

*For immediate release*

**TRANSCONTINENTAL CONSOLIDATES TWO U.S. DIRECT MAIL FACILITIES  
AND WRITES OFF GOODWILL**

Montreal, November 03, 2008 – Transcontinental Inc. today announced that Transcontinental Direct USA Inc., its direct mail subsidiary in the U.S., will consolidate production from its Warminster, PA facility to its facility in Hamburg, PA. One of fourteen groups currently operated by Transcontinental Inc., this subsidiary represents about 10% of the Corporation's consolidated revenues.

The turmoil affecting financial markets is having a major impact on the marketing programs of financial institutions which represent a large portion of Transcontinental's direct mail customers in the U.S. Transcontinental must adjust its capacity to current demand levels, thereby reducing its overall cost base. The transfer of production will be complete in January 2009, at which time Transcontinental Direct USA will have a cost-effective production capacity of 3.5 billion direct mail pieces per year, remaining a leader in the direct mail industry in the United States.

A pre-tax restructuring charge of between \$15M and \$20M (all figures quoted in Canadian dollars) will be charged to income in the fourth quarter, and between \$10M and \$15M will be charged to income in future quarters. More than a third of this restructuring charge will have no impact on cash flow. This charge covers workforce reduction costs, impairment of assets and transfer of equipment and other costs. In light of the significant deterioration of market conditions, the Corporation also completed a goodwill impairment test for its U.S. direct mail business. As a result, the Corporation will completely write off the goodwill associated with this business in the fourth quarter. The impairment amounting to approximately \$195M is a non-cash charge to income, and it will not affect the Corporations' liquidity, cash flows from operating activities or debt covenants, or have any impact on future operations. Net of related taxes, the impact of these unusual items will total between \$139M and \$142M in 2008 (between \$1.69 and \$1.73 per share) and between \$7M and \$10M in future quarters (between \$0.09 and \$0.12 per share).

"Following an extensive capacity review of our U.S. direct mail operations, Transcontinental has acted to quickly address the negative impact of current market conditions, while continuing to meet the needs of our customers and giving us the flexibility we need over the long-term," said François Olivier, President and Chief Executive Officer, Transcontinental Inc. "We believe that direct mail will remain a valued marketing tool for our clients in the future. These immediate decisions are not easy and we are sensitive to the impact they have on our employees and their families."

Consolidation will result in the elimination of 460 positions in Warminster. Affected employees will be offered separation pay, outplacement assistance, and the opportunity to apply for available positions in Hamburg.



Transcontinental Direct USA maintains its geographic footprint in Pennsylvania, Texas and California, allowing customers to control logistics costs, improve time to market and manage their environmental impact. Combined with the company's various commingling operations, Transcontinental Direct USA offers the most comprehensive national postal optimization program in the industry.

### **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.

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 November 3, 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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