finance, at McGill University.

Transcontinental's senior executives continue to stand out in Canadian society and its business community. After receiving the Order of Canada in 2007, Rémi Marcoux, the executive chairman of the board and founder of Transcontinental, was recently named an Officer of the National Order of Quebec, the most prestigious distinction awarded by the Quebec government. In addition, Isabelle Marcoux, vice chair of the board of Transcontinental and vice president of Corporate development, was elected to the board of Rogers Communications, a major communications and media coporation. In 2007, she was named one of Canada's "Top 40 Under 40."

Dividend

At its June 12, 2008 meeting, the Corporation's Board of Directors declared a quarterly dividend of $0.08 per share on Class A Subordinate Voting Shares and Class B shares. These dividends are payable on July 25, 2008 to shareholders of record at the close of business on July 7, 2008. On an annual basis, this represents a dividend of $0.32 per share.

Additional Information

Upon releasing its quarterly results, Transcontinental will hold a conference call for the financial community today at 4:15 p.m. (ET). Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on Transcontinental's website, which will be archived for 30 days. For Media requests for information or interviews, please contact Nessa Prendergast, director, media relations, at 514 954-2809.

About Transcontinental

The largest printer in Canada and sixth-largest in North America, Transcontinental is also the country's leading publisher of consumer magazines and French-language educational resources, and its second-largest community newspaper publisher. Transcontinental distinguishes itself by creating strategic partnerships that integrate the company into its customers' value chain, notably through its unique newspaper printing outsourcing model and its value-added services. From mass to highly personalized marketing, the company offers its clients integrated solutions which include a continent-leading direct marketing offering, a diverse digital platform and a door-to-door advertising material distribution network. Transcontinental is a company whose values, including respect, innovation and integrity, are central to its operation.

Transcontinental (TSX: TCL.A, TCL.B) has more than 15,000 employees in Canada, the United States and Mexico, and reported revenues of C$2.3 billion in 2007. For more information about the Corporation, please visit www.transcontinental.com.

Note: This press release contains certain forward-looking statements concerning the future performance of the Corporation. Such statements, based on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, many of which are beyond the Corporation's control, including, but not limited to, the economic situation, exchange rate, energy costs, increased competition and the Corporation's capacity to implement its strategic plan and cost-reduction program and make and integrate acquisitions into its activities. The risks, uncertainties and other factors that could influence actual results are described in the Corporation's Management's Discussion and Analysis and the Annual Information Form.

The forward-looking information in this release is based on current expectations and information available as of June 12, 2008. The Corporation's management disclaims any intention or obligation to update or revise any forward-looking statements unless otherwise required by the Securities Authorities.

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For information:

Media

Nessa Prendergast
Director, Media Relations
Transcontinental Inc.
Telephone: 514 954-2809
nessa.prendergast@transcontinental.ca
www.transcontinental.com

Financial Community

Benoît Huard
Vice President and Chief Financial Officer
Transcontinental Inc.
Telephone: 514 954-4162
benoit.huard@transcontinental.ca

Management's Discussion and Analysis
For the second quarter ended April 30, 2008

The purpose of this Management's Discussion and Analysis is, as required by regulators, to explain management's point of view on Transcontinental's past performance and future outlook. More specifically, it outlines our development strategy, performance in relation to objectives, future expectations and how we address risk and manage our financial resources. This report also provides information to improve the reader's understanding of the consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. This Management's Discussion and Analysis is dated June 12, 2008.

In this document, unless otherwise indicated, all financial data are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). All amounts are in Canadian dollars, and the term "dollar", as well as the symbols "$" and "C$", designate Canadian dollars unless otherwise indicated. In this Management's Discussion and Analysis we also use non-GAAP financial measures. Please refer to the section of this report entitled "Reconciliation of Non-GAAP Financial Measures" for a complete description of these measures on page 17.

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

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the *Securities Act* (Ontario). We may make such statements in this document, in other filings with Canadian regulators, in reports to shareholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term goals, our outlook, objectives under our *Evolution 2010* business project and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the conditional tense, and words and expressions of similar nature are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements, as a number of important factors could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: 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. See "Risks and Uncertainties" for a description of the most important risks identified by the Corporation. The forward-looking statements contained herein are based on current expectations and information available as of June 12, 2008.

FINANCIAL HIGHLIGHTS

- Revenues for the second quarter of fiscal 2008 increased 2% over the second quarter of fiscal 2007, to $595.1 million, from $584.7 million, principally as a result of the contribution from acquisitions as well as organic growth. This growth was partially offset by the exchange rate effect and the paper effect. Excluding the exchange rate effect, revenues would have increased 5%.
- Adjusted operating income before amortization decreased 2% to $90.7 million, from $92.8 million, principally as a result of the exchange rate effect. Excluding the exchange rate effect, adjusted operating income before amortization would have increased 5%. Organic growth in some segments as well as the contribution from acquisitions were partially offset by negative organic growth in other segments.
- Adjusted operating income margin before amortization decreased to 15.2% in the second quarter of fiscal 2008, from 15.9% in the second quarter of fiscal 2007. Excluding the exchange rate effect, adjusted operating income margin would have been 15.8% in the second quarter of fiscal 2008.
- Net income increased $3.7 million, or 11%, from $34.0 million in the second quarter of fiscal 2007 to $37.7 million in the second quarter of fiscal 2008, primarily due to a favourable variation in unusual items (related to income taxes and impairment of assets and restructuring costs) and lower financial expenses and income taxes, partially offset by the negative exchange rate effect and higher amortization. On a per-common-share basis, it increased 15%, from $0.40 to $0.46.
- Adjusted net income, which does not take into account impairment of assets and restructuring costs and unusual adjustments to income taxes, increased $0.5 million, or 2%, from $34.4 million in the second quarter of fiscal 2007 to $34.9 million in the second quarter of fiscal 2008. On a per-common-share basis, it increased 5%, from $0.41 to $0.43; this higher percentage reflects the positive effect of the Corporation's share buy-back program. Excluding the negative exchange rate effect in the second quarter of fiscal 2008, adjusted earnings-per-share would have been $0.47, representing an increase of 15% over the second quarter of fiscal 2007.
- On February 11, 2008, the Corporation closed the *Daily News* in Halifax. Total costs related to this closure are expected to reach $4.5 million. Of this total cost, amounts of $2.3 million and $1.9 million before tax ($1.6 million and $1.3 million after tax) were charged to income as impairment of assets and restructuring costs in the second quarter and the first quarter of fiscal 2008, respectively.
- During the second quarter of fiscal 2008, the Corporation entered into an agreement with the tax authorities and settled its obligation regarding Bill 15 enacted in June 2006 for an amount of $3.9 million. An amount of $8.4 million had been provided for in the third quarter of fiscal 2006 with regards to this obligation. Therefore, a decrease of $4.5 million in current income tax expense has been recorded to reflect this settlement.
- We bought back close to 2.0 million shares during the second quarter of fiscal 2008 for a total consideration of $34.0 million, in accordance with our Normal Course Issuer Bid.
- Solid financial position to pursue growth, with a net indebtedness to total capitalization ratio of 34% as at April 30, 2008.
- DBRS has maintained its BBB (high) rating for Transcontinental Inc. and improved the trend for its Senior Unsecured Debentures.

STRATEGIC ORIENTATION UPDATE: *EVOLUTION 2010*

The largest printer in Canada and sixth-largest in North America, Transcontinental is also the country's leading publisher of consumer magazines and French-language educational resources, and its second-largest community newspaper publisher. Transcontinental distinguishes itself by creating strategic partnerships that integrate the company into its customers' value chain, notably through its unique newspaper printing outsourcing model and its integrated marketing services. From mass to highly personalized marketing, the company offers its clients integrated solutions which include a continent-leading direct marketing offering, a diverse digital platform and a door-to-door advertising material distribution network. Transcontinental is a Corporation whose values, including respect, innovation and integrity, are central to its operation. Transcontinental (TSX: TCL.A, TCL.B) has more than 15,000 employees in Canada, the United States and Mexico, and reported revenues of C$2.3 billion in 2007.

Transcontinental is 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. *Evolution 2010*, our business project, 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. In effect, *Evolution 2010* will focus on four issues: Talent, Sales Growth, Efficiency and Digital. Below is a description of our latest initiatives related to *Evolution 2010*.

- We signed an exclusive six-year contract for the printing of Rogers Communications' complete magazine portfolio. This contract, valued at $35 to $40 million per year, represents all new business. The contract takes effect on February 1, 2009 and will be printed in our network across Canada but mainly in our Transcontinental RBW Graphics plant in Owen Sound, Ontario. As a result, we will invest approximately $20 million to expand this plant and acquire a new press and peripheral equipment.

- We acquired ThinData Inc., Canada's leading permission-based email marketing services firm. ThinData's offering fits perfectly with Transcontinental's integrated marketing services growth strategy which includes expanding its premedia, database management, direct marketing and analytics and e-marketing capabilities to deliver unique solutions to its clients and its media properties.

- We announced that, in the fall of this year, we will introduce a French edition of *More* magazine for the Canadian market. This addition builds on the success of our *More* magazine in English, which was launched last year.

- We closed our newspaper the *Daily News* in Halifax and launched a free daily newspaper, *Metro*, in partnership with Metro International S.A. and Torstar Corporation. This new product is better aligned with the new market needs of Halifax.

- We announced plans to invest $60 million in state-of-the-art equipment at our Transcontinental Transmag newspaper printing facility in Montreal. This new technology will add color capacity and improve production quality and efficiency. In order to accommodate the new press and peripheral equipment, the facility will be expanded. This project is expected to be completed in 2009 and is part of our strategy to become North America's leader in newspaper printing outsourcing.

- We announced plans to invest $20 million in state-of-the-art equipment at our Transcontinental Interweb Montreal newspaper and magazine printing facility. This new technology as well as the redesign of the facility will maximize efficiency and workflow, part of Transcontinental's commitment to continuous improvement and efficiency.

- On May 7, 2008, we purchased Acquizition.biz, Canada's largest Web-based platform for buying and selling businesses. Acquizition.biz offers more than 1,500 listings representing over 20 sectors of activity, including services, manufacturing, warehousing, processing, technology, retail, transport, the restaurant industry and lodging. We are committed to serving targeted communities of interest – in this case business people, and more specifically entrepreneurs. Integrating a digital platform like this with Transcontinental's business publications truly complements our offering for this community.

- On April 24, 2008, we launched RecipeFeast.com, an English version of the French-language recipe site, Recettes.qc.ca, which attracts more than a million web surfers every month. The website boasts over 1,500 recipes, half of which originate from canadianliving.com. The rest are translated from Recettes.qc.ca, and the goal is to have that percentage grow to include 90% user-generated content.

- On April 14, 2008, we moved the popular thehockeynews.com Web site to the mobile technology (mobile phone, BlackBerry and the iPhone). The Web site receives close to 400,000 visitors each month and the printed publication counts more than two million readers.

- The management training program, *Mission: Leadership*, was completed following its four year roll-out plan. More then 1500 employees were provided professional training on competencies such as communication, development plans, decision making, coaching and feedback. More than 300 training sessions were given for all our sites.

Selected financial data

Unaudited

(in millions of dollars, except per share data)	Three months ended April 30 2008	Three months ended April 30 2007	Change in %	Six months ended April 30 2008	Six months ended April 30 2007	Change in %
Operations						
Revenues[1]	$ 595.1	$ 584.7	2	$ 1,191.1	$ 1,156.9	3
Adjusted operating income before amortization[2] [3]	90.7	92.8	(2)	173.1	168.5	3
Operating income	55.9	61.6	(9)	104.3	99.8	5
Net income	37.7	34.0	11	71.8	54.2	32
Adjusted net income[2] [4]	34.9	34.4	2	63.3	59.5	6
Cash flow from operating activities before changes in non-cash operating items[2]	77.5	77.0	1	146.0	138.9	5
Cash flow related to operating activities	23.3	24.4	(4)	56.3	22.5	-
Investments						
Acquisitions of property, plant and equipment	60.2	32.8	-	91.5	54.8	-
Business acquisitions[5]	13.9	0.2	-	16.9	10.2	-
Financial condition (restated)[6]						
Total assets				2,474.0	2,253.9	10
Net indebtedness[2] [7]				626.1	469.7	33
Shareholders' equity				1,195.8	1,167.7	2
Net indebtedness / Total capitalization				34%	29%	5
Per share data (basic)						
Net income	$ 0.46	$ 0.40	15	$ 0.87	$ 0.63	38
Adjusted net income[2] [4]	0.43	0.41	5	0.77	0.70	10
Cash flow from operating activities before changes in non-cash operating items[2]	0.95	0.90	6	1.77	1.62	9
Cash flow related to operating activities	0.28	0.29	(3)	0.68	0.26	-
Dividends on shares	0.080	0.070	14	0.150	0.135	11
Shareholders' equity				14.78	13.67	8
Average number of shares outstanding (in millions)	81.8	85.4		82.7	85.6	
Number of shares at end of period (in millions)				80.9	85.4	

(1) Prior period revenues have been reclassified to conform with the current period presentation.
(2) Please refer to the section "Reconciliation of Non-GAAP Financial Measures" on page 17 in this Management's Discussion and Analysis.
(3) Adjusted operating income before amortization refers to operating income before amortization, impairment of assets and restructuring costs.
(4) Adjusted net income refers to net income before impairment of assets and restructuring costs, net of income taxes, and unusual adjustments to income taxes (See Notes 5 and 7 to the consolidated financial statements for the six-month period ended April 30, 2008).
(5) Total consideration in cash or otherwise for businesses acquired through the purchase of shares or assets.
(6) Balance sheet as at April 30, 2007 was restated (See Note 2 in the annual consolidated financial statements for the year ended October 31, 2007).
(7) Net indebtedness refers to long-term debt plus current portion of long-term debt plus bank overdraft less cash and cash equivalents

DETAILED ANALYSIS OF SECOND QUARTER 2008 OPERATING RESULTS

Analysis of Main Variances - Consolidated Results
For the Second Quarter Ended April 30, 2008
(unaudited)

(in millions of dollars)	Revenues	%	Adjusted operating income before amortization [1]	%	Net income	%
Results - Second Quarter 2007	$ 584.7		$ 92.8		$ 34.0	
Acquisitions/Divestitures/Closures	25.9	4.4 %	6.6	7.1 %	2.1	6.2 %
Existing operations						
Paper effect	(3.9)	(0.7) %	(0.2)	(0.2) %	(0.1)	(0.3) %
Exchange rate	(19.3)	(3.3) %	(6.5)	(7.0) %	(3.0)	(8.8) %
Impairment of assets, restructuring costs and unusual adjustments to income taxes	-	-	-	-	3.3	9.7 %
Organic growth	7.7	1.3 %	(2.0)	(2.2) %	1.4	4.1 %
Results - Second Quarter 2008	$ 595.1	1.7 %	$ 90.7	(2.3) %	$ 37.7	10.9 %

[1] Adjusted operating income before amortization refers to operating income before amortization, impairment of assets and restructuring costs.

As shown in the above table, a number of factors contributed to the variation between results in the second quarter of fiscal 2008 and the second quarter of fiscal 2007.

- The acquisition of PLM Group, fourth largest printer in Canada, as well as small but strategic acquisitions completed in 2008 and 2007, net of divestitures and closures (notably the *Daily News* in Halifax and *TV Hebdo),* contributed $25.9 million to revenues and $6.6 million to adjusted operating income before amortization. Net of amortization, financing and income taxes, the contribution to net income was $2.1 million.

- The paper effect had a $3.9 million negative impact on revenues. This effect includes the variation in the price of paper, paper supplied and changes in the type of paper used by customers of our printing operations. Note that for printing operations, these elements affect revenues without impacting adjusted operating income before amortization. For the Media sector, the variation in the price of paper had a negative impact of $0.2 million on adjusted operating income before amortization and $0.1 million on net income.

- Variations in the exchange rate between the Canadian dollar and its U.S. and Mexican counterparts had a significant impact on the results of the second quarter, causing a $19.3 million decrease in revenues and a $6.5 million decrease in adjusted operating income before amortization. It is important to note that the variation in average spot exchange rates in the second quarter of fiscal 2008 versus the second quarter of fiscal 2007 was 13.1% for the CAD/USD and 11.0% for the CAD/MXP. With respect to revenues, conversion of sales by U.S. and Mexican units had a negative impact of approximately $12.5 million. For export sales from Canadian plants, net of the currency hedging program, the negative impact was $6.8 million. The negative impact of the conversion of results for the U.S. and Mexican units was $1.1 million on adjusted operating income before amortization. The negative impact of export sales, net of the currency hedging program and purchases in U.S. dollars, was $7.1 million on adjusted operating income before amortization. Finally, the positive impact of the conversion of balance-sheet items related to the operation of Canadian units denominated in foreign currency was $1.7 million on adjusted operating income before amortization. Taking into consideration amortization, financial expenses and income taxes denominated in foreign currencies, the net negative effect was $3.0 million, representing a 8.8% negative variation on net income.

- Organic revenue growth was $7.7 million, or 1.3%, in the second quarter of fiscal 2008. This growth was primarily generated from our Media sector, with the Magazine Group, Distribution Group and Newspaper Group; followed by the Marketing Products and Services sector, with the Retail Group and the Direct Marketing Group; and finally the Printing Products and Services sector, with the Book Group and the Mexico Group. This growth more than offset lower volume in the Commercial Products Group and Catalogue and Magazine Group.

- Organic growth had a $2.0 million, or 2.2%, negative impact on adjusted operating income before amortization in the second quarter of fiscal 2008. Organic growth was primarily generated by our Marketing Products and Services sector, with the Retail Group, and from our Printing Products and Services sector, with the Book Group, due to an increase in volume coupled with the benefits from the full ramp-up of our manufacturing platform. This growth was more than offset by an unfavourable change in the business mix in the Catalogue and Magazine Group and the Direct Marketing Group in the Marketing Products and Services sector, by investments made in the Digital Media Group and in the Educational Publishing Group in the Media sector, and by lower volume from the Commercial Products Group in the Printing Products and Services sector.

Amortization

Amortization expense increased by $1.8 million, or 5.9%, in the second quarter of fiscal 2008, to $32.4 million, compared to $30.6 million in the second quarter of fiscal 2007. This increase results mostly from acquisitions, more specifically of PLM Group acquired in October 2007, partially offset by the exchange rate effect.

Impairment of assets and restructuring costs

On February 11, 2008, the Corporation closed the newspaper the *Daily News* in Halifax and launched a free daily newspaper, *Metro*, for the Halifax market. Total costs related to this closure are expected to reach $4.5 million, of which $1.7 million are for workforce reduction costs, $0.9 million are for the transfer of equipment and other costs and $1.9 million are for impairment of assets. Of the total cost, an amount of $2.3 million before tax ($1.6 million after tax) was accounted for separately in the consolidated statement of income for the second quarter of fiscal 2008 as “Impairment of assets and restructuring costs.” The restructuring plan is expected to be completed by the end of fiscal 2008.

In the second quarter of fiscal 2008 and 2007, other amounts of $0.1 million and $0.6 million before tax ($0.1 million and $0.4 million after tax), respectively, were accounted for as “Impairment of assets and restructuring costs.” These amounts are related to the restructuring plan for our commercial printing operations initiated in 2007.

Financial expenses and discount on sale of accounts receivable

When combined, financial expenses and discount on sale of accounts receivable decreased $2.4 million, or 20.7%, from $11.6 million in the second quarter of 2007 to $9.2 million in the second quarter of fiscal 2008. This decrease is mainly due to the exchange rate effect, the capitalized interest and the decrease in interest rates, partially offset by the increase in net indebtedness related to the purchase of property, plant and equipment, business acquisitions and the share buy-back program.

Income taxes

Income taxes decreased by $7.0 million, from $16.0 million in the second quarter of fiscal 2007 to $9.0 million in the second quarter of fiscal 2008. The effective income tax rate also decreased from 32.0% to 19.3%, mainly due to an unusual adjustment to income taxes and to the effect of changes in statutory tax rates. During the second quarter of fiscal 2008, the Corporation entered into an agreement with the tax authorities and settled its obligation regarding Bill 15 enacted in June 2006 for an amount of $3.9 million. An amount of $8.4 million had been provided for in the third quarter of fiscal 2006 with regards to this obligation. A decrease of $4.5 million in current income tax expense has therefore been recorded to reflect this settlement. Excluding this item, income taxes would have been $13.5 million with an income tax rate of 28.9%, a rate slightly lower than in the second quarter of 2007.

Net income

Net income increased $3.7 million, or 10.9%, from $34.0 million in the second quarter of 2007 to $37.7 million in the second quarter of fiscal 2008. This increase is primarily due to the decrease in financial expenses and income taxes offset by the negative exchange rate effect as well as higher amortization and impairment of assets and restructuring costs. On a per-common-share basis, it increased 15%, from $0.40 to $0.46.

Adjusted net income, which does not take into account impairment of assets and restructuring costs, net of income taxes, and unusual adjustments to income taxes, increased $0.5 million, or 1.5%, from $34.4 million in the second quarter of fiscal 2007 to $34.9 million in the second quarter of fiscal 2008. On a per-common-share basis, it increased by 4.9%, from $0.41 to $0.43, a higher percentage reflecting the positive effect of the Corporation's share buy-back program.

Excluding the negative exchange rate effect in the second quarter of fiscal 2008, adjusted earnings-per-share would have been $0.47, representing an increase of 14.6% over the second quarter of fiscal 2007. This measure gives a good indication of the net operational performance in the second quarter of fiscal 2008.

REVIEW OF OPERATING SECTORS FOR THE SECOND QUARTER OF 2008

Analysis of Main Variances – Sector Results
For the Second Quarter Ended April 30, 2008
(unaudited)

(in millions of dollars)	Marketing Products and Services Sector	Printing Products and Services Sector	Media Sector	Inter-segment and Other Results	Consolidated Results
Revenues - for Second Quarter 2007	$ 291.9	$ 160.1	$ 155.5	$ (22.8)	$ 584.7
Acquisitions/Divestitures/Closures	27.8	(0.2)	(1.7)	-	25.9
Existing operations					
Paper effect	(0.1)	(3.8)	-	-	(3.9)
Exchange rate	(13.3)	(6.0)	-	-	(19.3)
Organic growth	3.8	0.4	4.4	(0.9)	7.7
Revenues - for Second Quarter 2008	$ 310.1	$ 150.5	$ 158.2	$ (23.7)	$ 595.1
Adjusted operating income before amortization - for Second Quarter 2007	$ 36.5	$ 30.2	$ 30.8	$ (4.7)	$ 92.8
Acquisitions/Divestitures/Closures	4.7	(0.1)	2.0	-	6.6
Existing operations					
Paper effect	-	-	(0.2)	-	(0.2)
Exchange rate	(3.6)	(2.9)	-	-	(6.5)
Organic growth	0.9	1.6	(2.8)	(1.7)	(2.0)
Adjusted operating income before amortization - for Second Quarter 2008	$ 38.5	$ 28.8	$ 29.8	$ (6.4)	$ 90.7

This review of operating sectors should be read in conjunction with the information presented in the above table and the information disclosed in the Segmented Information note (note 18) to the Consolidated Financial Statements for the second quarter ended April 30, 2008.

Management believes that adjusted operating income before amortization by business segment used in this section is a meaningful measure of its performance. Management uses this measure in evaluating the Corporation's financial performance by business segment.

It is important to note that fiscal 2007 segmented results have been reclassified to reflect the transfer of the Boucherville plant from the Commercial Products Group, in the Printing Products and Services sector, to the Catalogue and Magazine Group, in the Marketing Products and Services sector.

Marketing Products and Services Sector

Revenues in the Marketing Products and Services sector increased from $291.9 million in the second quarter of fiscal 2007 to $310.1 million in the second quarter of fiscal 2008, an increase of $18.2 million, or 6.2%. The PLM Group acquisition contributed $28.0 million to revenues. Excluding acquisitions, divestitures, closures, paper and exchange rate effects, revenues increased $3.8 million, or 1.3%. Organic growth was primarily generated in the Retail Group as a result of new business we developed with existing customers last year, specifically Loblaws, which now includes the printing of flyers for all Loblaws banners in Quebec.

In addition, organic growth was generated from the Direct Marketing Group due to higher revenues from our postal optimization solutions which was partially compensated by pricing pressures and product mix changes. The Premedia Group started benefiting from the five-year agreement with Loblaws, for the complete outsourcing of its premedia business. These new businesses more than compensated for the softness in volume from certain customers in our base business and for business mix changes in our Catalogue and Magazine Group.

Adjusted operating income before amortization increased from $36.5 million in the second quarter of fiscal 2007 to $38.5 million in the second quarter of fiscal 2008, an increase of $2.0 million, or 5.5%. The PLM Group acquisition contributed $4.7 million. Excluding exchange rate effect and acquisitions, adjusted operating income before amortization increased $0.9 million, or 2.5%. Organic growth was primarily generated in the Retail Group due to increased volume as well as improved efficiency from its revamped manufacturing platform. Recall that last year this group was affected by disruptions related to press and equipment installations, which are now completed. Furthermore, negative organic growth was generated in the Catalogue and Magazine Group due to business mix changes and in the Direct Marketing Group related to the product mix changes and pricing pressures mentioned above as well as disruptions to operations following the installation of new postal optimization equipment. As a result, the adjusted operating income margin before amortization decreased from 12.5% in the second quarter of fiscal 2007 to 12.4% in the second quarter of fiscal 2008. Excluding the exchange rate effect, adjusted operating income margin would have been 13.0% in the second quarter of fiscal 2008.

At the beginning of the second quarter of fiscal 2008, we signed an exclusive six-year contract for the printing of Rogers Communications' complete magazine portfolio. This contract, valued at $35.0 to $40.0 million per year, represents all new business. The contract takes effect on February 1, 2009, at which time Rogers Communications' magazines will be printed in our network across Canada but mainly in our Transcontinental RBW Graphics plant in Owen Sound, Ontario. As a result, we will invest approximately $20 million to expand this plant and acquire a new press and peripheral equipment. Furthermore, we announced plans to invest $20 million in state-of-the-art equipment at our Transcontinental Interweb Montreal newspaper and magazine printing facility. This new technology as well as the redesign of the facility will maximize efficiency and workflow, part of Transcontinental's commitment to continuous improvement and efficiency.

In addition, we acquired ThinData Inc., Canada's leading permission-based email marketing services firm. ThinData's offering fits perfectly with Transcontinental's integrated marketing services growth strategy which includes expanding its premedia, database management, direct marketing and analytics and e-marketing capabilities to deliver unique solutions to its clients and its media properties. In parallel we completed our 100-day integration plan for PLM Group. At this point, preliminary analyses suggest that we should be able to surpass the synergies we had previously anticipated.

For the balance of the year, the Retail Group should continue to benefit from the full-year impact of the Loblaws agreement as well as the full ramp-up of its manufacturing platform. In addition, it is expected to continue to expand its service offering to existing and new customers and develop cross-selling opportunities. The Catalogue and Magazine Group will focus on the PLM Group integration and its $40 million investments in two of its plants. It should also continue to develop new sales in both Canada and the U.S and benefit from a better use of its equipment base following the transfer of the Boucherville plant into its network. The Premedia Group will focus on the integration of ThinData and the expansion of its customer base.

Finally, for the balance of the year, the Direct Marketing Group is expected to leverage its postal optimization solutions, continue its strategy of diversification in other verticals and grow its integrated marketing services. However, the ongoing credit market turmoil coupled with the postal rates increase and a potential U.S. recession looming makes it difficult to assess the purchasing habits of our customers on a going forward basis. Purchasing decisions such as volume, type of packages and timing of orders are changing constantly. At this point, we believe these current market dynamics will make it a challenging operating environment for 2008. On the flip side, our postal optimization solutions are generating high interest among our customer base while our vertical diversification strategy and expansion of our integrated marketing services are producing results. Notwithstanding this, we believe this operating environment is temporary and the growth trend in this industry will resume as it is one of the most effective methods to market to consumers.

Printing Products and Services Sector

Revenues in the Printing Products and Services sector decreased from $160.1 million in the second quarter of fiscal 2007 to $150.5 million in the second quarter of fiscal 2008, a decrease of $9.6 million, or 6.0%. Excluding acquisitions, divestitures and closures, exchange rate and paper effects, revenues were flat. In essence, successful sales development efforts in educational and trade segments in the Book Group, following the revamp of its manufacturing platform last year, were offset by lower volume in the Commercial Products Group. Similarly, in the Mexico Group, successful sales development efforts in the retail and magazine segments were offset by lower volume in the book segment. Finally, in the Newspaper Group, an increase in the use of color by some publishers was compensated by a reduction in page count and circulation.

Adjusted operating income before amortization decreased from $30.2 million in the second quarter of 2007 to $28.8 million in the second quarter of fiscal 2008, a decrease of $1.4 million, or 4.6%. Excluding exchange rate effect and closures, it increased $1.6 million, or 5.3%. Organic growth from the Book Group more than compensated the lower volume in the Commercial Products Group. As a result, the adjusted operating income margin before amortization increased from 18.9% in the second quarter of fiscal 2007 to 19.1% in the second quarter of fiscal 2008. Excluding the exchange rate effect, adjusted operating income margin would have been 20.3% in the second quarter of fiscal 2008.

At the beginning of the second quarter of fiscal 2008 we announced plans to invest $60 million in state-of-the-art equipment at our Transcontinental Transmag newspaper printing facility in Montreal. This new technology will add color capacity and improve production quality and efficiency. In order to accommodate the new press and peripheral equipment, the facility will be expanded. This project is expected to be completed in 2009 and is part of our strategy to become North America's leader in newspaper printing outsourcing. In line with this strategy, the construction for our San Francisco Chronicle project is progressing well. Moreover, we continue to have discussions with many newspaper publishers in North America.

For the balance of the year, the Book Group is expected to continue to benefit from sales development efforts and efficiency improvement following the revamp of its manufacturing platform. The Newspaper Group will focus on the development of its newspaper outsourcing model, the ramp-up of the San Francisco Chronicle project and the $60 million investment in its Transcontinental Transmag printing plant. The Commercial Products Group will continue to look for new ways to improve its competitiveness within the current market environment. Finally, the Mexico Group is expected to continue sales development initiatives across its different market segments as well as leverage its existing customer base while continuing to focus on manufacturing efficiency.

Media Sector

Revenues in the Media sector rose from $155.5 million in the second quarter of fiscal 2007 to $158.2 million in the second quarter of fiscal 2008, an increase of $2.7 million, or 1.7%. Divestitures and closures, net of small but strategic acquisitions completed in 2007 and 2008, had a negative impact of $1.7 million on revenues. Excluding acquisitions, divestitures and closures, revenue growth was $4.4 million, or 2.8%. Organic growth was generated by: the Magazine Group, driven by women magazines, with a stellar performance from *Elle Canada* as well as its new magazine *More;* and the Newspaper Group, driven by special projects; the Distribution Group, driven by national sales; and finally, the Digital Media Group, driven by the accelerated development of its multiplatform offering.

Adjusted operating income before amortization slightly decreased from $30.8 million in the second quarter of fiscal 2007 to $29.8 million in the second quarter of fiscal 2008, a decrease of $1.0 million, or 3.2%. Excluding acquisitions, divestitures and closures, and paper effect, it decreased by $2.8 million, or 9.1%. Organic growth generated in the Distribution Group and the Newspaper Group was offset by investments made in the Digital Media Group and in the Educational Publishing Group. It is important to highlight that investments made in the Digital Media Group are bearing fruit. For instance, our traffic increased 9% versus the second quarter of last year while our reach into the total Canadian internet advertising market increased from 14% to 17%. As a result, the adjusted operating income margin before amortization slightly decreased to 18.8% in the second quarter of fiscal 2008 from 19.8% in the second quarter of fiscal 2007.

On May 7, 2008, we purchased Acquizition.biz, Canada's largest Web-based platform for buying and selling businesses. Acquizition.biz offers more than 1,500 listings representing over 20 sectors of activity, including services, manufacturing, warehousing, processing, technology, retail, transport, the restaurant industry and lodging. We are committed to serving targeted communities of interest – in this case business people, and more specifically entrepreneurs. Integrating a digital platform like this with Transcontinental's business publications truly complements our offering for this community.

On April 24, 2008, we launched RecipeFeast.com, an English version of the French-language recipe site, Recettes.qc.ca, which attracts more than a million web surfers every month. The website boasts over 1,500 recipes, half of which originate from canadianliving.com. The rest are translated from Recettes.qc.ca, and the goal is to have that percentage grow to include 90% user-generated content.

On April 14, 2008, we moved the popular thehockeynews.com Web site to the mobile technology (mobile phone, BlackBerry and the iPhone). The Web site receives close to 400,000 visitors each month and the printed publication counts more than two million readers.

For the balance of the year, the Distribution Group should continue to grow driven by strong national and local sales as well as through the diversification of its customer base with second tier retailers. The Newspaper Group is expected to gain from the contribution from acquisitions, the closure of the *Daily News* in Halifax and the subsequent launch of *Metro*, the development of additional innovative products and its Internet strategy. The Magazine Group will continue to leverage its strong brands and should benefit from the six magazines it acquired in 2007, a full year of *More* magazine and growth in custom publishing. The Digital Media Group is expected to pursue the development of its multiplatform offering with the $8 million investment that it will make throughout the year. It is expected to launch a number of new web sites this year targeted at specific communities of interest. Finally, the Educational Publishing Group will continue to reinvest in editorial, production and sales development for school books.

Inter-Segment and Other Results

Inter-segment and other revenues went from a negative $22.8 million in the second quarter of fiscal 2007 to a negative $23.7 million in the second quarter of fiscal 2008. The variation is attributable to a slight increase in inter-segment revenues. Adjusted operating income before amortization went from a negative $4.7 million in the second quarter of fiscal 2007 to a negative $6.4 million in the second quarter of fiscal 2008 due to investments in *Evolution 2010* initiatives and to an increase in various other expenses.

DETAILED ANALYSIS OF SIX-MONTH PERIOD ENDED APRIL 30, 2008 OPERATING RESULTS

Analysis of Main Variances – Consolidated Results
For the Six-Month Period Ended April 30, 2008

(in millions of dollars)	Revenues	%	Adjusted operating income before amortization (1)	%	Net income	%
Results - First Half 2007	$ 1,156.9		$ 168.5		$ 54.2	
Acquisitions/Divestitures/Closures	50.7	4.4 %	12.0	7.1 %	3.0	5.5 %
Existing operations						
Paper effect	(11.2)	(1.0) %	0.4	0.2 %	0.3	0.6 %
Exchange rate	(40.3)	(3.5) %	(11.8)	(7.0) %	(5.7)	(10.5) %
Impairment of assets, restructuring costs and unusual adjustments to income taxes	-	-	-	-	13.9	25.6 %
Organic growth	35.0	3.0 %	4.0	2.4 %	6.1	11.3 %
Results - First Half 2008	$ 1,191.1	2.9 %	$ 173.1	2.7 %	$ 71.8	32.5 %

(1) Adjusted operating income before amortization refers to operating income before amortization, impairment of assets and restructuring costs.

As shown in the above table, a number of factors contributed to the variance between results for the first half of fiscal 2008 and the first half of fiscal 2007.

- The acquisition of PLM Group, fourth largest printer in Canada, as well as small but strategic acquisitions completed in 2008 and 2007, net of divestitures and closures (notably the *Daily News* in Halifax, *TV Hebdo* and conversion of *TV Guide* to a web-only product*),* contributed $50.7 million to revenues and $12.0 million to adjusted operating income before amortization. Net of amortization, financing and income taxes, the contribution to net income was $3.0 million.

- The paper effect had a $11.2 million negative impact on revenues. This effect includes the variation in the price of paper, paper supplied and changes in the type of paper used by customers of our printing operations. Note that for printing operations, these elements affect revenues without impacting adjusted operating income before amortization. For the Media sector, the variation in the price of paper had a positive impact of $0.4 million on adjusted operating income before amortization and $0.3 million on net income.

- Variations in the exchange rate between the Canadian dollar and its U.S. and Mexican counterparts had a significant impact on the results of the first half of fiscal 2008, causing a $40.3 million decrease in revenues and a $11.8 million decrease in adjusted operating income before amortization. It is important to note that the variation in average spot exchange rates in the first half of fiscal 2008 versus the first half of fiscal 2007 was 13.4% for the CAD/USD and 12.3% for the CAD/MXP. With respect to revenues, conversion of sales by U.S. and Mexican units had a negative impact of approximately $27.4 million. For export sales from Canadian plants, net of the currency hedging program, the negative impact was $12.9 million. The negative impact of the conversion of results for the U.S. and Mexican units was $2.6 million on adjusted operating income before amortization. The negative impact of export sales, net of the currency hedging program and purchases in U.S. dollars, was $12.0 million on adjusted operating income before amortization. Finally, the positive impact of the conversion of balance sheet items related to the operation of Canadian units denominated in foreign currency was $2.8 million on adjusted operating income before amortization. Taking into consideration amortization, financial expenses and income taxes denominated in foreign currencies, the net negative effect was $5.7 million, representing a 10.5% negative variation on net income.

- Organic revenue growth was $35.0 million or 3.0% in the first half of fiscal 2008. This growth was generated primarily from our Marketing Products and Services sector, with the Retail Group, Catalogue and Magazine Group and Direct Marketing Group; followed by the Media sector, with the Magazine Group, Distribution Group and Newspaper Group; and finally the Printing Products and Services sector, with the Book Group and the Mexico Group. These groups more than offset lower volume in the Commercial Products Group.

- Organic growth had a $4.0 million, or 2.4%, positive impact on adjusted operating income before amortization in the second quarter of fiscal 2008. Organic growth was primarily generated from our Marketing Products and Services sector, with the Retail Group and from our Printing Products and Services sector, with the Book Group due to an increase in volume coupled with the benefits from the full ramp-up of our manufacturing platform. This growth was offset by the product mix changes and pricing pressures in the Direct Marketing Group in the Marketing Products and Services sector, by lower volume from the Commercial Products Group in the Printing Products and Services sector and by investments made in the Digital Media Group and in the Educational Publishing Group in the Media sector.

Amortization

Amortization expense increased by $3.6 million, or 5.9%, in the first half of fiscal 2008, to $64.5 million compared to $60.9 million in the first half of fiscal 2007. This increase results mostly from acquisitions, more specifically of PLM Group acquired in October 2007, offset by the negative exchange rate effect.

Impairment of assets and restructuring costs

On February 11, 2008, the Corporation closed the newspaper the *Daily News* in Halifax and launched a free daily newspaper, *Metro*, for the Halifax market. Total costs related to this decision are expected to reach $4.5 million of which $1.7 million are for workforce reduction costs, $0.9 million are for the transfer of equipment and other costs and $1.9 million are for impairment of assets. Of the total cost, an amount of $4.2 million before tax ($2.9 million after tax) was accounted for separately in the consolidated statement of income for the first half of fiscal 2008 as “Impairment of assets and restructuring costs.” The restructuring plan is expected to be completed by the end of fiscal 2008.

Other amounts of $0.1 million and $7.8 million before tax ($0.1 million and $5.3 million after tax) were accounted for separately in the consolidated statements of income for the first half of fiscal 2008 and 2007, respectively, as “Impairment of assets and restructuring costs.” The main portion of these amounts is related to the restructuring plan for our commercial printing operations initiated in 2007. Furthermore, the amount in 2007 includes amounts related to the transfer of printing equipment and other costs for the consolidation of our Toronto printing facilities initiated in 2006 and our book printing operations initiated in 2005.

Financial expenses and discount on sale of accounts receivable

When combined, financial expenses and discount on sale of accounts receivable decreased $1.0 million, or 4.6%, from $21.8 million in the first half of 2007 to $20.8 million in the first half of fiscal 2008. This decrease is mainly due to the exchange rate effect, the capitalized interest and the decrease in interest rates, partially offset by the increase in net indebtedness related to the purchase of property, plant and equipment, business acquisitions and the share buy-back program.

Income taxes

Income taxes decreased by $12.1 million, from $23.5 million in the first half of fiscal 2007 to $11.4 million in the first half of fiscal 2008. The effective income tax rate also decreased from 30.1% to 13.7% in 2008, mainly due to unusual adjustments to income taxes and the effect of changes in statutory tax rates. During the second quarter of fiscal 2008, the Corporation entered into an agreement with the tax authorities and settled its obligation regarding Bill 15 enacted in June 2006 for an amount of $3.9 million. An amount of $8.4 million had been provided for in the third quarter of fiscal 2006 with regards to this obligation. A decrease of $4.5 million in current income tax expense has therefore been recorded to reflect this settlement. In addition, on December 13, 2007, Bill C-28 received third reading in the House of Commons. Accordingly, the federal corporate income tax rate reductions announced in the October 30, 2007 Economic Statement became substantively enacted for the purpose of preparing the consolidated financial statements in accordance with Canadian GAAP. This decrease in federal tax rate reduced both the income tax expense and net future income tax liabilities by $7.0 million during the first quarter of fiscal 2008. Excluding these two items, income taxes would have been $ 22.9 million with an income tax rate of 27.4%, a rate slightly lower than in the first half of fiscal 2007.

Net income

Net income increased by 32.4%, from $54.2 million in the first half of fiscal 2007 to $71.8 million in 2008. This increase is primarily due to the decrease in income tax expense, to the increase in the adjusted operating income before amortization and a favourable variation in unusual items (related to income taxes and impairment of assets and restructuring costs), partially offset by the negative exchange rate effect as well as higher amortization. On a per-common-share basis, it increased from $0.63 to $0.87.

Adjusted net income, which does not take into account impairment of assets and restructuring costs and unusual adjustments to income taxes, increased $3.8 million, or 6.4%, from $59.5 million in the first half of 2007 to $63.3 million in 2008. On a per-common-share basis, it increased 10% from $0.70 to $0.77.

Excluding the negative exchange rate effect in the first half of fiscal 2008, earnings-per-share would have been $0.84, representing an increase of 20.0% over the first half of fiscal 2007. This measure gives a good indication of the net operational performance in the first half of the year.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Financial data have been prepared in conformity with Canadian Generally Accepted Accounting Principles (GAAP). However, certain measures used in this discussion and analysis do not have any standardized meaning under GAAP and could be calculated differently by other companies. The Corporation believes that certain non-GAAP financial measures, when presented in conjunction with comparable GAAP financial measures, are useful to investors and other readers because that information is an appropriate measure for evaluating the Corporation's operating performance. Internally, the Corporation uses this non-GAAP financial information as an indicator of business performance, and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. Below is a table reconciling GAAP financial measures to non-GAAP financial measures.

Reconciliation of non-GAAP financial measures
(unaudited)

	Three months ended April 30		Six months ended April 30	
(in millions of dollars, except per share amounts)	2008	2007	2008	2007
Net income	$ 37.7	$ 34.0	$ 71.8	$ 54.2
Non-controlling interest	-	-	0.3	0.3
Income taxes	9.0	16.0	11.4	23.5
Discount on sale of accounts receivable	2.1	2.7	5.2	5.9
Financial expenses	7.1	8.9	15.6	15.9
Impairment of assets and restructuring costs	2.4	0.6	4.3	7.8
Amortization	32.4	30.6	64.5	60.9
Adjusted operating income before amortization	$ 90.7	$ 92.8	$ 173.1	$ 168.5
Net income	$ 37.7	$ 34.0	$ 71.8	$ 54.2
Impairment of assets and restructuring costs (after tax)	1.7	0.4	3.0	5.3
Unusual adjustments to income taxes	(4.5)	-	(11.5)	-
Adjusted net income	34.9	34.4	63.3	59.5
Average number of shares outstanding	81.8	85.4	82.7	85.6
Adjusted earnings per share	$ 0.43	$ 0.41	$ 0.77	$ 0.70
Cash flow related to operating activities	$ 23.3	$ 24.4	$ 56.3	$ 22.5
Changes in non-cash operating items	(54.2)	(52.6)	(89.7)	(116.4)
Cash flow from operating activities before changes in non-cash operating items	$ 77.5	$ 77.0	$ 146.0	$ 138.9
Long-term debt			$ 643.7	$ 503.3
Current portion of long-term debt			14.4	10.5
Cash and cash equivalents			(32.0)	(44.1)
Net indebtedness			$ 626.1	$ 469.7

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Financial Results
(unaudited)

	2008		2007				2006	
(in millions of dollars, except per share amounts)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	$ 595	$ 596	$ 618	$ 551	$ 585	$ 572	$ 605	$ 533
Adjusted operating income before amortization	91	82	101	81	93	76	97	75
Adjusted operating income margin before amortization	15.3 %	13.8 %	16.3 %	14.8 %	15.9 %	13.2 %	16.1 %	14.0 %
Operating income	$ 56	$ 48	$ 67	$ 51	$ 62	$ 38	$ 61	$ 44
Net income	38	34	39	28	34	20	51	24
Per share	0.46	0.41	0.46	0.33	0.40	0.24	0.59	0.28
Adjusted net income	35	28	39	28	34	25	42	28
Per share	0.43	0.34	0.47	0.34	0.41	0.29	0.48	0.32
% of fiscal year	- %	- %	31 %	23 %	27 %	19 %	32 %	21 %

The table above shows the evolution of the Corporation’s quarterly results. Note that stronger results are in the second and fourth quarters, as advertising spending is usually stronger in the spring and fall, generating higher revenues in both media and printing operations. The fall is also the strongest period for book printing and for our business segment of educational resources publishing.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Principal Cash Flows and Financial Condition
For the Second Quarter Ended April 30,
(unaudited)

(in millions of dollars)	2008	2007
Operating activities		
Cash flow from operating activities before changes in non-cash operating items	$ 77.5	$ 77.0
Changes in non-cash operating items	(54.2)	(52.6)
Cash flow related to operating activities	23.3	24.4
Investing activities		
Business acquisitions, net of disposals	(13.9)	(0.2)
Acquisitions of property, plant and equipment, net of disposals	(59.7)	(31.9)
Other	(7.5)	(8.3)
Cash flow used in investing activities	(81.1)	(40.4)
Financing activities		
Reimbursement of long-term debt, net	(1.6)	(0.7)
Increase in revolving term credit facility	96.6	39.5
Redemption of shares, net	(33.6)	(4.7)
Dividends on shares	(6.6)	(6.0)
Other	1.2	-
Cash flow related to financing activities	56.0	28.1
Other relevant information		
Net indebtedness	626.1	469.7
Shareholders' equity	1,195.8	1,167.7
Net indebtedness / Total capitalization ratio	34 %	29 %
Credit rating		
DBRS	BBB high	BBB high
	Stable	Negative trend
Standard and Poor's	BBB	BBB
	Stable	Stable

Operating activities

Cash flow from operating activities before changes in non-cash operating items increased from $77.0 million in the second quarter of fiscal 2007 to $77.5 million in the second quarter of fiscal 2008, primarily due to the increase in net income, partially offset by a decrease in future income taxes. Changes in non-cash operating items resulted in an outflow of $54.2 million in the second quarter of fiscal 2008, compared to an outflow of $52.6 million in the second quarter of fiscal 2007. These changes result mainly from variations in the Corporation's securitization program. As a result, cash flow from operating activities decreased from a cash generation of $24.4 million in the second quarter of fiscal 2007 to a cash generation of $23.3 million in the second quarter of fiscal 2008.

Investing activities

In the second quarter of fiscal 2008, $59.7 million was invested in property, plant and equipment, net of disposals, an increase of $27.8 million compared to the $31.9 million invested in the second quarter of fiscal 2007. We invested $30.9 million in the *San Francisco Chronicle* project in the second quarter of fiscal 2008.

Financing activities

The Corporation paid $6.6 million, or 8 cents per share, in dividends in the second quarter of fiscal 2008 compared to $6.0 million, or 7 cents per share, in the second quarter of fiscal 2007, an increase of 14%. Dividends paid by Transcontinental to Canadian residents are eligible dividends as per the provincial and federal income tax laws.

The Corporation was authorized to purchase for cancellation on the open market, between December 20, 2007 and December 19, 2008, up to 3,333,994 of its Class A Subordinate Voting Shares, representing 5% of the 66,679,889 issued and outstanding Class A Subordinate Voting Shares as at December 10, 2007, and up to 845,271 of its Class B Shares, representing 5% of the 16,905,432 issued and outstanding Class B Shares as at December 10, 2007.

The Corporation was authorized to purchase for cancellation on the open market, between November 21, 2006 and November 20, 2007, up to 3,448,698 of its Class A Subordinate Voting Shares, representing 5% of the 68,973,966 issued and outstanding Class A Subordinate Voting Shares as at November 7, 2006, and up to 852,907 of its Class B Shares, representing 5% of the 17,058,145 issued and outstanding Class B Shares as at November 7, 2006.

Purchases were 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 second quarter of fiscal 2008, the Corporation purchased 1,984,300 of its Class A Subordinate Voting Shares at a weighted average price of $17.10 for a total consideration of $33.9 million and 4,000 of its Class B Shares at a weighted average price of $15.93 for a total consideration of $0.1 million. Of the total consideration of $34.0 million, $11.1 million corresponds to the book value and $22.9 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

During the second quarter of 2007, the Corporation purchased 192,000 of its Class A Subordinate Voting Shares at a weighted average price of $21.71 for a total consideration of $4.2 million and 42,300 of its Class B Shares at a weighted average price of $21.85 for a total consideration of $0.9 million. Of the total consideration of $5.1 million, $1.1 million corresponds to the book value and $4.0 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

Debt instruments

As at April 30, 2008, the Corporation's net indebtedness stood at $626.1 million and its net indebtedness to total capitalization ratio was 34%, compared to 29% at the end of fiscal 2007 and 29% in the second quarter of fiscal 2007.

As at April 30, 2008, the Corporation had a committed line of credit in the form of a term revolving credit facility, totalling $400 million or the U.S - dollar equivalent. An amount of $296.3 million of this credit facility was used at the end of the second quarter of fiscal 2008. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants, including the requirement to maintain certain financial ratios. The Corporation is in compliance with all of the covenants under the credit agreements governing these facilities and would continue to be in compliance even if it drew all of the facilities at its disposal. Please refer to the section of this report entitled "Subsequent Event" for a complete description of the amendments to the credit agreement that provide for an additional tranche to the revolving credit facility.

As of April 30, 2008, letters of credit amounting to C$0.7 million and US$6.5 million were drawn on the committed line of credit in addition to the amount presented in the previous paragraph. During the first half of fiscal 2008, the Corporation has not been in default under any of its obligations. Other than long-term debt obligations, the Corporation has commitments, mainly comprised of operating leases.

The Corporation is committed to acquire machinery and equipment. As at April 30, 2008, these commitments represented $98.9 million, including US$70.2 million, CHF2.0 million, €3.2 million and C$20.6 million. Minimum payments required in 2008 and 2009 are the equivalent of $53.2 million and $45.7 million, respectively.

Off-Balance-Sheet Arrangements (Securitization)

Under its securitization agreement, the Corporation sells, on an ongoing basis, certain of its receivables to a trust that has sold its beneficial interest to third-party investors. The maximum net consideration allowable in the program is $300 million, including a maximum of $100 million in U.S. dollars.

As at April 30, 2008, $273 million of accounts receivable ($273 million as at October 31, 2007) had been sold under the accounts receivable securitization program, of which $37 million ($37 million as at October 31, 2007) was kept by the Corporation as retained interest, resulting in a net consideration of $236 million, including C$202 million and US$33 million ($236 million as at October 31, 2007, including C$209 million and US$29 million) which represents the maximum net consideration the Corporation could have obtained on those dates in accordance with the program terms and conditions. The retained interest is recorded in the Corporation's accounts receivable at the lower of cost and fair market value. Under the program, the Corporation recognized an aggregate discount on sale of accounts receivable of $2.1 million and $5.2 million for the three-month and six-month periods ended April 30, 2008 ($2.7 million and $5.9 million for the same periods in 2007).

Critical Accounting Policies and Estimates

No major changes have occurred in the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Changes in Accounting Policies

Financial Instruments – Disclosures

On November 1, 2007, the Corporation adopted Section 3862, Financial Instruments – Disclosures, replacing Section 3861 – Financial Instruments – Disclosure and Presentation. This Section describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Sections 3855, Financial Instruments – Recognition and Measurement, 3863, Financial Instruments – Presentation and 3865, Hedges.

The adoption of this Section implied that the Corporation now presents sensitivity analysis regarding foreign exchange risk, interest rate risk, commodity prices risk and stock-based compensation costs risk. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted.

Financial Instruments – Presentation

On November 1, 2007, the Corporation adopted Section 3863, Financial Instruments – Presentation, replacing Section 3861 – Financial Instruments – Disclosure and Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives.

The adoption of this Section did not have a significant impact on the consolidated financial statements.

Capital Disclosures

On November 1, 2007, the Corporation adopted Section 1535, Capital Disclosures. This Section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

The adoption of this Section implied that information on capital management is now included in the notes to the consolidated financial statements. This information is included in Note 16 to the financial statements, Capital management.

Accounting changes

On November 1, 2007, the Corporation adopted the revised version of Section 1506 of the CICA Handbook, Accounting changes. This Section establishes criteria for changing accounting policies and treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors.

The adoption of this Section implied that the Corporation makes voluntary changes in accounting policy only if they result in the financial statements providing reliable and more relevant information. Changes in accounting policy made by the Corporation are applied retrospectively unless doing so is impracticable or the change in accounting policy is made on the initial application of a primary source of GAAP in accordance with specific transitional provisions in that primary source. A change in accounting estimate is generally recognized prospectively and material prior period errors are corrected retrospectively.

Risks and Uncertainties

Each year, the Corporation attempts to mitigate the risks or uncertainties that could be caused by an economic slowdown or by particular occurrences in its operating sectors or treasury situation. In this regard, as part of the implementation of a formal risk-management program, management consistently reviews overall controls and preventative measures to ensure they are better matched to the significant risks to which the Corporation's operating activities are exposed. The Director of risk management is responsible for the overall risk management program of the Corporation. A report on our risk-management program is reviewed periodically by the Audit Committee.

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

Competition

One of our major competitors has filed for creditor protection and the outcome of this proceeding remains uncertain. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Credit

No major changes have occurred in the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Difficulty in Hiring Qualified Personnel

No major changes have occurred in the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Economic Cycles

There is increasing evidence that suggests that the U.S. may be in a recession. While the diversification of the Corporation helps to reduce its exposure to economic cycles, it remains exposed to some degree. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Environment

No major changes have occurred in the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Exchange of Confidential Information

No major changes have occurred in the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Geographic Distribution and Exchange Rate

Our net exposure to the exchange rate between the Canadian dollar and the U.S. dollar and Mexican pesos has not changed materially in the quarter. However, the exchange rate between the Canadian dollar and its U.S. counterpart has fluctuated significantly in the past few years and particularly in our second quarter. The spot exchange rate was 1.0141 CAD/USD on average in the second quarter of fiscal 2008 and 1.1666 CAD/USD on average in the second quarter of fiscal 2007, for a variation of 13.1%.

The Corporation has a currency-hedging program in place to mitigate the risk from foreign exchange. The policy approved by the Corporation's Board of Directors allows hedging of 50% to 100% of net cash flows for a period of one to 12 months, of 25% to 50% for the next 12 months and up to 33% for the subsequent 12 months. The Corporation may also use collars to limit the risk of losses related to the 1- to 12-month portion that is not covered by forward contracts.

As at April 30, 2008, the Corporation entered into foreign exchange forward contracts to sell US$78 million, (US$87.3 million as at October 31, 2007) of which US$24 million, US$51 million and US$3 million will be sold in 2008, 2009 and 2010, respectively. The terms of these forward contracts range from one month to 19 months, with rates varying from 1.0087 to 1.1643. The Corporation was also party to a collar of US$2 million (US$6 million as at October 31, 2007). The terms of this collar contract is two months, with a floor rate of 1.04 and a cap rate of 1.0885. Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the second quarter of fiscal 2008.

During the second quarter of fiscal 2008, to mitigate the foreign exchange risk related to purchases of machinery and equipment in Swiss francs, the Corporation entered into foreign exchange forward contracts. As at April 30, 2008, the

Corporation entered into foreign exchange forward contracts to purchase in 2008 1.9 million Swiss francs (none in 2007). The terms of these forward contracts range from one month to three months, with rates varying from 0.927 to 0.9286. Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Integration of Acquisitions

No major changes have occurred in the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Interest Rate

The U.S. and Canadian central banks have reduced their bank rates as of late. The Corporation benefits from such reductions in its floating rate debt. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Loss of Reputation

No major changes have occurred in the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

New Media

No major changes have occurred in the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Canadian and U.S. Postal Systems' Future Policies

No major changes have occurred in the second quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Raw Materials and Energy Prices

The current tightening in the paper market, resulting from paper mill closures, has now resulted in a decrease in the supply of paper and an increase in paper prices. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Subsequent Events

Redemption of shares

The Corporation purchased 191,500 of its Class A Subordinate Voting Shares at a weighted average price of $19.80 for a total consideration of $3.8 million between May 1, 2008 and June 11, 2008 in accordance with its Normal Course Issuer Bid as described in Note 10 of the consolidated financial statements for the quarter ended April 30, 2008.

Revolving credit

On May 14, 2008, the Corporation amended its credit agreement to provide an additional tranche ("Tranche B") to the current revolving credit facility. Tranche B amounts to $150 million, for a total amount of revolving credit facility of $550 million. Tranche B is available for a 364-day period. The applicable interest rate on Tranche B is based on the credit rating assigned by Standard & Poor's Ratings Services. Depending on the form of borrowing chosen by the Corporation for Tranche B, the interest rate applicable is, either bank prime rate, bankers' acceptance rate + 0.575% or LIBOR + 0.575%, based on the current credit rating. Facility fees of 0.225% are applicable on Tranche B, whether it is drawn or not. The other terms and conditions of Tranche B are as disclosed in Note 14 of the latest annual consolidated financial statements.

Disclosure Controls and Procedures

Transcontinental's President and Chief Executive Officer and its Vice President and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and the Vice President and Chief Financial Officer, to allow timely decisions regarding required disclosure. The President and Chief Executive Officer and the Vice President and Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures as at April 30, 2008, have concluded that the Corporation's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Corporation and its subsidiaries would have been known to them.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The President and Chief Executive Officer and the Vice President and Chief Financial Officer have evaluated whether there were changes to internal control over financial reporting during the second quarter ended April 30, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

OUTLOOK

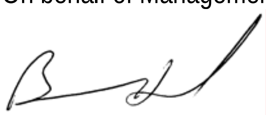
For the balance of the year, the Corporation will continue to focus on its three primary growth areas: newspaper outsourcing, direct marketing and digital media. First, with regards to our newspaper outsourcing model, we will focus on gearing up for the printing of the *San Francisco Chronicle* newspaper in the summer of 2009. In parallel, we will continue to build on discussions with other newspaper publishers. Second, with regards to direct marketing, we will leverage our postal optimization solutions, continue our vertical diversification strategy and grow our integrated marketing services, while at the same time manage the business within its challenging market dynamics. Finally, with regards to digital media, we will focus on further developing our multiplatform offering with new investments. We have a number of exciting launches planned in upcoming quarters. Furthermore, we will gear-up for the new Rogers Communications contract.

Below is a non-exhaustive list of factors that are likely to influence fiscal 2008 results:

(-) a negative pre-tax exchange-rate effect from export sales of Canadian plants, net of the currency hedging program, of approximately $20 million using a constant exchange rate of 1.00 CAD/USD for the year;
(-) additional spending of approximately $8 million ($4 million of which will be capitalized) in our Media sector, relating to a number of new digital initiatives. The majority will be spent in the second half of the year;
(-) capital expenditures of approximately $275 million, including more than $100 million for the *San Francisco Chronicle*;
(+) the positive effect from our share buy-back program;
(+) lower income tax rate, we expect 29-30% for the full year, excluding unusual items;
(+) contribution from PLM Group.

Having said this, we would like to reiterate our commitment to our *Evolution 2010* business project and related financial objectives, in particular: to grow adjusted earnings per share, excluding the exchange rate effect, 10% on average per year from 2006-2010.

On behalf of Management,



Benoît Huard
Vice President and Chief Financial Officer

June 12, 2008

CONSOLIDATED STATEMENTS OF INCOME
unaudited

(in millions of dollars, except per share data)	Three months ended April 30 2008	Three months ended April 30 2007	Six months ended April 30 2008	Six months ended April 30 2007
Revenues	$ 595.1	$ 584.7	$ 1,191.1	$ 1,156.9
Operating costs	432.9	425.4	875.8	856.8
Selling, general and administrative expenses	71.5	66.5	142.2	131.6
Operating income before amortization, impairment of assets and restructuring costs	90.7	92.8	173.1	168.5
Amortization (Note 4)	32.4	30.6	64.5	60.9
Impairment of assets and restructuring costs (Note 5)	2.4	0.6	4.3	7.8
Operating income	55.9	61.6	104.3	99.8
Financial expenses (Note 6)	7.1	8.9	15.6	15.9
Discount on sale of accounts receivable (Note 9)	2.1	2.7	5.2	5.9
Income before income taxes and non-controlling interest	46.7	50.0	83.5	78.0
Income taxes (Note 7)	9.0	16.0	11.4	23.5
Non-controlling interest	-	-	0.3	0.3
Net income	$ 37.7	$ 34.0	$ 71.8	$ 54.2
Per share (basic) (Note 10)				
Net income	$ 0.46	$ 0.40	$ 0.87	$ 0.63
Per share (diluted) (Note 10)				
Net income	$ 0.46	$ 0.40	$ 0.87	$ 0.63
Average number of shares outstanding (in millions)	81.8	85.4	82.7	85.6

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
unaudited

(in millions of dollars)	Three months ended April 30 2008	Three months ended April 30 2007 (restated Note 2)	Six months ended April 30 2008	Six months ended April 30 2007 (restated Note 2)
Net income	$ 37.7	$ 34.0	$ 71.8	$ 54.2
Other comprehensive income (loss):				
Unrealized net change in fair value of derivatives designated as cash flow hedges, net of income taxes of $0.6 million and ($0.8) million for the three-month and six-month periods ended April 30, 2008 ($2.1 million and $0.6 million for the same periods in 2007)	1.8	4.2	(1.0)	1.2
Reclassification adjustment for net gains on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period, net of income taxes of $1.1 million and $1.9 million for the three-month and six-month periods ended April 30, 2008 ($0.4 million and $1.0 million for the same periods in 2007)	(2.8)	(1.0)	(4.2)	(2.2)
Net change in fair value of derivatives designated as cash flow hedges	(1.0)	3.2	(5.2)	(1.0)
Unrealized net gains (losses) on translation of financial statements of self-sustaining foreign operations	3.5	(5.1)	7.5	(1.6)
Other comprehensive income (loss)	2.5	(1.9)	2.3	(2.6)
Comprehensive income	$ 40.2	$ 32.1	$ 74.1	$ 51.6

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
unaudited

(in millions of dollars)	Six months ended April 30 2008	Six months ended April 30 2007 (restated Note 2)
Balance, beginning of period, as previously reported	$ 806.4	$ 769.0
Adjustments to opening retained earnings (Note 2)	-	(19.9)
	806.4	749.1
Financial Instruments - Recognition and Measurement	-	(0.2)
Restated balance, beginning of period	806.4	748.9
Net income	71.8	54.2
	878.2	803.1
Premium on redemption of shares (Note 10)	(29.8)	(11.4)
Dividends on shares	(12.4)	(11.6)
Balance, end of period	$ 836.0	$ 780.1

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

CONSOLIDATED BALANCE SHEETS
unaudited

(in millions of dollars)

	As at April 30, 2008	As at October 31, 2007
Current assets		
Cash and cash equivalents	$ 32.0	$ 48.5
Accounts receivable (Note 9)	212.5	196.9
Income taxes receivable	22.5	28.8
Inventories	92.4	91.0
Prepaid expenses and other current assets	15.1	18.4
Future income tax assets	13.1	16.6
	387.6	400.2
Property, plant and equipment	785.2	739.7
Goodwill	962.8	934.6
Intangible assets	166.6	172.5
Future income tax assets	75.5	64.6
Other assets	96.3	90.3
	$ 2,474.0	$ 2,401.9
Current liabilities		
Accounts payable and accrued liabilities	$ 341.4	$ 400.5
Income taxes payable	46.5	59.8
Deferred subscription revenues and deposits	50.7	52.9
Future income tax liabilities	2.0	4.8
Current portion of long-term debt	14.4	14.2
	455.0	532.2
Long-term debt	643.7	523.3
Future income tax liabilities	105.9	108.4
Other liabilities	73.3	58.2
	1,277.9	1,222.1
Non-controlling interest	0.3	2.2
Commitments (Note 17)		
Shareholders' equity		
Share capital (Note 10)	380.4	395.1
Contributed surplus (Note 12)	10.2	9.2
Retained earnings	836.0	806.4
Accumulated other comprehensive loss (Note 13)	(30.8)	(33.1)
	805.2	773.3
	1,195.8	1,177.6
	$ 2,474.0	$ 2,401.9

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
unaudited

(in millions of dollars)	Three months ended April 30 2008	2007	Six months ended April 30 2008	2007
Operating activities				
Net income	$ 37.7	$ 34.0	$ 71.8	$ 54.2
Items not affecting cash and cash equivalents				
Amortization (Note 4)	35.9	35.9	74.9	70.4
Impairment of assets (Note 5)	-	-	1.9	3.5
Loss (gain) on disposal of assets	0.4	-	0.4	(0.2)
Future income taxes	(0.1)	3.6	(8.9)	3.9
Non-controlling interest	-	-	0.3	0.3
Net change in accrued pension benefit asset and liability	2.7	2.5	5.7	5.2
Stock-based compensation (Notes 11 and 12)	0.9	0.6	1.8	1.2
Other	-	0.4	(1.9)	0.4
Cash flow from operating activities before changes in non-cash operating items	77.5	77.0	146.0	138.9
Changes in non-cash operating items	(54.2)	(52.6)	(89.7)	(116.4)
Cash flow related to operating activities	23.3	24.4	56.3	22.5
Investing activities				
Business acquisitions (Note 14)	(13.9)	(0.2)	(16.9)	(10.2)
Acquisitions of property, plant and equipment	(60.2)	(32.8)	(91.5)	(54.8)
Disposals of property, plant and equipment	0.5	0.9	0.5	1.0
Increase in other assets	(7.5)	(8.3)	(13.0)	(13.5)
Cash flow used in investing activities	(81.1)	(40.4)	(120.9)	(77.5)
Financing activities				
Reimbursement of long-term debt	(1.6)	(0.7)	(3.2)	(2.8)
Increase in revolving term credit facility	96.6	39.5	105.0	39.5
Dividends on shares	(6.6)	(6.0)	(12.4)	(11.6)
Redemption of shares (Note 10)	(34.0)	(5.1)	(44.9)	(15.1)
Issuance of shares (Note 10)	0.4	0.4	0.4	0.4
Other	1.2	-	0.9	(0.5)
Cash flow related to financing activities	56.0	28.1	45.8	9.9
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	0.6	(0.2)	2.3	(0.1)
(Decrease) increase in cash and cash equivalents	(1.2)	11.9	(16.5)	(45.2)
Cash and cash equivalents at beginning of period	33.2	32.2	48.5	89.3
Cash and cash equivalents at end of period	$ 32.0	$ 44.1	$ 32.0	$ 44.1
Additional information				
Interest paid	$ 4.8	$ 1.4	$ 16.8	$ 14.0
Income taxes paid	12.9	18.3	28.2	45.0

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

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

1. Significant accounting policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), using the same accounting policies as outlined in Note 1 and Note 3 to the consolidated financial statements for the year ended October 31, 2007, except for the changes in accounting policies disclosed in Note 3. The operating results for the interim periods are not necessarily indicative of full-year results due to the seasonality of certain operations of the Corporation. Results of both media and printing operations are significantly influenced by the advertising market, which is stronger in the second and fourth quarters. The fall is also the strongest period for book printing and for our business segment of educational resources publishing.

2. Restatement

In the context of the preparation of its consolidated financial statements for the year ended October 31, 2007, the Corporation's management identified two accounting errors in prior years' financial statements relating to the amortization of property, plant and equipment and income taxes.

Amortization of property, plant and equipment

For the six-month period ended April 30, 2007, opening retained earnings and accumulated other comprehensive loss have been reduced by $10.1 million and $1.5 million, respectively. For the three-month and six-month periods ended April 30, 2007, comprehensive income has been increased by $0.5 million and $0.3 million, respectively.

Income taxes

For the six-month period ended April 30, 2007, opening retained earnings have been reduced by $9.8 million.

3. Changes in accounting policies

a) Financial Instruments – Disclosures

On November 1, 2007, the Corporation adopted Section 3862, Financial Instruments – Disclosures, replacing Section 3861 – Financial Instruments – Disclosure and Presentation. This Section describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Sections 3855, Financial Instruments – Recognition and Measurement, 3863, Financial Instruments – Presentation and 3865, Hedges.

The adoption of this Section implied that the Corporation now presents sensitivity analysis regarding foreign exchange risk, interest rate risk, commodity prices risk and stock-based compensation costs risk. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted.

b) Financial Instruments – Presentation

On November 1, 2007, the Corporation adopted Section 3863, Financial Instruments – Presentation, replacing Section 3861 – Financial Instruments – Disclosure and Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives.

The adoption of this Section did not have a significant impact on the consolidated financial statements.

c) Capital Disclosures

On November 1, 2007, the Corporation adopted Section 1535, Capital Disclosures. This Section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

The adoption of this Section implied that information on capital management is now included in the notes to the consolidated financial statements. This information is included in Note 16, Capital management.

d) Accounting changes

On November 1, 2007, the Corporation adopted the revised version of Section 1506 of the CICA Handbook, Accounting changes. This Section establishes criteria for changing accounting policies and treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors.

The adoption of this Section implied that the Corporation makes voluntary changes in accounting policy only if they result in the financial statements providing reliable and more relevant information. Changes in accounting policy made by the Corporation are applied retrospectively unless doing so is impracticable or the change in accounting policy is made on the initial application of a primary source of GAAP in accordance with specific transitional provisions in that primary source. A change in accounting estimate is generally recognized prospectively and material prior period errors are corrected retrospectively.

4. Amortization

(in millions of dollars)	Three months ended April 30 2008	Three months ended April 30 2007	Six months ended April 30 2008	Six months ended April 30 2007
Property, plant and equipment	$ 29.8	$ 28.3	$ 59.2	$ 56.3
Intangible assets	2.0	1.6	3.9	3.2
Deferred charges	0.6	0.7	1.4	1.4
	32.4	30.6	64.5	60.9
Deferred charges, presented in revenues, operating costs and financial expenses	3.5	5.3	10.4	9.5
	$ 35.9	$ 35.9	$ 74.9	$ 70.4

5. Impairment of assets and restructuring costs

The following tables summarize the impairment of assets and restructuring costs:

Three months ended April 30

(in millions of dollars)	2008				2007	
	Liability as at January 31 2008	Charged to income	Paid	Liability as at April 30 2008	Charged to income	Paid
(a) Newspaper operations						
Media						
Workforce reduction costs	$ -	$ 1.4	$ 1.3	$ 0.1	$ -	$ -
Transfer of printing equipment and other costs	-	0.6	0.6	-	-	-
Printing Products and Services						
Workforce reduction costs	-	0.3	0.3	-	-	-
	$ -	$ 2.3	$ 2.2	$ 0.1	$ -	$ -
(b) Commercial printing						
Printing Products and Services						
Workforce reduction costs	$ 0.9	$ -	$ 0.1	$ 0.8	$ -	$ 0.2
Transfer of printing equipment and other costs	-	-	-	-	0.6	0.6
Marketing Products and Services						
Workforce reduction costs	0.2	-	0.2	-	-	0.5
Transfer of printing equipment and other costs	-	0.1	0.1	-	-	-
	$ 1.1	$ 0.1	$ 0.4	$ 0.8	$ 0.6	$ 1.3
(c) Toronto printing operations						
Workforce reduction costs	$ 0.5	$ -	$ 0.1	$ 0.4	$ -	$ 0.4
Transfer of printing equipment and other costs	-	-	-	-	-	-
	0.5	-	0.1	0.4	-	0.4
Total	$ 1.6	$ 2.4	$ 2.7	$ 1.3	$ 0.6	$ 1.7

5. Impairment of assets and restructuring costs (continued)

	Six months ended April 30							
(in millions of dollars)	Total		2008				2007	
	Charged to income	Forecasted	Liability as at October 31 2007	Charged to income	Paid	Liability as at April 30 2008	Charged to income	Paid
(a) Newspaper operations								
Media								
Workforce reduction costs	$ 1.4	$ 1.4	$ -	$ 1.4	$ 1.3	$ 0.1	$ -	$ -
Transfer of printing equipment and other costs	0.6	0.9	-	0.6	0.6	-	-	-
Printing Products and Services								
Workforce reduction costs	0.3	0.3	-	0.3	0.3	-	-	-
	2.3	2.6	-	2.3	2.2	0.1	-	-
Media								
Impairment of assets	1.9	1.9	n/a	1.9	n/a	n/a	-	n/a
	$ 4.2	$ 4.5	$ -	$ 4.2	$ 2.2	$ 0.1	$ -	$ -
(b) Commercial printing								
Printing Products and Services								
Workforce reduction costs	$ 1.8	$ 1.8	$ 1.1	$ -	$ 0.3	$ 0.8	$ 1.8	$ 0.3
Transfer of printing equipment and other costs	1.4	1.7	-	-	-	-	0.7	0.7
Marketing Products and Services								
Workforce reduction costs	1.6	1.6	0.3	-	0.3	-	1.3	0.8
Transfer of printing equipment and other costs	0.7	0.8	-	0.1	0.1	-	-	-
	5.5	5.9	1.4	0.1	0.7	0.8	3.8	1.8
Printing Products and Services								
Impairment of assets	0.3	0.3	n/a	-	n/a	n/a	0.2	n/a
Marketing Products and Services								
Impairment of assets	3.3	3.3	n/a	-	n/a	n/a	3.3	n/a
	$ 9.1	$ 9.5	$ 1.4	$ 0.1	$ 0.7	$ 0.8	$ 7.3	$ 1.8
(c) Toronto printing operations								
Workforce reduction costs	$ 3.0	$ 3.0	$ 0.6	$ -	$ 0.2	$ 0.4	$ -	$ 0.8
Transfer of printing equipment and other costs	1.0	1.0	-	-	-	-	0.4	0.4
	4.0	4.0	0.6	-	0.2	0.4	0.4	1.2
Impairment of assets	0.2	0.2	n/a	-	n/a	n/a	-	n/a
	$ 4.2	$ 4.2	$ 0.6	$ -	$ 0.2	$ 0.4	$ 0.4	$ 1.2
(d) Book printing operations								
Workforce reduction costs	$ 1.3	$ 1.3	$ -	$ -	$ -	$ -	$ -	$ -
Transfer of printing equipment and other costs	3.9	3.9	-	-	-	-	0.1	0.1
	5.2	5.2	-	-	-	-	0.1	0.1
Impairment of assets	1.6	1.6	n/a	-	n/a	n/a	-	n/a
	$ 6.8	$ 6.8	$ -	$ -	$ -	$ -	$ 0.1	$ 0.1
Total			$ 2.0	$ 4.3	$ 3.1	$ 1.3	$ 7.8	$ 3.1

a) On February 11, 2008, the Corporation initiated a restructuring plan for its newspaper operations in the Media sector which includes the closing of the *Daily News in* Halifax and the launch of a free daily newspaper, *Metro* , for the Halifax market. The restructuring is expected to be completed by the end of fiscal 2008. During the first quarter of fiscal 2008, the Corporation performed an impairment test on the assets of the *Daily News* in Halifax, mainly comprised of non-amortizable intangible assets, and, as a result, recorded an impairment charge of $1.9 million.

5. Impairment of assets and restructuring costs (continued)

b) During the first quarter of fiscal 2007, the Corporation initiated a restructuring plan for its commercial printing operations in the Printing Products and Services and Marketing Products and Services sectors. The restructuring is expected to be completed in 2008.

c) During the second quarter of fiscal 2006, the Corporation adopted a plan for the consolidation of its commercial products and direct-marketing printing facilities located in the Toronto area in the Marketing Products and Services sector. The consolidation is expected to be completed in 2008.

d) During the second quarter of fiscal 2005, the Corporation announced the consolidation of certain book printing operations in the Printing Products and Services sector. The consolidation was completed during the first quarter of 2007.

6. Financial expenses

	Three months ended April 30		Six months ended April 30	
(in millions of dollars)	2008	2007	2008	2007
Financial expenses on long-term debt	$ 6.4	$ 7.6	$ 14.6	14.6
Other expenses	0.6	0.2	1.0	0.7
Foreign exchange loss	0.1	1.1	-	0.6
	$ 7.1	$ 8.9	$ 15.6	$ 15.9

For the three-month and six-month periods ended April 30, 2008, capitalized interest amounted to $1.2 million and $2.0 million, respectively ($0.3 million and $0.8 million for the same periods in 2007).

7. Income taxes

	Three months ended April 30		Six months ended April 30	
	2008	2007	2008	2007
Statutory tax rate	30.9 %	34.0 %	31.2 %	32.6 %
Effect of foreign tax rate differences	(4.0)	(2.4)	(4.6)	(3.9)
Other	2.0	0.4	0.9	1.4
Effective tax rate before the following items:	28.9	32.0	27.5	30.1
Effect of changes in statutory tax rates (a)	-	-	(8.4)	-
Retroactive taxes (b)	(9.6)	-	(5.4)	-
Effective tax rate	19.3 %	32.0 %	13.7 %	30.1 %

a) On December 13, 2007, Bill C-28 received third reading in the House of Commons. Accordingly, the federal corporate income tax rate reductions announced in the October 30, 2007 Economic Statement became substantively enacted for the purpose of preparing the consolidated financial statements in accordance with Canadian GAAP. This decrease in federal tax rate reduced both the income tax expense and net future income tax liabilities by $7.0 million during the first quarter of fiscal 2008.

b) During the second quarter of fiscal 2008, the Corporation entered into an agreement with the tax authorities and settled its obligation regarding Bill 15 enacted in June 2006 for an amount of $3.9 million. An amount of $8.4 million had been provided for in the third quarter of fiscal 2006 with regards to this obligation. A decrease of $4.5 million in current income tax expense has therefore been recorded to reflect this settlement.

8. Employee future benefits

Pension plans

The Corporation offers various contributory and non-contributory defined benefit pension plans and defined contribution pension plans to its employees and those of its participating subsidiaries. The cost related to those plans is as follows:

	Three months ended April 30		Six months ended April 30	
(in millions of dollars)	2008	2007	2008	2007
Pension plans				
Defined benefit pension plans	$ 5.7	$ 5.0	$ 11.7	$ 11.2
Defined contribution pension plans	0.7	0.8	1.5	1.6
	$ 6.4	$ 5.8	$ 13.2	$ 12.8

9. Accounts receivable

As at April 30, 2008, $273 million of accounts receivable ($273 million as at October 31, 2007) had been sold under the accounts receivable securitization program, of which $37 million ($37 million as at October 31, 2007) was kept by the Corporation as retained interest, resulting in a net consideration of $236 million, including C$202 million and US$33 million ($236 million as at October 31, 2007, including C$209 million and US$29 million) which represents the maximum net consideration the Corporation could have obtained on those dates in accordance with the program terms and conditions. The retained interest is recorded in the Corporation's accounts receivable at the lower of cost and fair market value. Under the program, the Corporation recognized an aggregate discount on sale of accounts receivable of $2.1 million and $5.2 million for the three-month and six-month periods ended April 30, 2008 ($2.7 million and $5.9 million for the same periods in 2007).

10. Share capital

Earnings per share

The table below shows the calculation of basic and diluted earnings per share:

	Three months ended April 30		Six months ended April 30	
	2008	2007	2008	2007
Numerator (in millions of dollars)				
Net income	$ 37.7	$ 34.0	$ 71.8	$ 54.2
Denominator (in millions)				
Weighted average number of shares outstanding - basic	81.8	85.4	82.7	85.6
Dilutive effect of stock options and warrants	0.1	0.1	0.1	0.2
Weighted average number of shares outstanding - diluted	81.9	85.5	82.8	85.8
Basic earnings per share	$ 0.46	$ 0.40	$ 0.87	$ 0.63
Diluted earnings per share	$ 0.46	$ 0.40	$ 0.87	$ 0.63

Stock options presented below were considered to be anti-dilutive in the calculation of the diluted earnings per share since their exercise price was greater than the average stock price during those periods.

	Three months ended April 30		Three months ended January 31	
	2008	2007	2008	2007
Stock options	1,387,495	629,420	1,519,340	638,340

During the first quarter of 2008, the 350,000 warrants giving right to acquire Class A Subordinate Voting Shares expired.

Exercise of stock options

When officers and senior executives exercise their stock options, the amounts received from them are credited to share capital. For stock options granted since November 1, 2002, the amount previously accounted for as an increase to contributed surplus is also transferred to share capital. For the three-month and six-month periods ended April 30, 2008, the amounts received were both $0.4 million, and no amount was transferred from contributed surplus to share capital for the same periods. For the three-month and six-month periods ended April 30, 2007, the amounts received were both $0.4 million, and $0.1 million was transferred from contributed surplus to share capital for the same periods.

Redemption of shares

The Corporation was authorized to purchase for cancellation on the open market, between December 20, 2007 and December 19, 2008, up to 3,333,994 of its Class A Subordinate Voting Shares, representing 5% of the 66,679,889 issued and outstanding Class A Subordinate Voting Shares as at December 10, 2007, and up to 845,271 of its Class B Shares, representing 5% of the 16,905,432 issued and outstanding Class B Shares as at December 10, 2007.

The Corporation was authorized to purchase for cancellation on the open market, between November 21, 2006 and November 20, 2007, up to 3,448,698 of its Class A Subordinate Voting Shares, representing 5% of the 68,973,966 issued and outstanding Class A Subordinate Voting Shares as at November 7, 2006, and up to 852,907 of its Class B Shares, representing 5% of the 17,058,145 issued and outstanding Class B Shares as at November 7, 2006.

Purchases were 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.

10. Share capital (continued)

During the three-month and six-month periods ended April 30, 2008 and 2007, the following purchases have been made:

	Number of shares purchased	Weighted average price	Total consideration (in millions of dollars)	Number of shares purchased	Weighted average price	Total consideration (in millions of dollars)
	Three months ended April 30					
	2008			2007		
Class A	1,984,300	$ 17.10	$ 33.9	192,000	$ 21.71	$ 4.2
Class B	4,000	$ 15.93	0.1	42,300	$ 21.85	0.9
			$ 34.0			$ 5.1
Book value			$ 11.1			$ 1.1
Premium paid			22.9			4.0
			$ 34.0			$ 5.1
	Six months ended April 30					
	2008			2007		
Class A	2,702,600	$ 16.56	$ 44.7	659,000	$ 21.36	$ 14.1
Class B	8,000	$ 18.34	0.2	47,600	$ 21.78	1.0
			$ 44.9			$ 15.1
Book value			$ 15.1			$ 3.7
Premium paid			29.8			11.4
			$ 44.9			$ 15.1

11. Stock-based compensation plans

Share unit plan

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

For the three-month period ended April 30, 2008, 6,345 RSU were granted (none in 2007). For the six-month period ended April 30, 2008, 194,850 RSU were granted (138,310 DSU and 30,788 RSU in 2007).

As at April 30, 2008, 116,598 DSU and 221,357 RSU were outstanding (171,712 DSU and 26,507 RSU in 2007). The expenses recorded in the consolidated statements of income for the three-month periods ended April 30, 2008 and 2007 were $0.5 million and $0.3 million, respectively. For the six-month periods ended April 30, 2008 and 2007, the expenses recorded in the consolidated statements of income were $0.8 million and $0.4 million, respectively. No amount has been paid under the plan for the three-month and six-month periods ended April 30, 2008 and 2007.

Stock option plan

As at April 30, 2008, 1,842,541 stock options were outstanding, of which 1,235,871 could be exercised.

No stock options were granted for the three-month periods ended April 30, 2008 and 2007. For the six-month periods ended April 30, 2008 and 2007, 159,700 and 160,100 stock options were granted with a weighted average exercise price of $15.51 and $20.90, respectively.

11. Stock-based compensation plans (continued)

The table below summarizes the assumptions used to calculate the weighted average fair value of stock options granted on the date of the grant using the Black-Scholes model for the six-month periods ended April 30:

	2008	2007
Fair value of stock options	$ 4.04	$ 5.16
Assumptions:		
Dividend rate	1.2 %	1.1 %
Expected volatility	26.0 %	22.6 %
Risk-free interest rate	3.65 %	3.96 %
Expected life	5 years	5 years

12. Contributed surplus

(in millions of dollars)	Six months ended April 30 2008	2007
Balance, beginning of period	$ 9.2	$ 6.9
Compensation costs relating to stock option plan (Notes 10 and 11)	1.0	1.1
Balance, end of period	$ 10.2	$ 8.0

13. Accumulated other comprehensive loss

(in millions of dollars)	Foreign Currency Translation Adjustment	Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance as at November 1, 2007	$ (42.3)	$ 9.2	$ (33.1)
Net change in unrealized gains/losses, net of income taxes	7.5	(5.2)	2.3
Balance as at April 30, 2008	$ (34.8)	$ 4.0	$ (30.8)
Balance as at November 1, 2006, as previously reported	$ -	$ -	$ -
Unrealized losses, net of income taxes (restated)	(26.0)	-	(26.0)
Financial instruments - Recognition and measurement	-	3.8	3.8
Restated balance as at November 1, 2006	(26.0)	3.8	(22.2)
Net change in unrealized gains/losses, net of income taxes (restated)	(1.6)	(1.0)	(2.6)
Balance as at April 30, 2007	$ (27.6)	$ 2.8	$ (24.8)

As at April 30, 2008, the amounts expected to be reclassified to net income are as follows:

	2008	2009	2010	Total
Gains on derivatives designated as cash flow hedges	$ 3.5	$ 2.2	$ 0.1	$ 5.8
Income taxes	(1.1)	(0.7)	-	(1.8)
	$ 2.4	$ 1.5	$ 0.1	$ 4.0

14. Business acquisitions

During the six-month period ended April 30, 2008, the Corporation made the following acquisitions:

Operating sector	Acquisition	Date of acquisition
Marketing Products and Services		
	90% of the shares of ThinData Inc., Canada's leading permission-based email marketing services firm	March 11, 2008
Media		
	Assets of *L'Autre Voix* , weekly newspaper in the eastern Quebec City region	December 21, 2007
	Assets of *Corriere Italiano* , weekly newspaper serving the Italian community in Montreal area	December 20, 2007
	Assets of *The Springhill-Parrsboro Record* , weekly newspaper in Nova Scotia	November 23, 2007

14. Business acquisitions (continued)

(in millions of dollars)		
Assets acquired		
Working capital	$	1.5
Property, plant and equipment		0.5
Goodwill (tax basis of $1.5 million)		15.6
Other assets		0.2
	$	17.8
Liabilities assumed		
Deferred revenues	$	0.4
Long-term debt		0.5
		0.9
	$	16.9
Consideration		
Cash paid	$	16.4
Cash in acquired operations		(1.4)
Short-term liabilities		0.4
Long-term liabilities (bearing no interest)		1.5
	$	16.9

During the first quarter of 2008, the Corporation acquired an additional 2% of the shares of PLM Group Ltd, for a total cash consideration of $1.9 million. The Corporation now owns 100% of the shares of PLM Group Ltd.

The purchase price allocation of all acquisitions is preliminary and could change once the valuation of the assets acquired is concluded and the final determination of the costs related to the acquisitions has been made.

15. Financial instruments

Credit risk

The Corporation is exposed to credit risk with respect to trade receivables and derivative financial instruments.

The Corporation analyzes and reviews the financial health of its current customers on an ongoing basis and applies rigorous evaluation procedures to all new customers. A specific credit limit is established for each customer and reviewed periodically by the Corporation.

The Corporation is protected against any concentration of credit risk through its products, clientele and geographic diversity. As at April 30, 2008, no single customer accounts for more than 5% of its consolidated accounts receivable, and the Corporation's 20 largest customers account for less than 20% of its consolidated accounts receivable. As at April 30, 2008, the maximum credit risk exposure for receivables corresponds to their carrying value. The Corporation also has a credit insurance policy covering most of its major customers, for a maximum amount of $27 million. The policy contains the usual clauses and limits regarding the amounts that can be claimed by event and year of coverage. The Corporation did not file any claim against this credit insurance policy for the six-month period ended April 30, 2008.

In addition, the Corporation has concluded long-term contracts with most of its major customers. These contracts contain cost-escalation clauses equivalent to those required by the Corporation's suppliers. The Corporation determines past due receivables by considering the type of clients, historical payment terms and in which sector the clients conduct business. On a quarterly basis, allowance for doubtful accounts and past due receivables are reviewed by management. The Corporation records impairment only on receivables for which the recoverability is not reasonably certain.

The Corporation is exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations; however, it does not foresee such an occurrence since it deals only with recognized financial institutions with superior credit ratings. As at April 30, 2008, the maximum exposure to credit risk is $5.8 million, which represents the carrying value of the financial instruments.

15. Financial instruments (continued)

Past due accounts receivable

(in millions of dollars)		As at April 30, 2008
Not past due	$	163.7
Past due 1-60 days		15.3
Past due 61-90 days		3.9
Past due more than 90 days		10.5
		193.4
Allowance for doubtful accounts		(10.7)
Other receivables		29.8
	$	212.5

Allowance for doubtful accounts

(in millions of dollars)		
Balance as at November 1, 2007	$	10.1
Bad debt expense		2.1
Amounts written off, net of recoveries		(1.5)
Balance as at April 30, 2008	$	10.7

Based on the historical payment trend of the customers, the Corporation believes that this allowance for doubtful accounts is sufficient to cover the risk of default.

Liquidity risk

The Corporation has contractual obligations and financial liabilities, thus, is exposed to liquidity risk.

The Corporation believes that future cash flows generated by operations and access to additional liquidity through capital and banking markets will be adequate to meet its financial obligations.

Interest rate risk

The Corporation is exposed to market risks related to interest-rate fluctuations. In order to mitigate this risk, the Corporation aims to maintain an adequate balance of fixed versus floating rate debt or protect the variable portion by the use of derivative financial instruments. As at April 30, 2008, the floating rate portion of the Corporation's long-term debt represented 61% of the total while the fixed rate portion represented 39%.

The Corporation is also exposed to interest rate fluctuations through its securitization program, since the discount on the sale of accounts receivable is based on the rate of the commercial paper issued by the trust. The trust generally issues its commercial paper on a monthly basis.

The Corporation believes that interest rates for the Canadian and U.S. economies are not likely to continue their downward trend in 2008 and evaluates different possibilities to reduce its exposure in the coming months.

For the three-month and six-month periods ended April 30, 2008, all things being equal, an hypothetical increase of 0.5% in interest rates would have had the following impact on net income and on other comprehensive income:

(in millions of dollars)	Three months ended April 30, 2008		Six months ended April 30, 2008	
	Net income	Other comprehensive income	Net income	Other comprehensive income
Interest rates	$ (0.5)	$ n/a	$ (1.0)	$ n/a

An hypothetical decrease of 0.5% in interest rates would have had an opposite impact on net income and other comprehensive income.

Foreign exchange risk

The Corporation has operations in the United States and Mexico, exports its products to the United States and purchases machinery and equipment in U.S. dollars, Swiss Francs, and Euros. In addition, as at April 30, 2008, the Corporation has long-term debt in U.S. dollars for a total amount of US$292.1 million (US$227.9 million as at October 31, 2007) . The Corporation is therefore exposed to foreign exchange risk.

15. Financial instruments (continued)

To mitigate the foreign exchange risk related to its exports to the United States, the Corporation enters into foreign exchange forward contracts. As at April 30, 2008, the Corporation entered into foreign exchange forward contracts to sell US$78 million, (US$87.3 million as at October 31, 2007) of which US$24 million, US$51 million and US$3 million will be sold in 2008, 2009 and 2010, respectively. The terms of these forward contracts range from one month to 19 months, with rates varying from 1.0087 to 1.1643. The Corporation was also party to a collar of US$2 million (US$6 million as at October 31, 2007). The terms of this collar contract is two months, with a floor rate of 1.04 and a cap rate of 1.0885. Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the second quarter of fiscal 2008.

During the second quarter of fiscal 2008, to mitigate the foreign exchange risk related to purchases of machinery and equipment in Swiss francs, the Corporation entered into foreign exchange forward contracts. As at April 30, 2008, the Corporation entered into foreign exchange forward contracts to purchase in 2008 1.9 million Swiss francs (none in 2007). The terms of these forward contracts range from one month to three months, with rates varying from 0.927 to 0.9286. Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the second quarter of fiscal 2008.

For the three-month and six-month periods ended April 30, 2008, all things being equal, an hypothetical strengthening of 5.0% of the U.S. dollar, Swiss franc and Mexican peso against the Canadian dollar would have had the following impact on net income and on other comprehensive income:

(in millions of dollars)	Three months ended April 30, 2008		Six months ended April 30, 2008	
	Net income	Other comprehensive income	Net income	Other comprehensive income
U.S. dollar	$ 1.6	$ (2.9)	$ 5.1	$ (2.9)
Swiss franc	$ n/a	$ (0.1)	$ n/a	$ (0.1)
Mexican peso	$ -	$ n/a	$ 0.1	$ n/a

An hypothetical weakening of 5.0% of the U.S. dollar, Swiss franc and Mexican peso against the Canadian dollar would have had an opposite impact on net income and other comprehensive income.

Commodity prices risk

The Corporation is exposed to a financial risk related to fluctuations in natural gas prices and manages it in order to minimize the impact on the Corporation's results and financial position. The Corporation entered into commodity swap agreements to manage a portion of its natural gas price fluctuation exposure and is now committed to exchange, on a monthly basis, the difference between a fixed price and a floating natural gas price index calculated by reference to the notional amounts. Under this program, 43% of the expected natural gas consumption is hedged for the next three fiscal years. Hedging relationships were effective and in accordance with the risk management objectives and strategies of the Corporation throughout the second quarter of fiscal 2008.

As at April 30, 2008, the Corporation had purchased commodity swap agreements for 581,000 Gigajoules (533,000 Gigajoules as at October 31, 2007), of which 201,000, 300,000 and 80,000 Gigajoules will mature in 2008, 2009 and 2010, respectively. The terms of theses commodity swap agreements range from one month to 27 months, with prices varying from $7.38 to $8.93 per Gigajoule.

For the three-month and six-month periods ended April 30, 2008, all things being equal, an hypothetical strengthening of 25.0% of gas prices would have had the following impact on net income and on other comprehensive income:

(in millions of dollars)	Three months ended April 30, 2008		Six months ended April 30, 2008	
	Net income	Other comprehensive income	Net income	Other comprehensive income
Gas prices	$ (0.2)	$ 0.6	$ (0.3)	$ 0.6

An hypothetical weakening of 25.0% of gas prices would have had an opposite impact on net income and other comprehensive income.

Stock-based compensation costs risk

The Corporation is exposed to a financial risk related to stock-based compensation costs. Potential fluctuations in its Class A Subordinate Voting Share price would have an impact on the charge related to its share unit plan as described in Note 11. During the first quarter of fiscal 2007, the Corporation entered into a total return swap agreement with a financial institution in order to minimize this financial risk. The Corporation now receives or pays, on a quarterly basis, the difference between the fixed share price of the total return swap and the Class A Subordinate Voting Share price, less any amount previously received or paid. During the second quarter of fiscal 2008, the Corporation modified the total return swap to increase the total number of share units covered by the total return swap. As at April 30, 2008, the total return swap agreement covered 154,000 Class A Subordinate Voting Shares at an average fixed price of $16.54. The remaining term of this total return swap agreement is 45 months, with an option to terminate it before its maturity date without any costs.

15. Financial instruments (continued)

The fair value of the swap agreement as at April 30, 2008, for a total amount of $0.1 million, is recorded in the Corporation's consolidated balance sheet with changes in fair value recognized in net income.

For the three-month and six-month periods ended April 30, 2008, all things being equal, an hypothetical strengthening or weakening of 5.0% of the Class A Subordinate Voting Share price would have had a negligible impact on net income.

Fair value

The book value of certain financial instruments maturing in the short-term approximates their fair value. These financial instruments include accounts receivable, accounts payable and accrued liabilities. The table below shows the fair value and the book value of other financial instruments.

The fair value of long-term debt is determined essentially by discounting cash flows, based on actual loan rates for long-term debt with similar characteristics, or quoted market prices. The fair value of derivative financial instruments is approximately the amounts for which the financial instruments could be settled between consenting parties, based on current market data for similar instruments. As estimates must be used to determine fair value, they must not be interpreted as being realizable in the event of an immediate settlement of the instruments.

	April 30, 2008		October 31, 2007	
(in millions of dollars)	Fair value	Book value	Fair value	Book value
Long-term debt	$ 660.8	$ 658.1	$ 539.5	$ 537.5
Foreign exchange forward contracts and collars	$ 5.1	$ 5.1	$ 14.3	$ 14.3
Commodity swap agreements	$ 0.7	$ 0.7	$ (0.6)	$ (0.6)

16. Capital management

The Corporation's primary objectives in managing capital are:

- Optimize leverage position by targeting a 35% to 50% net indebtedness/total capitalization ratio;
- Maintain an investment grade credit rating;
- Preserve its financial flexibility in order to benefit from potential opportunities as they arise.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Corporation monitors capital on the basis of net indebtedness/total capitalization ratio. For calculation purposes, net indebtedness refers to long term debt, current portion of long term debt plus bank overdraft, less cash and cash equivalents. Total capitalization comprises net indebtedness as just described and shareholders' equity.

As at April 30, 2008, the net indebtedness/total capitalization ratio was 34%. As at October 31, 2007, the net indebtedness/total capitalization ratio was 29%. The variation of this ratio was mainly the result of the increase in net indebtedness related to the purchase of property, plant and equipment and the redemption of shares. Capital management objectives, policies and procedures were unchanged since the last period.

For the six-month periods ended April 30, 2008, the Corporation has not been in default under any of its obligations regarding the term revolving credit facility, the securitization program and other financial obligations.

17. Commitments

Machinery and equipment

The Corporation is committed to acquire machinery and equipment. As at April 30, 2008, these commitments represented $98.9 million, including US$70.2 million, CHF2.0 million, €3.2 million and C$20.6 million. Minimum payments required in 2008 and 2009 are the equivalent of $53.2 million and $45.7 million, respectively.

18. Segmented information

Comparative figures of Printing Products and Services and Marketing Products and Services sectors have been reclassified to reflect the transfer of the Boucherville plant from the Commercial Products Group, in the Printing Products and Services sector, to the Catalogue and Magazine Group, in the Marketing Products and Services sector as of November 1, 2007.

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

(in millions of dollars)	Three months ended April 30		Six months ended April 30	
	2008	2007	2008	2007
Revenues				
Printing Products and Services	$ 150.5	$ 160.1	$ 300.6	$ 321.5
Marketing Products and Services	310.1	291.9	628.6	579.6
Media	158.2	155.5	305.2	298.1
Other activities and unallocated amounts	4.0	4.3	8.3	7.8
Inter-segment sales				
Printing Products and Services	(13.2)	(13.3)	(26.1)	(26.2)
Marketing Products and Services	(9.7)	(9.7)	(15.9)	(16.4)
Media	(4.8)	(4.1)	(9.6)	(7.5)
Total inter-segment sales	(27.7)	(27.1)	(51.6)	(50.1)
	$ 595.1	$ 584.7	$ 1,191.1	$ 1,156.9
Operating income before amortization, impairment of assets and restructuring costs				
Printing Products and Services	$ 28.8	$ 30.2	$ 56.1	$ 59.5
Marketing Products and Services	38.5	36.5	79.8	69.2
Media	29.8	30.8	49.8	50.5
Other activities and unallocated amounts	(6.4)	(4.7)	(12.6)	(10.7)
	$ 90.7	$ 92.8	$ 173.1	$ 168.5
Operating income				
Printing Products and Services	$ 19.5	$ 21.0	$ 38.2	$ 39.9
Marketing Products and Services	20.4	19.8	43.5	31.0
Media	23.8	26.9	38.0	42.3
Other activities and unallocated amounts	(7.8)	(6.1)	(15.4)	(13.4)
	$ 55.9	$ 61.6	$ 104.3	$ 99.8
Acquisitions of property, plant and equipment (1)				
Printing Products and Services	$ 47.6	$ 13.5	$ 73.8	$ 16.2
Marketing Products and Services	13.1	15.1	18.7	36.5
Media	2.7	1.9	4.2	2.9
Other activities and unallocated amounts	1.0	1.7	1.4	2.7
	$ 64.4	$ 32.2	$ 98.1	$ 58.3
Amortization of property, plant and equipment, intangible assets and deferred charges				
Printing Products and Services	$ 9.0	$ 8.8	$ 17.6	$ 17.3
Marketing Products and Services	18.0	16.4	36.2	33.0
Media	4.0	4.0	8.0	7.9
Other activities and unallocated amounts	1.4	1.4	2.7	2.7
	$ 32.4	$ 30.6	$ 64.5	$ 60.9

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

18. Segmented information (continued)

(in millions of dollars)	As at April 30, 2008	As at October 31, 2007
Assets		
Printing Products and Services	$ 578.5	$ 512.4
Marketing Products and Services	985.4	995.0
Media	797.6	773.4
Other activities and unallocated amounts	112.5	121.1
	$ 2,474.0	$ 2,401.9
Goodwill		
Printing Products and Services	$ 93.5	$ 93.3
Marketing Products and Services	362.4	336.8
Media	506.0	504.3
Other activities and unallocated amounts	0.9	0.2
	$ 962.8	$ 934.6

19. Subsequent events

Redemption of shares

The Corporation purchased 191,500 of its Class A Subordinate Voting Shares at a weighted average price of $19.80 for a total consideration of $3.8 million between May 1, 2008 and June 11, 2008 in accordance with its Normal Course Issuer Bid as described in Note 10.

Revolving credit

On May 14, 2008, the Corporation amended its credit agreement to provide an additional tranche ("Tranche B") to the current revolving credit facility. Tranche B amounts to $150 million, for a total amount of revolving credit facility of $550 million. Tranche B is available for a 364-day period. The applicable interest rate on Tranche B is based on the credit rating assigned by Standard & Poor's Ratings Services. Depending on the form of borrowing chosen by the Corporation for Tranche B, the interest rate applicable is, either bank prime rate, bankers' acceptance rate + 0.575% or LIBOR + 0.575%, based on the current credit rating. Facility fees of 0.225% are applicable on Tranche B, whether it is drawn or not. The other terms and conditions of Tranche B are as disclosed in Note 14 of the latest annual consolidated financial statements.

20. Effect of new accounting standards not yet implemented

a) Inventories

In March 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The Section prescribes the accounting treatment for inventories such as measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and reversal of previous write-downs of inventories arising from an increase in net realizable value. It also provides guidance on the cost methodologies that are used to assign costs to inventories and it describes the required disclosures on the carrying amount of inventories, the amount of inventories recognized as an expense and the amount of write-downs or reversal of write-downs of inventories.

b) General standards of financial statement presentation

In June 2007, Section 1400, General standards of financial statement presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

c) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, which supersedes Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. This Section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets.

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

21. Comparative figures

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