

For Immediate Release

**DESPITE DIFFICULT ECONOMY,
TRANSCONTINENTAL IMPROVES PROFITABILITY**

- Increase of 5% in adjusted operating income before amortization despite a 9% decrease in consolidated revenue compared to third quarter of 2008.
- Before the negative impact of reduced direct mail activities in the United States, adjusted operating income before amortization would have increased 10% and consolidated revenue would have decreased 5%.
- Increase of 4% in adjusted net income, which excludes unusual items such as restructuring costs; on a per-share basis, adjusted net income increased from \$0.37 to \$0.39.
- Decrease of 15% in net income, primarily due to unusual items; on a per-share basis, net income decreased from \$0.37 to \$0.31.
- Adoption of a new capital structure indicator, the ratio of net indebtedness (including the securitization program) to adjusted operating income before amortization. The objective is to maintain this ratio within a range of 2.00 to 2.50 and we expect to achieve this by the end of fiscal 2011. As at July 31, 2009, the ratio was 3.18.
- Concluded financing agreements totalling \$135 million and obtained increase of \$25 million in Corporation's credit facilities.
- Started printing the *San Francisco Chronicle* on July 6 as scheduled and gained new newspaper printing customers in Quebec.
- Launched mobile versions of three business and financial publications.
- *Corporate Knights* magazine includes Transcontinental in its annual ranking of the Best 50 Corporate Citizens for its environmental efforts.

Montreal, September 10, 2009 – Before unusual items and despite the difficult economic situation, Transcontinental's profitability in the third quarter increased due to its rationalization program and the daily efforts by employees across the organization to improve efficiency and reduce costs. Furthermore, the full impact of the new contracts announced previously, including contracts to print the Rogers Communications' magazines and direct marketing products, the startup of printing of the *San Francisco Chronicle* daily paper, the customers gained in flyer and newspaper printing, the excellent performance in educational book publishing, and the success of its integrated service offering which combines new digital platforms with print, partially offset the decrease in revenues stemming from the recession.

"What is especially satisfying in our third-quarter results is the improved profitability over the two previous quarters and compared to the solid third quarter of 2008," said François Olivier, President and



Chief Executive Officer of Transcontinental. "For the first time this year, our financial results were better than last year's. We're beginning to see the full impact of the tough decisions the recession obliged us to make from the start of the fiscal year. I'd like to thank our employees for their commitment to their company, which has had them working on many efficiency improvement and cost-savings initiatives. Thanks to everyone's efforts, Transcontinental is now a more flexible organization and in a position to keep developing its integrated service offering, which is unique in Canada. Our enviable financial position, strengthened by two new loans and an increase in our credit facilities in the third quarter, means that we can continue to invest wisely and prudently in our future."

"The market is still fragile," noted Mr. Olivier, "but we are headed in the right direction. I am certain that we will come out of the recession stronger and in a good position to take advantage of the economic recovery."

The Corporation has decided to now use the ratio of net indebtedness (including the securitization program) to adjusted operating income before amortization as its primary indicator of financial leverage. In addition, Transcontinental has set the objective of maintaining this ratio within a target range of 2.00 to 2.50 and expects to achieve that by the end of fiscal 2011. As at July 31, 2009, the ratio was 3.18. Furthermore, as at July 31, 2009, the Corporation's net indebtedness to total capitalization ratio was 49%, within the 35% - 50% range set by management.

Financial Highlights

In the third quarter ended July 31, 2009, Transcontinental recorded consolidated revenue of \$533.1 million, down 9% from the \$584.9 million recorded in the same quarter in 2008. Adjusted operating income before amortization increased 5%, from \$81.8 million in 2008 to \$86.2 million in 2009. The decrease in revenue is mainly due to the recession, which led to a decline in the volume of direct mail activities in the United States and in marketing product printing activities, as well as advertising revenues in magazines and newspapers.

Net income decreased 15%, from \$29.9 million to \$25.3 million, due to the unusual item of restructuring costs; on a per-share basis, net income decreased from \$0.37 to \$0.31. Adjusted net income, which excludes unusual items, rose 4%, from \$29.9 million to \$31.2 million; on a per-share basis, adjusted net income increased from \$0.37 to \$0.39.

A pre-tax amount of \$7.5 million (\$5.9 million after tax) was charged to the third quarter with respect to the consolidation of direct mail operations in the United States and the rationalization program announced in February 2009. In the first three quarters of fiscal 2009, these measures generated cost savings of about \$50 million. The goal for fiscal 2009 is to save more than \$75 million and, on an annualized basis, more than \$100 million.

In the first nine months of fiscal 2009, consolidated revenue amounted to \$1.701 billion, down 4% from \$1.776 billion in 2008. Adjusted operating income before amortization decreased 11%, from \$253.2 million to \$225 million. Net income went from \$100.9 million in 2008 to a loss of \$125.4 million in 2009, largely due to impairment of intangible assets and the write-off of goodwill related primarily to



marketing product printing activities, and to the restructuring costs related to the rationalization program. On a per-share basis, net income went from \$1.23 to a loss of \$1.55.

Adjusted net income, which excludes impairment of assets, restructuring costs and unusual adjustments to income taxes, decreased 17%, from \$92.4 million to \$76.5 million; on a per-share basis, it was down 16%, from \$1.13 to \$0.95.

It is important to note that adjusted earnings per share grew steadily during fiscal 2009, from \$0.19 in the first quarter to \$0.37 in the second and \$0.39 in the third. This measurement is a good indicator of operating performance in the first nine months of fiscal 2009.

For more detailed financial information, please see *Management's Discussion and Analysis for the Third Quarter Ended July 31, 2009*, at www.transcontinental.com, under "Investors."

Operating Highlights

The main operating highlights for the third quarter of 2009 illustrate Transcontinental's strategy to build the new and strengthen its promising traditional operations.

- Despite the impact of the decrease in advertising revenues on its magazines and newspapers, results in the Media sector were stable compared to the third quarter of 2008. Door-to-door distribution activities and educational book publishing contributed to this stability by generating higher revenues than in 2008. While its brands continue to reap awards and recognition for both their print and Internet versions, Media continued to implement its digital strategy. This included the launch of a new interactive and user-friendly website for magazine *Coup de pouce*, as well as introducing mobile applications for the financial and business news of *Les Affaires*, *Finances et Investissement*, and *Investment Executive*. Since the start of fiscal 2009, the Corporation has invested about six million dollars on developing the Media sector, mainly its digital platforms. The sector's network of more than 120 sites receives more than six million unique visitors per month.
- The new Marketing Communications Sector has allowed Transcontinental increase its offer to existing customers by providing products and services that are ideally suited to their new needs and to new consumer behaviours. The finest achievements in this area include additional business with major names such as Shoppers Drug Mart-Pharmaprix, Zellers and Purolator. Recent strategic acquisitions have greatly contributed to the increase in sales, namely Conversys (e-flyer), ThinData (permission-based email marketing), Redwood Custom Communications (custom communications) and Rastar (data-driven direct marketing solutions and variable-data digital printing).
- Excluding the effects of the rationalization of direct mail operations in the United States, revenues in the Printing sector were down slightly and profitability was basically stable. The third quarter was marked by the startup of printing of the *San Francisco Chronicle*, which took place as scheduled. The new printing plant in Fremont, California where the daily paper is being printed is one of the first in North America to be built to the standards of Leadership in Energy and Environmental Design (LEED). We also gained customers in the flyer and newspaper printing operations,



including two leading groups of weekly papers in the Quebec City area: *Le Canada français* and *L'Avantage*.





Reconciliation of Non-GAAP Financial Measures

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

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

Reconciliation of non-GAAP financial measures
For the third quarter ended July 31,
(unaudited)

(in millions of dollars, except per share amounts)	Three months ended July 31		Nine months ended July 31	
	2009	2008	2009	2008
Net income (loss)	\$ 25.3	\$ 29.9	\$ (125.4)	\$ 100.9
Non-controlling interest	0.1	(0.7)	0.3	(0.4)
Income taxes	9.0	12.1	(15.4)	23.1
Discount on sale of accounts receivable	0.8	1.9	3.9	7.1
Financial expenses	10.7	7.0	26.8	22.6
Impairment of goodwill and intangible assets	-	-	169.3	-
Impairment of assets and restructuring costs	7.5	0.1	66.3	4.4
Adjusted operating income	\$ 53.4	\$ 50.3	\$ 125.8	\$ 157.7
Amortization	32.8	31.5	99.2	95.5
Adjusted operating income before amortization	\$ 86.2	\$ 81.8	\$ 225.0	\$ 253.2
Net income (loss)	\$ 25.3	\$ 29.9	\$ (125.4)	\$ 100.9
Impairment of assets and restructuring costs (after tax)	5.9	-	47.1	3.0
Impairment of goodwill and intangible assets (after tax)	-	-	154.8	-
Unusual adjustments to income taxes	-	-	-	(11.5)
Adjusted net income	31.2	29.9	76.5	92.4
Average number of shares outstanding	80.8	80.8	80.8	82.0
Adjusted earnings per share	\$ 0.39	\$ 0.37	\$ 0.95	\$ 1.13
Cash flow related to operating activities	\$ 8.4	\$ 77.1	\$ (4.0)	\$ 131.6
Changes in non-cash operating items	(45.6)	2.0	(152.7)	(87.7)
Cash flow from operating activities before changes in non-cash operating items	\$ 54.0	\$ 75.1	\$ 148.7	\$ 219.3
Long-term debt			\$ 768.7	\$ 589.7
Current portion of long-term debt			157.4	109.4
Cash and cash equivalents			3.1	(57.3)
Net indebtedness			\$ 929.2	\$ 641.8



Sustainable Development

Transcontinental has set up a task force whose mandate is to produce an initial report on sustainable development within Transcontinental. Sustainable development includes social development, economic development and environmental protection. The report will be written to meet the standards of the Global Reporting Initiative, a respected reference which sets out the methodology for this type of report.

In addition, Transcontinental was again listed in the select group of the Best 50 Corporate Citizens in 2009, chosen by the magazine *Corporate Knights*. The magazine defines corporate citizens as ones who “do the best job of keeping their end of the social contract, while innovating solutions for the problems that will determine whether our civilizations succeeds or fails.”

Corporate Affairs

On July 28, 2009, Transcontinental announced that it had concluded two new financing arrangements for a total of \$135 million. This included a five-year loan of \$50 million from the Société générale de financement du Québec, and a six-year loan of €55.6 million (\$85.7 million) with HypoVereinsbank, a major European bank, to be used to purchase production equipment over the next two years.

Transcontinental also announced that it had added \$25 million to the \$125 million one-year credit facilities arranged with its bank syndicate on May 5, 2009. Transcontinental has thus obtained additional flexibility in managing its working capital and capital expenditures, or to meet any other specific need.

Dividend

At its September 10, 2009 meeting, the Corporation's Board of Directors maintained the quarterly dividend of \$0.08 per share on Class A Subordinate Voting Shares and Class B Shares. These dividends are payable on October 23, 2009 to shareholders of record at the close of business on October 5, 2009. 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 Web site, which will be archived for 30 days. For Media requests for information or interviews, please contact Maxim Labrie, Media Relations, at 514-954-4176.



Profile

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

Transcontinental (TSX: TCL.A, TCL.B) has approximately 13,000 employees in Canada, the United States and Mexico, and reported revenue of C\$2.4 billion in 2008. 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 forwardlooking 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, availability of Capital, energy costs, increased competition, the Corporation's capacity to implement its strategic plan and rationalization plan, and make and integrate acquisitions into its activities. The risks, uncertainties and other factors that could influence actual results are described in the *Management's Discussion and Analysis* and *Annual Information Form*.

The forward-looking information in this release is based on current expectations and information available as of September 10, 2009. The Corporation's management disclaims any intention or obligation to update or revise any forward-looking statements unless otherwise required by the Securities Authorities.

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Management's Discussion and Analysis

For the third quarter ended July 31, 2009

The purpose of this Management's Discussion and Analysis is to explain management's point of view on Transcontinental's past performance and future outlook. More specifically, it outlines our development strategy, performance in relation to objectives, future expectations and how we address risk and manage our financial resources. This report also provides information to improve the reader's understanding of the consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. This Management's Discussion and Analysis is dated September 10, 2009.

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 22.

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: credit risks, security of data, market dynamics, liquidity, financing and operational risks; the strength of the Canadian, Mexican and United States’ economies in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, more particularly the U.S. dollar and the Mexican peso; the impact from raw material and energy prices; the seasonal nature of certain businesses, notably the book publishing activities, the effects of changes in interest rates; the effects of competition in the markets in which we operate; the effects of new media and the corresponding shift of advertising revenue to new platforms; judicial judgments and legal proceedings; our ability to successfully realign our organization, resources and processes; our ability to hire and retain 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 September 10, 2009.

BUSINESS SUMMARY OF THE THIRD QUARTER OF FISCAL 2009

In the third quarter of fiscal 2009, operating income before amortization, impairment of assets and restructuring costs was higher than in the third quarter of fiscal 2008, despite the current economic context, primarily due to rationalization measures, improvements in operational efficiency and starting to print the *San Francisco Chronicle*.

However, the difficult market conditions had a negative impact on third quarter revenues compared to the third quarter of fiscal 2008. The recession is still affecting a number of our business segments, specifically our direct mail operations and, to a lesser extent, our marketing products printing, magazine publishing, and magazine, book and catalogue printing. Excluding the paper and exchange rate effects, the decline in revenues from these operations accounts for most of the decrease in consolidated revenues in the third quarter of fiscal 2009 compared to the third quarter of fiscal 2008. However, we have benefited from the diversification in our activities since, despite the recession, our distribution and educational book publishing operations generated higher revenues than in the same quarter in 2008. In addition, given that a significant portion of our customer base is in industries that are less affected by economic cycles, such as the food and drug store segments, our revenues have decreased much less than peer average.

Given our effective response to the economic situation, the rationalization measures announced early in the year have had a significant impact on our fiscal 2009 third quarter income. However, our direct mail operations in the United States are still being hit hard due to the problems in the financial institution sector, which accounts for a major part of our revenues. Excluding the exchange rate and paper effects, revenues from direct mail operations in the United States were down 59% compared to the third quarter of fiscal 2008. Nonetheless, our rationalization measures enabled us to generate positive cash flows despite this major decline in revenues. We currently estimate that, on a consolidated basis, we have generated cost savings of more than \$75 million for fiscal 2009 and will generate more than \$100 million on an annualized basis once all the measures have been implemented.

That being said, despite the continued third-quarter impact of the North American financial crisis, we successfully refinanced credit facilities of \$125.3 million with members of our bank syndicate and arranged a supplemental credit facility of \$24.7 million with Export Development Canada (EDC). We also arranged a \$100 million five-year term loan with the Caisse de dépôt et placement du Québec (CDPQ) and signed a five-year term loan of \$50 million with the Société générale de financement du Québec (SGF). In addition, late in the third quarter, we finalized an additional six-year loan of €55.6 million (\$85.7 million) with the European bank HypoVereinsbank.

Also, the Corporation has decided that, from now on, it will use the net indebtedness (including usage of the securitization program) to adjusted operating income before amortization as its main indicator of financial leverage. In addition, the Corporation sets as an objective to maintain this ratio within a target range of 2.00 to 2.50 and expects reaching it before the end of fiscal 2011. As at July 31, 2009, the ratio was 3.18.

HIGHLIGHTS OF THE THIRD QUARTER OF FISCAL 2009

- In the third quarter of fiscal 2009, we generated revenues of \$533.1 million compared to \$584.9 million in the third quarter 2008. The decrease in revenues stems mainly from the North American recession, which has reduced sales volume in our direct mail operations in the United States and in our printing operations. To a lesser extent, to deal with the economic situation, our customers have reduced their marketing and advertising budgets this year, which has in turn reduced our revenues from magazine publishing and our print revenues from the printing of marketing products, magazines, books and catalogues. This decrease was limited by the contribution from our new marketing communications services, by the growth in our distribution and educational book publishing activities, by the positive paper effect and by the positive impact of the depreciation of the Canadian dollar versus the U.S. dollar.
- We continued to implement our announced rationalization measures to adapt our direct mail operations in the United States and our marketing products printing to the market conditions. Once the rationalization plan has

been fully executed, we expect to reduce our costs for all of our business segments by more than \$100 million on an annualized basis, including more than \$75 million for fiscal 2009.

- In fiscal 2009, we consolidated some plants, ceased the publication of some print titles and eliminated almost all of the announced 1,750 jobs. In the first nine months of the fiscal year, these initiatives reduced costs by about \$50 million.
- An amount of \$7.5 million before tax (\$5.9 million after tax) was charged to third quarter income as impairment of assets and restructuring costs in fiscal 2009 with respect to cost savings programs announced in November 2008 and February 2009.
- In the third quarter of fiscal 2009, adjusted operating income increased 6.2% to \$53.4 million, compared to \$50.3 million in the third quarter of fiscal 2008. Furthermore, the adjusted operating income margin rose to 10.0% in the third quarter of fiscal 2009, versus 8.6% in the third quarter of fiscal 2008. These increases stem primarily from implementation of the rationalization measures and improvements in operational efficiencies.
- Net income decreased from \$29.9 million in the third quarter of fiscal 2008 to \$25.3 million in the third quarter of fiscal 2009, primarily due to an unfavourable variation in unusual items related mainly to impairment of assets, restructuring costs and financial expenses, partially offset by the increase in adjusted operating income and reduction in income taxes. On a per-common-share basis, net income decreased from \$0.37\$ in the third quarter of fiscal 2008 to \$0.31 in the third quarter of fiscal 2009.
- Adjusted net income, which does not take into account impairment of assets and restructuring costs, increased \$1.3 million, or 4.3%, from \$29.9 million in the third quarter of fiscal 2008 to \$31.2 million in the third quarter of fiscal 2009. On a per-common-share basis, it increased \$0.02, from \$0.37 to \$0.39.
- Several financing and refinancing arrangements were finalized during the quarter: we renewed credit facilities of \$125.3 million for one year with members of our bank syndicate and arranged a supplemental credit facility of \$24.7 million with Export Development Canada (EDC). We also obtained financing of \$100 million with the Caisse de dépôt et placement du Québec (CDPQ), along with additional financing of \$50 million with the Société générale de financement (SGF). In addition, late in the third quarter, we finalized additional financing of €55.6 million (\$85.7 million) with the European bank HypoVereinsbank
- On July 6, 2009, we officially began printing the *San Francisco Chronicle* daily paper at our new plant in Fremont, California under an exclusive 15-year contract signed with Hearst Corporation in 2006.
- Maintained our quarterly dividend at \$0.08 per share.
- As at July 31, 2009, the net indebtedness (including usage of the securitization program) to adjusted operating income before amortization ratio was 3.18 (3.38 as at April 30, 2009) and the a net indebtedness to total capitalization ratio was 49%, in the high end of our target range for this second ratio.

TRANSCONTINENTAL PROFILE

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

Transcontinental (TSX: TCL.A, TCL.B) has close to 13,000 employees in Canada, the United States and Mexico, and reported revenues of C\$2.4 billion in 2008.

STRATEGY

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

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

A Two-Pronged Strategy

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

1) Build on our existing business

Throughout our history we have built a solid foundation for future growth. We have core assets that can help us grow new services: we master print-based communication products, we have strong brands and the ability to distribute relevant content with targeted multi-channel reach and we are moving towards becoming a customer centric organization, serving advertisers as well as end-consumers. Below is a list of our selected accomplishments in fiscal 2009:

- On July 6, 2009 we started printing the *San Francisco Chronicle* under a 15-year contract signed in 2006 with Hearst Corporation. The project was completed on schedule and the startup was a success.
- In December, 2008, we signed a second six-year contract with Rogers Communications for the production of its marketing products.
- We continued to make capital investments in major projects we previously announced, namely the *San Francisco Chronicle* project, the *Globe and Mail* project and the Transcontinental Transmag project.
- The free mobile applications that we launched in September 2008 for the popular magazine *The Hockey News* have been a resounding success. The Hockey News Mobile has become a must-have companion for more than 280,000 hockey fans, who can download timely hockey scores and rich content onto their iPhone or BlackBerry. To a lesser degree, mobile apps have also been introduced for *Elle Canada*, *Canadian Living*, *Les Affaires*, *Finances et Investissement* and *Investment Executive*, and the number of downloads is growing.
- We received triple chain of custody certification in 40 of our facilities in Canada and the United States. This certification designates that the process by which paper is made promotes sustainable forest management standards. Transcontinental has been certified by the Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) and Programme for the Endorsement of Forest Certification (PEFC).

In sum, our existing business is solid and generates considerable cash flow from operations. We strongly believe we can grow above the industry average given the credibility we have built in the marketplace over the years combined with

our strong competitive position and healthy balance sheet.

2) Develop new opportunities in marketing communications

Transcontinental derives the majority of its revenues from the marketing budgets of its customers. Traditionally, we have been focused on the campaign execution portion of the marketing services value chain. In the future, our expertise will increasingly expand across the marketing services value chain. As a result, in addition to building on our existing business, we are developing new opportunities focused on new platforms, one-to-one advertising and an integrated service offering. Below is a list of our selected accomplishments in fiscal 2009:

- Signed a number of major clients who will benefit from our marketing communication services. While this new business comes from a wide range of industries, the new contracts all follow a common thread: they focus on Transcontinental's ability to provide marketers with a comprehensive set of solutions that are developed to address customers' diverse business needs and expand their marketing mix. Selected customers include Shoppers Drug Mart, Zellers and Purolator Courier.
- Acquired Conversys Inc., the leading Canadian Print-to-Web provider that specializes in the seamless transformation of print marketing materials such as flyers and catalogues into rich, interactive Web content that is user-friendly and brand-consistent across multiple channels. The acquisition complements Transcontinental's existing print and interactive communications offering to major retailers. Conversys's multi-channel marketing services enable businesses to increase sales and more effectively interact with their customers.
- Acquired Redwood Custom Communications, a North American leader in custom communications headquartered in Toronto. Redwood is a full service marketing and communications company and creates turn-key custom publishing and branded content solutions for both print and digital platforms. Redwood's offering also includes data sciences, research and measurement, database marketing, variable printing, photo studio and premedia tools. This makes it an attractive complement to the services offered by Transcontinental's newly created Marketing Communications Sector, such as database analytics, premedia, email marketing, one-to-one marketing and the printing of marketing products.
- Invested approximately \$6.0 million in strategic investments in our Media sector, mainly related to our digital assets.
- Our recently formed Marketing Communications Sector won a total of 25 medals at the Magnus Opus Awards and seven awards at the 2008 Pearl Awards, two North American competitions which recognize excellence in content, design, digital and strategy in custom publishing.

In sum, we are continuing and ramping up our new integrated service offering for advertisers. We believe the combination of the solid foundation we have built over the years with our existing business coupled with our niche-based strategy and the opportunities that these new trends present puts us in a strong competitive position to leverage opportunities in the long term. In fact, we believe we can grow these new services at a faster pace than our traditional business.

Notwithstanding this, some challenges will have to be dealt with so that we can maximize the growth of these new services. We must continue to combine a manufacturing focus and a more marketing focus, to become increasingly integrated in our selling process and finally, to change the market's tendency to consider us only in our role as printer and publisher.

While the current economic environment is somewhat tempering the growth of these new services, we have succeeded in winning many new contracts, which speaks to the relevance of our strategy and the transformation we are currently making in our selling process so that we present a more complete service offering to our customers.

For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

New Structure

To support our growth strategy, we have made adjustments to our operating structure. Our new structure comprises three sectors and has been effective since November 1, 2008.

The Media Sector consists of our magazine, newspaper and book publishing activities, our distribution activities and more than 120 websites. The core competency of the Media Sector is creating top-quality content and deploying it on multiple platforms. Its four groups have been refocused to reflect two of the priority growth areas: our offering of content and solutions for Canadian women; and our offering for local communities, which now incorporates our newspaper publishing and distribution activities.

The Printing Sector consists of our services to publishers of newspapers, books and magazines, our Mexican operations, our direct mail activities and our service offering for retailers. Its core competency is manufacturing excellence. It will have a dual challenge: to develop a print offering that is integrated and tailored to publishers – one of our priority areas of growth – as well as retailers; and to continue to improve efficiency and reduce costs.

The Marketing Communications Sector consists of our data analysis, premedia, online direct marketing, one-to-one marketing, custom communications, e-flyers as well as our printing and fulfillment of marketing products. Its core competency is knowledge of the latest trends in marketing and the new platforms for reaching consumers. The challenge for this team will be to develop an integrated offer in marketing communications services, one of our four priority areas of growth.

Major Rationalization Measures

On February 18, 2009, we announced major rationalization measures in order to maintain our solid financial position and to address the severe slowdown in demand for certain of our products and services, particularly in our direct mail activities in the U.S., and the printing of marketing products, magazines, books and catalogues, as well as magazine publishing. Below is a summary of what has been accomplished to date:

- Almost all of the announced job cuts have now been made. More than half the jobs eliminated were in the United States.
- We ceased the publication of a few print titles, consolidated five printing plants and sold two plants. We are reviewing other non-performing titles and are evaluating our overall print production capacity for further synergies.
- Other extraordinary initiatives have been initiated including a hiring freeze, unpaid leaves and reduced work weeks among others. The Corporation's senior managers have decided to take two weeks of unpaid leave but to work throughout that period which represents a salary decrease of 4%, the Executive Chairman of the Board and the President and Chief Executive Officer have reduced their salary by 10% and Board members have agreed to freeze their annual fees.
- Other measures have been implemented throughout Canada, the United States and Mexico.

In the third quarter, we implemented most of our announced rationalization measures. As a result, total restructuring costs for this plan are, to date, in line with our expectations. While this rationalization plan comes at a significant cost, when completed, it will protect the Corporation's financial health.

Total costs related to this plan are expected to be \$94.4 million before tax. For fiscal 2009, costs are expected to reach \$71.6 million before tax, of which \$26.4 million is non-cash as the table below demonstrates.

RESTRUCTURING COSTS							
(in millions of dollars)	2008	Q1-09	Q2-09	Q3-09	Balance 2009	Total 2009	Total Plan
Severances	7.7	2.6	14.4	7.2	2.1	26.3	34.0
Other costs	0.0	9.9	4.7	1.1	3.2	18.9	18.9
Total cash costs	7.7	12.5	19.1	8.3	5.3	45.2	52.9
Impairment of assets (non cash)	15.1	18.8	8.4	-0.8	0.0	26.4	41.5
Total costs	22.8	31.3	27.5	7.5	5.3	71.6	94.4

ENVIRONMENT

We recognize the critical nature of environmental issues, and take extensive precautions to protect our natural world. Transcontinental is not a major contributor to Greenhouse Gases (GHG). But that does not mean that we are not concerned about the impact of our activities on air quality. Striving everyday to improve our environmental performance, our company-wide environmental policies and procedures are founded on three main guiding principles: (1) protect the environment for present and future generations, (2) reduce risks and improve efficiencies, and (3) introduce improved technology and processes. The following describes our environmental policies and examples of how we are implementing them.

Policies

Paper Purchasing Policy- Transcontinental promotes the use of environmentally preferable papers. With respect to fibre sourcing, Transcontinental promotes the use of papers with maximized post-consumer and de-inked recycled fibre and also encourages the use of papers made with post-consumer recovered fibre or alternative fibres in preference to virgin wood fibre. Where virgin wood fibre is required, preference will be given to forest fibre from sustainable forests, certified by a recognized organization, avoiding fibre from high conservation value forests where those values are not protected. Other papers may also be promoted where it can be shown that there is an overall environmental advantage, in keeping with the principles of sustainable development.

- *Compliance to Applicable Legal Requirements-* Transcontinental complies in all material respects with applicable environmental laws, including federal, provincial/state and municipal/local laws.
- *Environment Protection*
 - *Product Stewardship-* Transcontinental recognizes that it shares in the responsibility for the environmental impact of the products it produces. Therefore, we cooperate with other public and private bodies to develop systems for the recovery, re-use and recycling of the company's products.
 - *Eco-Efficiency-* We strive to improve our products and processes so as to progressively reduce routine discharges of contaminants and to use resources efficiently.

- Climate Change and Energy Use- Transcontinental recognizes the dual challenge of climate change and energy supply security. Therefore, we maximize the efficiency of our operations and encourage a transition to low carbon fuels and renewable energy.
- Waste Management- Transcontinental strives to reduce its waste and to re-use and recycle materials. We strive to minimize the generation of hazardous waste.
- Risk Management- Transcontinental strives to avoid accidental discharges of contaminants into the environment and prepares emergency plans so that it can diligently contain and clean up any potential environmental incidents. We evaluate environmental risks prior to acquiring properties or businesses, and prior to changing or undertaking major new activities.
- Supply Chain Improvement- We encourage our suppliers to adopt environmental practices consistent with this policy.
- *Monitoring and Reporting*- We monitor our performance in carrying out this policy.
- *Communication*- Transcontinental fosters openness and dialogue with all stakeholders, including employees, regulators, neighbours, shareholders, suppliers, customers and the public, concerning the environmental impacts of Transcontinental activities, and will be responsive to their legitimate concerns.
- *Continuous Improvement*- Transcontinental strives to continuously improve its environmental performance.

Certification and Implementation

- We received triple chain of custody certification in 40 of our facilities in Canada and the United States. This certification designates that the process by which paper is made promotes sustainable forest management standards. Transcontinental has been certified by the Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) and Programme for the Endorsement of Forest Certification (PEFC).
- In 2007, Transcontinental adopted a forward-looking Paper Purchasing Policy which goes well beyond existing standards and certifications. Since then, managers have taken steps to make our suppliers and customers more aware of it and to help them move forward with us. The Corporation is proud to announce the concrete and auditable results of our day-to-day efforts: use of "Gold" and "Gold Plus" ranked papers, which meet the highest standards of sustainable forest management, doubled for the first nine months of fiscal 2009.
- We have developed a Classification of Environmental Papers and supporting documentation that will guide the implementation of the Paper Purchasing Policy. The Classification of Environmental Papers can be found on our internet site at www.transcontinental.com.
- Transcontinental started to use an Environmental Products Inc. (EPI) certified biodegradable plastic bag for its Ad-Bag (Publisac), a well-known tool used to distribute marketing material door-to-door to households in Quebec and eastern Ontario. The plastic is engineered to degrade and totally fragment in 90 to 120 days and to biodegrade in a further 12 to 24 months after disposal.

- For the fourth year in a row, we are supporting the Carbon Disclosure Project (CDP) to reduce the production of CO₂. Transcontinental's support for the CDP reinforces its position on the environment, while demonstrating its commitment to continually finding new ways to help preserve the planet.
- At the beginning of fiscal 2009 we put in place an Energy Policy whose goal is to reduce energy consumption across the Corporation.
- Our new plant in Fremont, California is one of the first printing plants to be built to meet the Leadership in Energy and Environmental Design (LEED) standards in the United States.
- Numerous other smaller initiatives are conducted across the Corporation every day from promoting the use of public transit to eliminating Styrofoam cups, to initiating car pools.

Selected financial data Unaudited

(in millions of dollars, except per share data)	Three months ended July 31			Nine months ended July 31		
	2009	2008 ⁽¹⁾	Change in %	2009	2008 ⁽¹⁾	Change in %
Operations						
Revenues	\$ 533.1	\$ 584.9	-9%	\$ 1,700.6	\$ 1,776.0	-4%
Adjusted operating income before amortization ^{(2) (3)}	86.2	81.8	5%	225.0	253.2	-11%
Operating income (loss)	45.9	50.2	-9%	(109.8)	153.3	-172%
Adjusted operating income ^{(2) (4)}	53.4	50.3	6%	125.8	157.7	-20%
Net income (loss)	25.3	29.9	-15%	(125.4)	100.9	-224%
Adjusted net income ^{(2) (5)}	31.2	29.9	4%	76.5	92.4	-17%
Cash flow from operating activities before changes in non-cash operating items ⁽²⁾	54.0	75.1	-28%	148.7	219.3	-32%
Cash flow related to operating activities	8.4	77.1	-89%	(4.0)	131.6	-103%
Investments						
Acquisitions of property, plant and equipment	61.4	62.0	-1%	224.3	153.5	46%
Business acquisitions ⁽⁶⁾	0.7	5.4	-87%	13.7	22.3	-39%
Financial condition						
Total assets				2,479.3	2,510.3	-1%
Net indebtedness ^{(2) (7)}				929.2	641.8	45%
Shareholders' equity				983.0	1,215.1	-19%
Net indebtedness ^{(2) (7)} (including usage of the securitization program) / adjusted operating income before amortization ^{(2) (3)} (Last 12 months)				3.18	2.46	
Net indebtedness / Total capitalization				49%	35%	
Per share data (basic)						
Net income (loss)	\$ 0.31	\$ 0.37	-16%	\$ (1.55)	\$ 1.23	-226%
Adjusted net income ^{(2) (5)}	0.39	0.37	5%	0.95	1.13	-16%
Cash flow from operating activities before changes in non-cash operating items ⁽²⁾	0.67	0.93	-28%	1.84	2.67	-31%
Cash flow related to operating activities	0.10	0.95	-89%	(0.05)	1.60	-103%
Dividends on shares	0.08	0.08	0%	0.24	0.23	4%
Shareholders' equity				12.17	15.04	-19%
Average number of shares outstanding (in millions)	80.8	80.8		80.8	82.0	
Number of shares at end of period (in millions)	80.8	80.8		80.8	80.8	

⁽¹⁾ Balance sheet items as at July 31, 2008 were adjusted (See Note 2 in the consolidated financial statements).

⁽²⁾ Please refer to the section "Reconciliation of Non-GAAP Financial Measures" on page 22 in this Management's Discussion and Analysis.

⁽³⁾ Adjusted operating income before amortization refers to operating income before amortization, impairment of assets, restructuring costs and impairment of goodwill and intangible assets.

⁽⁴⁾ Adjusted operating income refers to operating income before impairment of assets, restructuring costs and impairment of goodwill and intangible assets.

⁽⁵⁾ Adjusted net income refers to net income before impairment of assets, restructuring costs and impairment of goodwill and intangible assets, net of income adjustments to income taxes

⁽⁶⁾ Total consideration in cash or otherwise for businesses acquired through the purchase of shares or assets.

⁽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 THIRD QUARTER 2009 OPERATING RESULTS

Analysis of Main Variances - Sector Results For the Third Quarter Ended July 31, 2009 (unaudited)

(in millions of dollars)	Revenues	%	Adjusted operating income ⁽¹⁾	%	Net income	%
Results - Third Quarter 2008	\$ 584.9		\$ 50.3		\$ 29.9	
Acquisitions/Divestitures/Closures	11.9	2.0 %	(0.7)	(1.4) %	(1.0)	(3.3) %
Existing operations						
Paper effect	3.8	0.6 %	0.4	0.8 %	0.3	1.0 %
Exchange rate effect	12.6	2.2 %	3.1	6.2 %	1.5	5.0 %
Impairment of assets and restructuring costs	-	-	-	-	(5.9)	(19.7) %
Organic growth (negative)	(80.1)	(13.7) %	0.3	0.6 %	0.5	1.7 %
Results - Third Quarter 2009	\$ 533.1	(8.9) %	\$ 53.4	6.2 %	\$ 25.3	(15.4) %

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

As shown in the above table, a number of factors contributed to the variation between results in the third quarter of fiscal 2009 and the third quarter of fiscal 2008.

- The acquisitions of Rastar Inc., Redwood Custom Communications and Conversys Inc., as well as small but strategic acquisitions, net of divestitures and closures, added \$11.9 million to revenues and reduced adjusted operating income by \$0.7 million. The net negative effect of these acquisitions is primarily due to significant reductions in the marketing budgets of our principal customers, and by investments to support future growth. Net of divestitures and closures, financing expense and income taxes, the negative impact on net income was \$1.0 million.
- The paper effect had a \$3.8 million positive 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. For the Media sector, the variation in the price of paper had a positive impact of \$0.4 million on adjusted operating income and \$0.3 million on net income.
- The variations in the exchange rate between the Canadian dollar and its U.S. and Mexican counterparts had a significant positive impact on the third quarter of fiscal 2009 results, causing a \$12.6 million increase in revenues and a \$3.1 million increase in adjusted operating income. It is important to note that the variation in average spot exchange rates in the third quarter of fiscal 2009 versus the third quarter of fiscal 2008 was 14.7% for the CAD/USD and 10.3% for the CAD/MXP. With respect to revenues, conversion of sales by U.S. and Mexican units had a positive impact of \$5.5 million. For export sales from Canadian plants, net of the currency hedging program, the positive impact was \$7.1 million. The conversion of results for the U.S. and Mexican units had a negative impact of \$1.6 million on adjusted operating income. The positive impact of export sales, net of the currency hedging program and purchases in U.S. dollars, was \$5.2 million on adjusted operating income. Finally, the negative impact of the conversion of balance sheet items related to the operation of Canadian units denominated in foreign currency was \$0.5 million on adjusted operating income. Taking into consideration financial expenses and income taxes denominated in foreign currencies, the net positive effect was \$1.5 million, representing a 5.0% positive variation on net income.

- Revenues in our base business were down \$80.1 million, or 13.7% in the third quarter 2009. This decrease is largely due to the ongoing impact of the financial crisis on our direct mail operations in the United States, where almost 50% of the decrease originates. The recession in Canada mainly affected the printing of marketing products, and magazines, books and catalogues, as well as our magazine publishing activities. The recession also affected our newspaper printing and publishing operations, but to a lesser degree, as they benefited from the positive impacts of the successful startup of the *San Francisco Chronicle*. The decreases in these businesses were offset by the remarkable growth in educational book publishing and the introduction of multi-channel offers. In effect, our revenues have decreased less than the peer average given our niche strategy, the diversification of our customer base and the fact that a good portion of our business is under long term contracts.
- Positive growth in adjusted operating income, which amounted to \$0.3 million, or 0.6% in the third quarter 2009, is mainly due to the cost savings achieved through our rationalization plan and the excellent performance of the educational book publishing business. The rationalization measures were a major factor in reducing our cost structure and improving our operational efficiency and management of production capacity. The increase was, however, partially offset by the decreased sales in our direct mail business in the United States, and in our marketing product printing, our magazine, book and catalogue printing, and our magazine publishing activities.

Amortization

Amortization expense increased by \$1.3 million, or 4.1%, in the third quarter of fiscal 2009, to \$32.8 million, compared to \$31.5 million in the third quarter of fiscal 2008. This increase results mostly from acquisitions, the exchange rate effect and recent capital investments, partially offset by the capital asset write downs related to the rationalization measures.

Impairment of Assets and Restructuring Costs

In the third quarter of fiscal 2009, an amount of \$7.5 million before tax (\$5.9 million after tax) was accounted for separately in the consolidated statement of income as impairment of assets and restructuring costs. Details are as follows:

- Adjustment to the depreciation expense recorded in the third quarter, resulting in a gain of \$0.9 million (\$0.7 million after tax) essentially related to the sale of two of our printing plants, partially offset by a depreciation expense of \$0.1 million (\$0.1 million after tax).
- Restructuring costs of \$8.3 million before tax (\$6.5 million after tax) related to the consolidation of the direct mail activities in the U.S., announced during the fourth quarter of fiscal 2008, as well as the rationalization measures put in place following the deterioration of demand for the products and services of certain businesses, announced in February 2009.

Financial Expenses and Discount on Sale of Accounts Receivable

When combined, financial expenses and discount on sale of accounts receivable increased by \$2.6 million, or 29.2%, from \$8.9 million in the third quarter of fiscal 2008 to \$11.5 million in the third quarter of fiscal 2009. This increase is mainly due to the increase in net indebtedness related to the purchase of property, plant and equipment, and business acquisitions combined with the exchange rate effect, partially offset by the decrease in interest rates.

Income Taxes

Income taxes decreased by \$3.1 million, from \$12.1 million in the third quarter of fiscal 2008 to a \$9.0 million in the third quarter of fiscal 2009. Excluding income taxes on impairment of assets and restructuring costs, the income taxes would have been \$10.6 million with an income tax rate of 25.2% as compared to \$12.1 million and 29.3% in the third quarter of fiscal 2008. This decrease is mainly due to variations in the geographic distribution of pre-tax earnings and various other factors.

Net Income

Net income decreased from \$29.9 million in the third quarter of fiscal 2008 to \$25.3 million in the third quarter of fiscal 2009. This decrease is primarily due to an unfavourable variation in unusual items related mainly to impairment of assets, restructuring costs and financial expenses, partially offset by the reduction in income taxes. On a per-common-share basis, it decreased from \$0.37 to \$0.31.

Adjusted net income, excluding impairment of assets and restructuring costs, increased \$1.3 million, or 4.3%, from \$29.9 million in the third quarter of fiscal 2008 to \$31.2 million in the third quarter of fiscal 2009. On a per-common-share basis, it increased \$0.02, from \$0.37 to \$0.39.

Excluding the positive exchange rate effect in the third quarter of fiscal 2009, adjusted earnings-per-share would have been \$0.37, the same as in the third quarter of fiscal 2008.

REVIEW OF OPERATING SECTORS FOR THE THIRD QUARTER 2009

Analysis of Main Variances – Sector Results For the third quarter ended July 31, 2009 (unaudited)

(in millions of dollars)	Printing Sector	Marketing Communications Sector	Media Sector	Inter-segment and Other Results	Consolidated Results
Revenues - for the Third Quarter 2008	\$ 368.2	\$ 79.2	\$ 157.9	\$ (20.4)	\$ 584.9
Acquisitions/Divestitures/Closures	(4.8)	16.4	0.3	-	11.9
Existing operations					
Paper effect	4.5	(0.7)	-	-	3.8
Exchange rate effect	12.2	0.4	-	-	12.6
Organic growth (negative)	(63.3)	(11.8)	(6.3)	1.3	(80.1)
Revenues - for the Third Quarter 2009	\$ 316.8	\$ 83.5	\$ 151.9	\$ (19.1)	\$ 533.1
Adjusted operating income (1)					
- for the Third Quarter 2008	\$ 30.9	\$ (0.8)	\$ 29.1	\$ (8.9)	\$ 50.3
Acquisitions/Divestitures/Closures	0.6	(1.3)	-	-	(0.7)
Existing operations					
Paper effect	-	-	0.4	-	0.4
Exchange rate effect	4.8	(1.7)	-	-	3.1
Organic growth (negative)	(2.6)	(1.6)	(0.1)	4.6	0.3
Adjusted operating income (1)					
- for the Third Quarter 2009	\$ 33.7	\$ (5.4)	\$ 29.4	\$ (4.3)	\$ 53.4

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

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 third quarter ended July 31, 2009. Management believes that adjusted operating income 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 the third quarter of fiscal 2008 segmented results have been reclassified to reflect the new operating structure:

- Printing Sector: includes the Magazine, Book and Catalogue Group (merge of the Magazine and Catalogue Group and the Book Group), the Mexico Group, the Newspaper Group (Print), the Retail Group and the Direct Mail Group.
- Marketing Communications Sector: comprises the Business Intelligence and Analytics Group, from merging the direct marketing, one-to-one marketing and data analytics activities, the Content Solutions Group, which unites the customer communications, premedia and e-flyer operations, and the Execution and Delivery Group, which comprises marketing products printing, online direct marketing and fulfillment activities.
- Media Sector: comprises the Business and Consumer Solutions Group (from merging the Consumer Solutions Group and the Business Solutions and Book Publishing Group), the Local Solutions Group (from merging the Newspaper Group [Media] and the Distribution Group), the New Media and Digital Solutions Group, as well as the Educational Book Publishing Group.

Printing Sector

Printing sector revenues decreased from \$368.2 million in the third quarter of fiscal 2008 to \$316.8 million in the third quarter of fiscal 2009, down \$51.4 million, or 14.0%. Excluding the paper effect, the exchange rate as well as acquisitions, divestitures and closures, revenues were down \$63.3 million, or 17.2%. However, the decrease is less than the peer average for the third quarter. Note also that despite the fact that our direct mail operations in the United States are still being hard hit by the economic crisis, we have maintained our market share. Lower direct mail revenues in the United States alone account for close to 60% of the total decrease in third-quarter revenues in the Printing sector. The decrease stems from our business with U.S. financial institutions, which in response to the financial crisis have continued to postpone or cancel their direct mail campaigns, and to the market as a whole, which tends to opt for simplified direct mail tools. Our decision to make quick adjustments to our cost structure also enabled our direct mail operations in the United States to maintain positive cash flows and increased their ability to compete.

Our other printing operations were also affected by the current North American recession, but the negative impact was not as pronounced. In the Magazine, Book and Catalogue Group, the decreases in page counts and magazine circulation, as well as the slowdown in the export of educational books and catalogues to the United States, were partially offset by the contract to print Rogers' magazines. The Newspaper Group was also affected by lower page counts and circulation. Furthermore, in July, *La Presse* ceased publication of its Sunday edition. At the same time, the Newspaper Group benefited from the first positive impacts of starting to print the *San Francisco Chronicle* at our brand-new plant in Fremont, California in July. With respect to the Retail Group, more than 40% of the decrease in its revenues stems from the May 2009 divestiture of its Ohio plant to produce flyers for regional merchants, which was sold following a review of the Corporation's business objectives in that region. The remainder of the decrease in revenues in the Retail Group is due to the scaling back of the marketing programs of some of its main customers. Finally, despite the fact that one of its major retail customers scaled back its business, the Mexico Group held its own with revenues that were similar to last year, despite the difficult economic situation. Were it not for the customer's scale-back, Mexico Group revenues from base operations would have grown significantly in the third quarter.

Adjusted operating income grew \$2.8 million, or 9.1%, from \$30.9 million in the third quarter of fiscal 2008 to \$33.7 million in the third quarter of fiscal 2009. The positive exchange rate effect of \$4.8 million was partially offset by a \$2.6 million decrease in revenues from our base business. The decrease in adjusted operating income was limited to 8.4%, while revenues decreased 17.2%. The smaller decrease in adjusted operating income stems primarily from the rationalization measures implemented early in the year, whose positive benefits were mostly realized in the third quarter. These measures were largely responsible for reducing our cost structure and improving operational efficiencies, as well as management of production capacity. Overall the adjusted operating income margin grew 2.2%, from 8.4% in the third quarter 2008 to 10.6% in the third quarter 2009.

Several major projects were planned, optimized and executed in the third quarter :

- *San Francisco Chronicle* project (investment of US\$230 million for outsourced newspaper printing): Print production started as planned in July 2009. Successful start-up.
- Transmag project (investment of \$60 million for community newspapers): we already print most of the newspapers on new presses; the new presses will be fully run-in in the fourth quarter.
- *The Globe and Mail* project (expected investment of \$175 million for outsourced newspaper printing): the project is on schedule and production should start in late 2010.

For the final quarter of fiscal 2009, the Printing Sector will continue to focus on implementing its rationalization measures in order to consolidate the competitive position afforded by the reduction in its cost structure, the improvement in its operational efficiency and optimal management of its production capacity.

The sector will also continue to work to attract new customers and successfully execute the above-mentioned manufacturing projects. More specifically, the Direct Mail Group will focus on protecting its assets and increasing market share. Having said this, the market remains volatile and unpredictable. The Magazine, Book and Catalogue Group will continue to benefit from the new Rogers contract but we expect it to also continue to be affected by the reduction in page count and circulation in magazines stemming from the decrease in national advertising, the reduction in marketing budgets for catalogues and a soft market for trade and religious books. For its part, in addition to benefiting from the full impact of the start-up of the *San Francisco Chronicle*, with production beginning in July 2009, the Newspaper Group will also profit from the Transmag facilities. However, we expect it to continue to be affected by the reduction in page count and circulation from newspapers and it has begun to feel the effects of the non-publication of the Sunday issue of *La Presse*. The Newspaper Group will focus on the planning and execution of *The Globe and Mail* project. The Retail Group will continue to benefit from cross selling activities and its operational efficiency. In addition to focusing on a project to develop the magazine market, the Mexico Group should hold its own in its market environment. Finally, we expect that our plants will be busier in the fourth quarter of fiscal 2009

Marketing Communications Sector

Revenues in the Marketing Communications Sector increased from \$79.2 million in the third quarter of fiscal 2008 to \$83.5 million in the third quarter of fiscal 2009, up \$4.3 million, or 5.4%. Acquisitions (Rastar, Redwood Custom Communications and Conversys) added \$16.4 million to revenues. Excluding acquisitions, and paper and exchange rate effects, revenues decreased \$11.8 million, or 14.9%. Organic growth generated by new marketing communication services was more than offset by the decrease in volume from the deterioration in the marketing products printing market. This decline was partially counterbalanced by the new contract to print Rogers' marketing products. Despite the difficult economic situation, we have retained our market share and continued to develop our one-to-one marketing activities to help companies reach their customers more effectively.

We are counting on our rationalization and integration programs to limit the impact of these market conditions on our operations.

The adjusted operating loss increased by \$4.6 million, from \$0.8 million in the third quarter of fiscal 2008 to \$5.4 million in the third quarter of fiscal 2009. Excluding the effect of acquisitions, disposals, closings, paper and exchange rate, the increase is \$1.6 million due to downward pricing pressures caused by excess production capacity and reductions in customer marketing budgets that slowed demand for our marketing products; these factors more than offset the cost reductions achieved through the rationalization plan and organic growth in our new marketing communications services.

In the third quarter, our recent acquisitions stood out with their digital and mobile marketing projects for major customers such as Home Depot, Loblaw's, Aeroplan and Holt Renfrew. The Marketing Communications Sector is branding itself as an ally who can fulfill their business requirements and enhance their line of marketing products by offering a comprehensive set of solutions.

For the remainder of the fiscal year, the Marketing Communications Sector will concentrate on its rationalization measures, primarily in its marketing products printing operations, and on expanding its new marketing communications services. We expect marketing products printing will continue to be affected until market conditions improve. The Execution and Distribution Group will thus focus its efforts on exploring new ways to improve its ability to compete in the current market and transform its offer so that it can propose more personalized marketing products. The Content Solutions Group and the Business Intelligence and Analytics Group will strive to develop integrated product offerings that are aligned with new industry trends and meet customer expectations. Despite the fact that our marketing communications services have all been affected by the current recession, our new communications services are highly promising and should continue to grow once the economy shows signs of recovery.

Media Sector

Revenues in the Media sector went from \$157.9 million in the third quarter of fiscal 2008 to \$151.9 million in the third quarter of fiscal 2009, a decrease of \$6.0 million, or 3.8%. Small but strategic acquisitions completed in 2008, net of divestitures and closures, had a positive impact of \$0.3 million on revenues. Excluding acquisitions, revenues decreased \$6.3 million, or 4.0%.

Organic growth in our educational book publishing and distribution activities was positive in the third quarter. However, the reduction in national advertising in consumer and business magazine publishing activities, and in local advertising from community newspapers had a negative impact, which is why third-quarter revenues for this sector were down from the corresponding quarter a year ago. Although they are currently on a smaller scale, revenues from integrated sales and initiatives in digital media were up over the third quarter of fiscal 2008.

We are still implementing our rationalization measures and in the third quarter we reduced our cost structure. We are also looking at ceasing the publication of other non-performing print titles.

Adjusted operating income was up slightly by \$0.3 million, or 1%, from \$29.1 million in the third quarter of fiscal 2008 to \$29.4 million in the third quarter of fiscal 2009. Despite the decrease in revenues, we were able to adjust our cost structure. Organic growth generated by our educational book publishing and distribution, combined with cost savings obtained through the above-mentioned rationalization plan, compensated for the lower revenues from consumer magazines, business magazines and community newspapers, as well as the strategic investments in digital initiatives. As a result, the adjusted operating income margin was up, from 18.4% in the third quarter of fiscal 2008 to 19.4% in the third quarter of fiscal 2009. The higher margin is due primarily to the paper effect and the rationalization measures.

In the third quarter, the Media Sector continued to expand and improve its digital offering thanks to a number of strategic investments and the development of new initiatives that emphasize growth in digital media. Efforts to improve integrated sales are also continuing, as we seek to provide customers with multiple platforms that meet their needs and do so with creativity and diversity. Despite lower advertising revenues, a number of publications have maintained and, in some cases, increased their market share.

In the final quarter of fiscal 2009, the Media Sector will focus on deploying rationalization measures, enhancing operational efficiency and expanding its digital offering. The efforts to commercialize new products like weblocal.ca will continue. Community newspapers should benefit from the contribution of small but strategic acquisitions and the deployment of online platforms that is currently underway. In addition, consumer and business magazines will continue to leverage their leading brands in the Canadian marketplace in a growing number of platforms, while benefiting from new products such as *Vita*. On the other hand, since the economy is not officially showing signs of recovery, national and local advertising will continue to suffer the negative effects of market weaknesses, especially in the automobile and financial services industries. Nonetheless, distribution operations should continue to forge ahead despite problems in the economy. Finally, the Educational Book Publishing Group should continue to do well, since it is currently stimulated by the educational reform in Québec.

Inter-Segment and Other Activities

Revenues of inter-segment and other activities went from a negative \$20.4 million in the third quarter of fiscal 2008 to a negative \$19.1 million in the third quarter of fiscal 2009. The variation is mainly attributable to an increase in other activities. Adjusted operating income went from a negative \$8.9 million in the third quarter of fiscal 2008 to a negative \$4.3 million in the third quarter of fiscal 2009 due mainly to a decrease in the pension plan costs and cost savings related to our rationalization plan.

DETAILED ANALYSIS OF NINE-MONTH PERIOD ENDED JULY 31, 2009 OPERATING RESULTS

Analysis of Main Variances – Consolidated Results For the Nine-Month Period Ended July 31, 2009 (unaudited)

(in millions of dollars)	Revenues	%	Adjusted operating income ⁽¹⁾	%	Net income	%
Results - Nine-month 2008	\$ 1,776.0		\$ 157.7		\$ 100.9	
Acquisitions/Divestitures/Closures	58.2	3.3 %	2.8	1.8 %	0.6	0.6 %
Existing operations						
Paper effect	30.1	1.7 %	(2.2)	(1.4) %	(1.6)	(1.6) %
Exchange rate	62.4	3.5 %	10.5	6.7 %	5.3	5.3 %
Impairment of assets and restructuring costs, impairment of goodwill and intangible assets and unusual adjustments to income taxes	-	-	-	-	(210.4)	(208.5) %
Organic growth (negative)	(226.1)	(12.7) %	(43.0)	(27.3) %	(20.2)	(20.0) %
Results - Nine-month 2009	\$ 1,700.6	(4.2) %	\$ 125.8	(20.2) %	\$ (125.4)	(224.3) %

⁽¹⁾ Adjusted operating income refers to operating income before impairment of assets and restructuring costs and impairment of goodwill and intangibles assets

As shown in the above table, a number of factors contributed to the variance between results for the first nine months of fiscal 2009 and the first nine months of fiscal 2008.

- The acquisitions of Rastar, Inc., Redwood Custom Communications, ThinData, Conversys as well as small but strategic acquisitions completed in 2008, net of divestitures and closures (notably *The Daily News* in Halifax and two of our plants), contributed \$58.2 million to revenues and \$2.8 million to adjusted operating income. Net of amortization, financing and income taxes, the contribution to net income was \$0.6 million.

- The paper effect had a \$30.1 million positive 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. For the Media sector, the variation in the price of paper had a negative impact of \$2.2 million on adjusted operating income and \$1.6 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 nine months of fiscal 2009, causing a \$62.4 million increase in revenues and a \$10.5 million increase in adjusted operating income. It is important to note that the variation in average spot exchange rates in the first nine months of fiscal 2009 versus the first nine months of fiscal 2008 was 21.6% for the CAD/USD and 4.9% for the CAD/MXP. With respect to revenues, conversion of sales by U.S. and Mexican units had a positive impact of approximately \$43.5 million. For export sales from Canadian plants, net of the currency hedging program, the positive impact was \$18.9 million. The negative impact of the conversion of results for the U.S. and Mexican units was \$0.5 million on adjusted operating income. The positive impact of export sales, net of the currency hedging program and purchases in U.S. dollars, was \$14.7 million on adjusted operating income. Finally, the negative impact of the conversion of balance sheet items related to the operation of Canadian units denominated in foreign currency was \$3.7 million on adjusted operating income. Taking into consideration amortization, financial expenses and income taxes denominated in foreign currencies, the net positive effect was \$5.3 million, representing a 5.3% positive variation on net income.
- The decrease in revenues of \$226.1 million or 12.7% in our base business for the first nine months of fiscal 2009 was primarily caused by the Printing sector and more specifically the Direct Mail Group and the Magazine, Book and Catalogue Group, as well as, to a lesser degree, the Marketing Products Group in the Marketing Communications Sector and the consumer and business magazines in the Media Sector. It is important to note that close to half of the total decrease stems from the Direct Mail Group in the U.S.

The decrease in adjusted operating income of \$43.0 million, or 27.3% in our base business for the first nine months of fiscal 2009 was primarily caused by the Printing sector with the Magazine, Book and Catalogue Group and the Direct Mail Group; followed by the Media sector with the consumer and business magazines; and finally the Marketing Communications sector with the Marketing Products Group.

Amortization

Amortization expense increased by \$3.7 million, or 3.9%, in the first nine months of fiscal 2009, to \$99.2 million compared to \$95.5 million in the first nine months of fiscal 2008. This increase results mostly from acquisitions and the exchange rate effect, partially offset by the capital asset write downs related to the rationalization measures.

Impairment of assets and restructuring costs

In the first nine months of fiscal 2009, an amount of \$66.3 million before tax, or \$47.1 million after tax, was accounted for separately in the consolidated statement of income as impairment of assets and restructuring costs. Details are as follows:

- Impairment of assets of \$26.4 million before tax (\$19.1 million after tax) related to machinery and equipment which was no longer required considering the lower level of activity in some units.

- Restructuring costs of \$39.9 million before tax (\$28.0 million after tax) related to the consolidation of the direct mail activities in the U.S., announced during the fourth quarter of fiscal 2008, as well as the rationalization measures put in place following the deterioration of demand for the products and services of certain businesses, announced in February 2009.

In the first nine months of fiscal 2008, an amount of \$4.4 million before tax, or \$3.0 million after tax, was accounted for separately in the consolidated statement of income as impairment of assets and restructuring costs. Of this amount, \$4.2 million relates to the closure of *The Daily News* in Halifax and \$0.2 million relates to the rationalization plan for our marketing operations initiated in 2007.

Impairment of goodwill and intangible assets

In the first nine months of fiscal 2009, an amount of \$169.3 million before tax (\$154.8 million after tax) was accounted for separately in the consolidated statement of income as impairment of goodwill and intangible assets. Of this amount \$166.5 million represents goodwill impairment in the Marketing Communications sector, mainly associated with our marketing products printing activities. The balance of \$2.8 million was charged to income as impairment of intangible assets relating to trade names in our Business and Consumer Solutions Group in our Media sector.

Financial expenses and discount on sale of accounts receivable

Combined, financial expenses and the discount on sale of accounts receivable increased \$1.0 million, or 3.4%, from \$29.7 million in the first nine months of fiscal 2008 to \$30.7 million in the first nine months of fiscal 2009. This increase, partially offset by lower interest rates, is mainly due to higher net indebtedness related to the purchase of property, plant and equipment and business acquisitions, as well as the exchange rate effect.

Income Taxes

Income taxes decreased by \$38.5 million, from \$23.1 million in the first nine months of fiscal 2008 to a recovery of \$15.4 million in the first nine months of fiscal 2009. Excluding income taxes on impairment of goodwill and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes, the income taxes would have been \$18.3 million with an income tax rate of 19.2% as compared to \$36.0 million and 28.1% in the first nine months of fiscal 2008. This decrease is mainly due to the change in the geographic distribution of pre-tax earnings and various other factors.

During the second quarter of fiscal 2008, the Corporation entered into an agreement with the tax authorities and settled its obligation regarding Bill 15 (Quebec) 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.

Net income

Net income decreased from \$100.9 million in the first nine months of fiscal 2008 to a loss of \$125.4 million in the first nine months of fiscal 2009. This decrease is primarily due to an unfavourable variation in unusual items (related mainly to impairment of goodwill and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes) coupled with the decrease in adjusted operating income, partially offset by the reduction in income taxes. On a per-common-share basis, it decreased from \$1.23 to a loss of \$1.55.

Adjusted net income, which does not take into account goodwill impairment and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes, decreased \$15.9 million, or 17.2%, from \$92.4 million in the first nine months of fiscal 2008 to \$76.5 million in the first nine months of fiscal 2009. On a per-common-share basis, it decreased 15.9% from \$1.13 to \$0.95.

Excluding the favourable exchange rate effect in the first nine months of fiscal 2009, adjusted earnings-per-share would have been \$0.88, representing a decrease of 22% over the first nine months of fiscal 2008.

However, it is important to note that adjusted earnings-per-share grew steadily in fiscal 2009, from \$0.19 in the first quarter to \$0.37 in the second quarter and to \$0.39 in the third quarter. Management believes that this measure gives a good indication of the net operational performance in the first nine months 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)

(in millions of dollars, except per share amounts)	Three months ended July 31		Nine months ended July 31	
	2009	2008	2009	2008
Net income (loss)	\$ 25.3	\$ 29.9	\$ (125.4)	\$ 100.9
Non-controlling interest	0.1	(0.7)	0.3	(0.4)
Income taxes	9.0	12.1	(15.4)	23.1
Discount on sale of accounts receivable	0.8	1.9	3.9	7.1
Financial expenses	10.7	7.0	26.8	22.6
Impairment of goodwill and intangible assets	-	-	169.3	-
Impairment of assets and restructuring costs	7.5	0.1	66.3	4.4
Adjusted operating income	\$ 53.4	\$ 50.3	\$ 125.8	\$ 157.7
Amortization	32.8	31.5	99.2	95.5
Adjusted operating income before amortization	\$ 86.2	\$ 81.8	\$ 225.0	\$ 253.2
Net income (loss)	\$ 25.3	\$ 29.9	\$ (125.4)	\$ 100.9
Impairment of assets and restructuring costs (after tax)	5.9	-	47.1	3.0
Impairment of goodwill and intangible assets (after tax)	-	-	154.8	-
Unusual adjustments to income taxes	-	-	-	(11.5)
Adjusted net income	31.2	29.9	76.5	92.4
Average number of shares outstanding	80.8	80.8	80.8	82.0
Adjusted earnings per share	\$ 0.39	\$ 0.37	\$ 0.95	\$ 1.13
Cash flow related to operating activities	\$ 8.4	\$ 77.1	\$ (4.0)	\$ 131.6
Changes in non-cash operating items	(45.6)	2.0	(152.7)	(87.7)
Cash flow from operating activities before changes in non-cash operating items	\$ 54.0	\$ 75.1	\$ 148.7	\$ 219.3
Long-term debt			\$ 768.7	\$ 589.7
Current portion of long-term debt			157.4	109.4
Cash and cash equivalents			3.1	(57.3)
Net indebtedness			\$ 929.2	\$ 641.8

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Financial Results (unaudited)

(in millions of dollars, except per share amounts)	2009				2008			2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	533	\$ 563	\$ 604	\$ 653	\$ 585	\$ 595	\$ 596	\$ 618
Adjusted operating income before amortization	86	81	58	108	82	89	82	101
Adjusted operating income margin before amortization	16.1 %	14.4 %	9.6 %	16.5 %	14.0 %	15.0 %	13.8 %	16.3 %
Operating income (loss)	46	\$ (150)	\$ (6)	\$ (139)	\$ 50	\$ 55	\$ 48	\$ 67
Adjusted operating income	53	47	25	76	50	57	50	68
Adjusted operating income margin	10.0 %	8.3 %	4.1 %	11.6 %	8.6 %	9.6 %	8.4 %	11.0 %
Net income (loss)	25	\$ (144)	\$ (6)	\$ (94)	\$ 30	\$ 37	\$ 34	\$ 39
Per share	0.31	(1.79)	(0.08)	(1.16)	0.37	0.45	0.41	0.46
Adjusted net income	31	30	15	48	30	34	28	39
Per share	0.39	0.37	0.19	0.59	0.37	0.42	0.34	0.47
% of fiscal year	- %	- %	- %	34 %	22 %	24 %	20 %	31 %

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 publishing and printing operations. In addition, the back-to-school period is also the strongest 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 Third Quarter Ended July 31, 2009 (unaudited)

(in millions of dollars)	2009	2008
Operating activities		
Cash flow from operating activities before changes in non-cash operating items	\$ 54.0	\$ 75.1
Changes in non-cash operating items	(45.6)	2.0
Cash flow related to operating activities	8.4	77.1
Investing activities		
Business acquisitions, net of disposals	(0.7)	(5.4)
Acquisitions of property, plant and equipment, net of disposals	(60.2)	(61.6)
Other	(8.7)	(15.3)
Cash flow used in investing activities	(69.6)	(82.3)
Financing activities		
Reimbursement of long-term debt, net	(52.3)	(7.7)
Increase in revolving term credit facility	112.5	47.9
Redemption of shares, net	-	(3.6)
Dividends on shares	(6.4)	(6.4)
Other	0.2	(1.1)
Cash flow related to financing activities	54.0	29.1
Other relevant information		
Net indebtedness	929.2	641.8
Shareholders' equity	983.0	1,215.1
Net indebtedness (including usage of the securitization program) / adjusted operating income before amortization (Last 12 months)	3.18	2.46
Net indebtedness / Total capitalization ratio	49 %	35 %
Credit rating		
DBRS	BBB high Stable	BBB high Stable
Standard and Poor's	BBB- Stable	BBB Stable

Operating Activities

Cash flow from operating activities before changes in non-cash operating items declined from \$75.1 million in the third quarter of fiscal 2008 to \$54.0 million in the third quarter of fiscal 2009. The change is primarily due to a decrease in future income taxes as well as an increase in restructuring costs. Changes in non-cash operating items resulted in an outflow of \$45.6 million in the third quarter of fiscal 2009, compared to an inflow of \$2.0 million in the third quarter of fiscal 2008. This difference is mainly due to variations in the Corporation's securitization program, as well as the timing of the collection of certain accounts receivable and the payment of certain accounts payable. Consequently, cash flow from operating activities decreased, resulting in an inflow of \$8.4 million in fiscal 2009, compared to an inflow of \$77.1 million in fiscal 2008.

Investing Activities

In the third quarter of fiscal 2009, \$60.2 million was invested in property, plant and equipment, net of disposals, a decrease of \$1.4 million compared to the \$61.6 million invested in the third quarter of fiscal 2008. Most of these investments were required for major projects we previously announced, namely the *San Francisco Chronicle* project, the *Globe and Mail* project and the Transmag project.

Financing Activities

The Corporation paid \$6.4 million, or 8 cents per share, in dividends in the third quarter of fiscal 2009 compared to \$6.4 million, or 8 cents per share, in the third quarter of fiscal 2008. Dividends paid by Transcontinental to Canadian residents are eligible dividends as per 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. In addition, 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. The 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.

In the third quarter of fiscal 2009, the Corporation had no active buyback program and did not buy back any shares. In the third quarter of fiscal 2008, 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 and none of its Class B shares. Of the total consideration of \$3.8 million, \$1.1 million corresponds to the book value and \$2.7 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

For the first nine months of fiscal 2009, the Corporation did not buy back any shares. For the first nine months of fiscal 2008, the Corporation purchased 2,894,100 of its Class A Subordinate Voting Shares at a weighted average price of \$16.77 for a total consideration of \$48.5 million and 8,000 of its Class B Shares at a weighted average price of \$18.34 for a total consideration of \$0.2 million. Of the total consideration of \$48.7 million, \$16.2 million corresponds to the book value and \$32.5 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

As at July 31, 2009, there were 64,708,999 Class A Subordinate Voting Shares and 16,069,382 Class B Multiple Voting Shares of the Corporation issued and outstanding, for a total of 80,778,381 shares issued and outstanding. As at August 31, 2009, there were 64,710,999 Class A Subordinate Voting Shares and 16,067,382 Class B Multiple Voting Shares of the Corporation issued and outstanding for a total of 80,778,381 shares issued and outstanding.

Debt Instruments

As at July 31, 2009, the Corporation's net indebtedness (including usage of the securitization program) to adjusted operating income before amortization ratio stood at 3.18 (2.64 as at October 31, 2008 and 2.46 as at July 31, 2008) and its net indebtedness to total capitalization ratio was 49%, compared to 39% as at October 31, 2008 and 35% as at July 31, 2008, as it has invested in capital assets, some of which only started to generate revenues towards the end of the third quarter, combined with lower shareholders' equity due to recent impairment of goodwill charges, affecting the second ratio. This last ratio is in the high end of the range of our *Evolution 2010* objective to maintain a net debt to total

capitalization ratio between 35% and 50%.

On May 5, 2009, the Corporation announced that it reached an agreement with members of its bank syndicate to renew Tranche B of its revolving credit facility for \$125.3 million for one year, giving it additional leeway in managing its working capital and capital expenditures or to meet any other specific need. In addition, on July 14, 2009, the Corporation concluded a supplemental credit facility of \$24.7 million with Export Development Canada (EDC), added to this Tranche B.

On May 15, 2009, the Corporation concluded a five-year loan agreement for \$100 million with the Caisse de dépôt et de placement du Québec. The facility bears interest at bankers' acceptance rate +6.375%, based on the Corporation's credit rating assigned by Standard & Poor's. The Corporation subsequently put into place two interest rate swaps of \$50 million each to fix the rate for five years at 8.394%.

In the third quarter of fiscal 2009, the Corporation also obtained a five-year loan of \$50 million at 8.25% from SGF Rexfor Inc., based on the Corporation's credit rating assigned by Standard & Poor's.

On July 28, 2009, Transcontinental concluded a six-year financing of €55.6 million (\$85.7 million) with the European bank HypoVereinsbank. This financing bears interest at the 6 month EURIBOR rate + 1.6%. This financing will be obtained by tranche over a period of about one year. As at July 31, 2009, the Corporation had not drawn on this financing.

These new credit facilities give Transcontinental the flexibility to pursue its development projects in its print, media and marketing communications sectors in North America. Conditions governing the new financing agreements are not materially more restrictive than other indebtedness and include change of control clauses.

As at July 31, 2009, the Corporation had a committed line of credit in the form of a revolving credit facility, totalling \$550 million or the U.S.-dollar equivalent, divided into two tranches: Tranche A of \$400 million and Tranche B of \$150 million, of which amounts of \$264.0 million and \$150 million, respectively, were used as at July 31, 2009. The applicable interest rate on the revolving term credit facility is based on the credit rating assigned by Standard & Poor's Ratings Services. Depending on the form of borrowing chosen by the Corporation, the interest rate applicable for the line of credit is currently, either bank prime rate, bankers' acceptance rate + 0.615%, or LIBOR + 0.615% on Tranche A and bank prime rate +1.40%, bankers' acceptance rate or LIBOR + 2.40% on Tranche B. Facility fees of 0.135% and 0.850% are also applicable on Tranche A and B, respectively, whether the line of credit is drawn or not, and utilization fees of 0.1% are applicable if the amount drawn on each respective tranche exceeds 66^{2/3}%. Tranche A is renewable on an annual basis and, if not renewed, it matures five year after its issuance or the last renewal, as the case may be. It was last renewed on August 30, 2007. Tranche B was renewed in the second quarter and matures 364 days after the renewal date.

As of July 31, 2009, letters of credit amounting to C\$0.6 million and US\$4.1 million were drawn on the committed line of credit in addition to the amount presented in the previous paragraph. In the third quarter of fiscal 2009, the Corporation has not been in default under any of its obligations. Apart from its long-term obligations, the Corporation's commitments are mainly comprised of operating leases.

On August 5, 2009, the Corporation fixed, using a bond forward, the portion of the rate, based on the Canada bonds rate, of a debenture issued to the Solidarity Fund QFL on February 6, 2009 at 4.343% for the last eight years of its 10-year term, beginning on its second anniversary.

The Corporation is committed to acquire machinery and equipment and to complete the construction of a building. As at July 31, 2009, these commitments represented \$79.5 million, including US\$24.3 million, €32.2 million and C\$3.7 million. Minimum payments required in 2009 and 2010 are equivalent to \$29.1 million and \$50.4 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 under the program is \$300 million, including a maximum of \$100 million in U.S. dollars. The program, established in 2001, now matures in August 2010. Under its securitization agreement, the Corporation will continue to sell some of its accounts receivables on a continuous basis to a trust, managed by RBC Capital Markets, that has sold its beneficial interest to third-party investors. Terms and conditions of this extension reflect the current environment and remain attractive compared with other sources of financing.

As at July 31, 2009, \$236.2 million of accounts receivable (\$291 million as at October 31, 2008) had been sold under the accounts receivable securitization program, of which \$104.2 million (\$42.0 million as at October 31, 2008) was kept by the Corporation as retained interest, resulting in a net consideration of \$132.0 million, including C\$97.3 million and US\$32 million (\$249.0 million as at October 31, 2008, including C\$210.0 million and US\$32.0 million). The maximum net consideration the Corporation could have obtained on those dates in accordance with the program terms and conditions was \$193.8 million and \$249.0 million, respectively. The retained interest is recorded in the Corporation's accounts receivable at the lower of cost and fair market value. Under the program, the Corporation recognized an aggregate discount on sale of accounts receivable of \$0.8 million and \$3.9 million for the three-month and nine-month periods ended July 31, 2009 (\$1.9 million and \$7.1 million for the same periods in 2008). The Corporation is in compliance with all its covenants under the agreements governing this program.

Critical Accounting Policies and Estimates

The Corporation prepares its consolidated financial statements in Canadian dollars and in accordance with Canadian GAAP. A summary of the significant accounting policies is presented in Note 1 of the Consolidated Financial Statements as at October 31, 2008. Some of the Corporation's accounting policies require estimates and judgments. The most significant areas requiring the use of management estimates and judgements include goodwill, intangible assets, pension plans for employees and income taxes. Management evaluates its estimates on an ongoing basis using historical experience and other factors, including the current economic environment. As future events or changes in circumstances and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Changes in Accounting Policies

General Standards of Financial Statement Presentation

On November 1, 2008, the Corporation adopted the revised version of Section 1400 of the CICA Handbook, General Standards of Financial Statement Presentation, to include requirements for assessing and communicating the ability of an entity to continue its operations. The adoption of this Section did not have a significant impact on the consolidated financial statements.

Inventories

On November 1, 2008, the Corporation adopted Section 3031 of the CICA Handbook, Inventories, replacing Section 3030, Inventories. 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. The adoption of this Section did not have a significant impact on the consolidated financial statements.

Goodwill and Intangible Assets

On November 1, 2008, the Corporation adopted Section 3064 of the CICA Handbook, Goodwill and Intangible Assets, which supersedes Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and development costs. The Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including intangible assets developed internally. The adoption of this Section was applied retrospectively with restatement of consolidated financial statements of prior periods. As a result, the Corporation has written off the deferred start up costs on its balance sheet.

On November 1, 2007, the write-off of the deferred start up costs on the balance sheet had the effect of reducing other assets by \$2.5 million, retained earnings by \$1.7 million and future income tax liabilities by \$0.8 million.

On October 31, 2008, the write-off of the deferred start up costs on the balance sheet had the effect of reducing other assets by \$5.4 million, retained earnings by \$3.0 million and long-term future income tax liabilities by \$1.8 million and increasing accumulated other comprehensive loss by 0.6 million.

The adoption of this Section applied retrospectively had the following effects on the results of the three-month period ended July 31, 2008: operating costs increased by \$0.9 million, amortization decreased by \$0.3 million and income taxes decreased by \$0.2 million. For the nine-month period ended July 31, 2008, the effect on results was as follows: operating costs increased by \$2.6 million, amortization decreased by \$0.8 million and income taxes decreased by \$0.6 million.

Credit risk and fair value of financial assets and financial liabilities

On November 1, 2008, the Corporation adopted the recommendations of EIC-173 of the CICA Handbook, Credit risk and fair value of financial assets and financial liabilities. This abstract notes that the credit risk specific to the entity and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. The adoption of these recommendations was applied retrospectively without restatement of consolidated financial statements of prior periods. On November 1, 2008, by taking into account the credit risk in the evaluation of derivative financial instruments, the following accounts were reduced: accounts payable and accrued liabilities by \$0.2 million, other liabilities by \$0.6 million, future income tax assets by \$0.2 million and accumulated other comprehensive loss by \$0.6 million.

International Financial Reporting Standards (IFRS)

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

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

The Corporation is required to qualitatively disclose its changeover impacts in conjunction with its 2009 and 2010

financial reporting as well as quantitative information if available, with its interim and annual financial reporting for the year ending October 31, 2011. This information will be used by the Corporation to present comparative information in its financial statements for the year ending October 31, 2012.

The Corporation's conversion plan consists of three phases:

Phase 1 - Evaluation

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

Phase 2 – Conversion

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

Phase 3 - Implementation

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

Phase 1 has now been completed and the Corporation intends to disclose the status of the key elements and timing of its changeover plan in its next annual Management's Discussion and Analysis.

Effect of New Accounting Standards Not Yet Implemented

Business Combinations

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

Consolidated Financial Statements

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

Non-controlling Interests

In January 2009, the CICA issued Section 1602, Non-controlling Interests, which supersedes Section 1600, Consolidated financial statements. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Section establishes standards for the accounting of non-controlling interests in a subsidiary in the consolidated financial statements subsequent to a business combination. The Corporation is currently evaluating the impact of the adoption of these new standards on the consolidated financial statements.

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 once a year by the Audit Committee.

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

Financial Risks

Availability of Capital

Since the beginning of fiscal 2009, the Corporation has completed the following financing and re-financing activities in order to meet its capital expenditure program of about \$250 million for the year and to secure additional financial flexibility:

- On February 6, 2009, the Corporation completed a private placement offering of \$100 million in unsecured debentures with the Solidarity Fund QFL.
- On February 17, 2009, the Corporation extended its \$300 million securitization program for an additional year.
- On May 5, 2009, the Corporation renewed its credit facility of \$125.3 million for one year with members of its bank syndicate.
- On May 15, 2009, the Corporation concluded a five-year loan agreement for \$100 million from Caisse de dépôt et placement du Québec (CDPQ).
- On July 14, 2009, Export Development Canada (EDC) provided credit facilities of \$24.7 million.
- On July 28, 2009, the Corporation obtained a five-year term loan of \$50 million from the Société générale de financement du Québec (SGF) and concluded a six-year loan agreement for €55.6 million (\$85.7 million) from European bank HypoVereinsbank. As at July 31, 2009 the Corporation had not drawn on this financing.

The Corporation expects it will continue to generate significant cash flow from operations and is currently pursuing other financing alternatives to gain additional flexibility and to plan for the renewal of financing maturing next fiscal year. At this time, we believe sufficient capital will be available to meet our requirements. The risk of availability of capital is mitigated by the fact that the Corporation is an investment grade Corporation. However, there is no assurance that the Corporation will be able to increase distributions to shareholders by way of dividends and to pursue or implement a new share buy back program. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Interest Rate

Transcontinental is exposed to market risks related to interest-rate fluctuations. The Corporation tries to minimize this risk by keeping a good balance between fixed and floating rate debt. At the end of the third quarter of fiscal 2009, the floating rate portion of the Corporation's long-term debt represented 67% of the total, while the fixed rate portion represented 33%. When taking into account the interest rate swaps that the Corporation put in place, the floating rate portion of the Corporation's long-term debt represents 53% of the total, while the fixed rate portion represents 47%. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Credit

In the third quarter of fiscal 2009, the Corporation did not encounter a significant increase in bad debts but acknowledges that the scarcity and cost of financing will probably result in customers trying to extend payment terms which will increase the credit risk. As a result, senior management is closely monitoring credit procedures, both with new and existing customers. In addition, the Corporation is still protected from significant bad debts with a credit insurance policy and no claims were submitted under this policy in the third quarter. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Pension Plans

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the first quarter ended January 31, 2009 and the year ended October 31, 2008.

Operational Risks

Economic Cycles

Economic cycles pose a significant and uncontrollable risk to Transcontinental. Over the past few quarters areas of our operations have been affected by the North American financial crisis as well as by difficult market conditions. Nevertheless, owing to diversification of our operations, to variations in the length of our client agreements (between one and fifteen years) and to the fact that a significant proportion of our consolidated revenue stems from niches less vulnerable to cyclical fluctuations in the economy, we have been able to mitigate the effects of the recession. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Competition

Competition is based on price, quality of products and services, range of services offered and time to market. Some of the printing niches in which the Corporation operates are highly competitive. Over the past few years, and especially this year, these niches have experienced a reduction in demand resulting in over-capacity and continued pricing pressures. To mitigate this risk the Corporation continues to focus on operational efficiency including cost reduction and recent retooling. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

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 changed materially in the third quarter of fiscal 2009 versus the third quarter of fiscal 2008, due to the combination of lower revenues from U.S. business units relating to the financial crisis in the U.S. and lower revenue from exports from Canadian plants. The exchange rate between the Canadian dollar and its U.S. counterpart has fluctuated significantly in the third quarter of fiscal 2009 versus the third quarter of fiscal 2008. The spot exchange rate was 1.1550 CAD/USD on average in the third quarter of fiscal 2009 and 1.0072 CAD/USD on average in the third quarter of fiscal 2008.

The currency-hedging program uses derivatives to protect the Corporation from the risk of short-term currency fluctuations. Moreover, Transcontinental attempts to maximize the matching of cash inflows and outflows in the same currency. The policy approved by the Corporation's Board of Directors allows hedging of 50% to 100% of net cash flow 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 also uses collars to limit the risk of losses related to the 1- to 12-month portion that is not covered by forward contracts.

As at July 31, 2009, the Corporation had contracts to sell US\$160.0 million, of which US\$28.0 million, US\$78.0 million, US\$48.0 million and US\$6.0 million will be sold in fiscal 2009, 2010, 2011 and 2012, respectively, (US\$136.0 million as at October 31, 2008) using foreign exchange forward contracts related to its strategy of hedging foreign currency cash flows from its exports to the United States. The terms of these forward contracts range from one month to 28 months, with rates varying from 1.0120 to 1.3015. As at July 31, 2009, the Corporation was also party to a collar amounting to US\$2.0 million maturing in November 2009, with a floor rate of 1.075 and a cap rate of 1.140 (US\$2.0 million as at October 31, 2008). Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the third quarter of fiscal 2009.

New Media

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Difficulty in Hiring Qualified Personnel

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Exchange of Confidential Information

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Business Development

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Integration of Acquisitions

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Loss of Reputation

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Environmental Risks

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Raw Material and Postal Risks

Raw Materials and Energy Prices

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Canadian and U.S. Postal Systems' Future Policies

No major changes have occurred in the third quarter of fiscal 2009. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Subsequent Events

At the date of publication of these consolidated financial statements, the Corporation had drawn €22.7 million (\$34.9 million) on the financing obtained from European bank HypoVereinsbank.

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.

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 quarter ended July 31, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

OUTLOOK

In the final quarter of fiscal 2009, the Corporation will focus on four main objectives. First, we will concentrate on managing our balance sheet and continuing to execute the rationalization plan. We will also emphasize cross-selling opportunities across all groups and the development of digital platforms to further organic growth.

In terms of managing the balance sheet, the printing of the *San Francisco Chronicle*, which started in July, will generate significant additional cash flow for the full quarter. Also, in near-term quarters our capital expenditures will be reduced, apart from those related to planning and executing our *Globe and Mail* project and finalizing the Transmag project. We are thus expecting a decrease in our capital expenditures in fiscal 2010, during which we expect to incur about \$175 million in capital expenditures, of which \$100 million will be for the *Globe and Mail* project. Finally, we will also put significant effort into improving our operational efficiency and optimizing cash preservation.

Even though we believe we have sufficient capital to meet our needs in 2009, we will continue to explore new avenues of financing to increase our financial flexibility. It is important to note that, even though the financial markets are still unstable, our recent financing arrangements have shown us that if one is in a sound financial position, capital has become more available.

Given that almost all the rationalization measures have now been implemented, their impact in the fourth quarter will be stronger. In the first nine months of fiscal 2009 we generated about \$50 million in cost savings and we expect that figure to increase to more than \$75 million for fiscal 2009. On an annualized basis, cost savings will likely be more than \$100 million; however, some of our businesses will continue to be affected by the recession:

- Direct mail activities in the U.S. are expected to continue to be affected by the reduction in marketing budgets of our customers in the financial industry, but to a lesser degree than in recent quarters.
- Other businesses expected to be affected to a lesser extent include our magazine publishing business following the reduction in advertising budgets of national advertisers; the printing of marketing products following the reduction in marketing budgets of our customers and more recently; the printing of magazines, books and catalogues following the reduction in page count and circulation of magazines, the reduction in marketing budgets of our catalogue customers and a soft market for trade and religious books

Below is a non-exhaustive list of additional factors that are likely to influence fourth quarter 2009 results:

- (+) the full impact of the printing of the *San Francisco Chronicle*
- (+) rationalization measures that have generated about \$50 million in cost savings to date (a total of \$75 million for fiscal 2009)
- (+) execution in February 2009 of the contract signed with Rogers to print its magazines
- (+) the contribution of the Rastar, Redwood Custom Communications and Conversys acquisitions
- (-) the amortization increase due to major projects carried out during the year
- (-) the capital expenditures on major projects that will generate returns over the longer term
- (-) increased financial expenses related to financing agreements signed during the fiscal year
- (-) the sale of a retail products printing plant with revenues of about US\$30 million on an annualized basis

Also, given the current economic instability, we must also point out that fluctuations in the exchange rate between the Canadian dollar and its U.S. counterpart, and in commodity prices, could affect our fourth-quarter results.

In short, we are striving to maintain the sustained growth and profitability of Transcontinental over the long term. In order to continue to do this, we must strike a delicate balance between investing for the long term and dealing with the ramifications from the current recession.

On behalf of Management,



Benoît Huard
Vice President and Chief Financial Officer

September 10, 2009



CONSOLIDATED STATEMENTS OF INCOME (LOSS)
unaudited

(in millions of dollars, except per share data)	Three months ended		Nine months ended	
	July 31		July 31	
	2009	2008	2009	2008
	(Note 2)		(Note 2)	
Revenues	\$ 533.1	\$ 584.9	\$ 1,700.6	\$ 1,776.0
Operating costs	390.9	432.4	1,280.8	1,309.9
Selling, general and administrative expenses	56.0	70.7	194.8	212.9
Operating income before amortization, impairment of assets, restructuring costs and impairment of goodwill and intangible assets	86.2	81.8	225.0	253.2
Amortization (Note 4)	32.8	31.5	99.2	95.5
Impairment of assets and restructuring costs (Note 5)	7.5	0.1	66.3	4.4
Impairment of goodwill and intangible assets (Note 6)	-	-	169.3	-
Operating income (loss)	45.9	50.2	(109.8)	153.3
Financial expenses (Note 7)	10.7	7.0	26.8	22.6
Discount on sale of accounts receivable (Note 10)	0.8	1.9	3.9	7.1
Income (loss) before income taxes and non-controlling interest	34.4	41.3	(140.5)	123.6
Income taxes (recovered) (Note 8)	9.0	12.1	(15.4)	23.1
Non-controlling interest	0.1	(0.7)	0.3	(0.4)
Net income (loss)	\$ 25.3	\$ 29.9	\$ (125.4)	\$ 100.9
Per share (basic) (Note 12)				
Net income (loss)	\$ 0.31	\$ 0.37	(1.55)	1.23
Per share (diluted) (Note 12)				
Net income (loss)	\$ 0.31	\$ 0.37	(1.55)	1.23
Average number of shares outstanding (in millions)	80.8	80.8	80.8	82.0

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



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
unaudited

(in millions of dollars)	Three months ended July 31		Nine months ended July 31	
	2009	2008	2009	2008
		(Note 2)		(Note 2)
Net income (loss)	\$ 25.3	\$ 29.9	\$ (125.4)	\$ 100.9
Other comprehensive income (loss):				
Unrealized net change in fair value of derivatives designated as cash flow hedges, net of income taxes of \$5.9 million and \$5.6 million for the three-month and nine-month periods ended July 31, 2009 (\$0.6 million and \$(1.4) million for the same periods in 2008)	15.3	(1.5)	13.0	(2.5)
Reclassification adjustments for net change in fair value of derivatives designated as cash flow hedges in prior periods, transferred to net income in the current period, net of income taxes of a negligible amount and \$2.1 million for the three-month and nine-month periods ended July 31, 2009 (\$0.6 million and \$(2.5) million for the same periods in 2008)	(0.1)	(1.3)	5.1	(5.5)
Net change in fair value of derivatives designated as cash flow hedges	15.2	(2.8)	18.1	(8.0)
Unrealized net gains on translation of financial statements of self-sustaining foreign operations	6.5	3.0	4.7	10.5
Other comprehensive income (Note 15)	21.7	0.2	22.8	2.5
Comprehensive income (loss)	\$ 47.0	\$ 30.1	\$ (102.6)	\$ 103.4

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
unaudited

(in millions of dollars)	Nine months ended July 31	
	2009	2008
Balance, beginning of period, as previously reported	\$ 756.5	\$ 806.4
Change in accounting policies - Goodwill and intangible assets (Note 2)	(3.0)	(1.7)
Restated balance, beginning of period	753.5	804.7
Net income (loss)	(125.4)	100.9
	628.1	905.6
Premium on redemption of shares (Note 12)	-	(32.5)
Dividends on shares	(19.3)	(18.8)
Balance, end of period	\$ 608.8	\$ 854.3

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



CONSOLIDATED BALANCE SHEETS
unaudited

(in millions of dollars)	As at July 31, 2009	As at October 31, 2008 (Note 2)
Current assets		
Cash and cash equivalents	\$ -	\$ 90.7
Accounts receivable (Note 10)	257.9	207.1
Income taxes receivable	2.3	4.5
Inventories	83.1	99.3
Prepaid expenses and other current assets	24.5	16.1
Future income taxes	16.7	28.1
	384.5	445.8
Property, plant and equipment	981.9	936.7
Goodwill (Note 6)	681.3	842.6
Intangible assets	153.8	166.2
Future income taxes	185.1	141.0
Other assets	92.7	82.7
	\$ 2,479.3	\$ 2,615.0
Current liabilities		
Bank overdraft	\$ 3.1	\$ -
Accounts payable and accrued liabilities	293.0	442.9
Income taxes payable	51.8	48.3
Deferred subscription revenues and deposits	46.0	49.6
Future income taxes	3.9	9.9
Current portion of long-term debt (Note 11)	157.4	194.3
	555.2	745.0
Long-term debt (Note 11)	768.7	602.1
Future income taxes	120.7	99.3
Other liabilities	51.6	65.5
	1,496.2	1,511.9
Non-controlling interest	0.1	0.1
Commitments (Note 17)		
Shareholders' equity		
Share capital (Note 12)	379.5	379.5
Contributed surplus (Note 14)	12.6	11.3
Retained earnings	608.8	753.5
Accumulated other comprehensive loss (Note 15)	(17.9)	(41.3)
	590.9	712.2
	983.0	1,103.0
	\$ 2,479.3	\$ 2,615.0

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



CONSOLIDATED STATEMENTS OF CASH FLOWS
unaudited

(in millions of dollars)	Three months ended		Nine months ended	
	July 31		July 31	
	2009	2008	2009	2008
	(Note 2)		(Note 2)	
Operating activities				
Net income (loss)	\$ 25.3	\$ 29.9	\$ (125.4)	\$ 100.9
Items not affecting cash and cash equivalents				
Amortization (Note 4)	37.2	37.3	114.3	111.7
Impairment of assets (Note 5)	(0.8)	-	26.4	1.9
Impairment of goodwill and intangible assets (Note 6)	-	-	169.3	-
Loss (gain) on disposal of assets	-	0.3	(1.3)	0.7
Future income taxes	(2.8)	12.9	(39.8)	3.5
Non-controlling interest	0.1	(0.7)	0.3	(0.4)
Net change in accrued pension benefit asset and liability	(1.8)	(3.8)	(5.9)	1.9
Stock-based compensation (Note 13)	0.8	0.6	1.6	2.4
Other	(4.0)	(1.4)	9.2	(3.3)
Cash flow from operating activities before changes in non-cash operating items	54.0	75.1	148.7	219.3
Changes in non-cash operating items	(45.6)	2.0	(152.7)	(87.7)
Cash flow related to operating activities	8.4	77.1	(4.0)	131.6
Investing activities				
Business acquisitions (Note 16)	(0.7)	(5.4)	(13.7)	(22.3)
Acquisitions of property, plant and equipment	(61.4)	(62.0)	(224.3)	(153.5)
Disposals of property, plant and equipment	1.2	0.4	7.2	0.9
Increase in other assets	(8.7)	(15.3)	(20.2)	(26.5)
Cash flow related to investing activities	(69.6)	(82.3)	(251.0)	(201.4)
Financing activities				
Increase in long-term debt (Note 11)	50.2	-	150.8	-
Reimbursement of long-term debt (Note 11)	(102.5)	(7.7)	(106.4)	(10.9)
Increase in revolving term credit facility (Note 11)	112.5	47.9	140.6	152.9
Dividends on shares	(6.4)	(6.4)	(19.3)	(18.8)
Redemption of shares (Note 12)	-	(3.8)	-	(48.7)
Issuance of shares	-	0.2	-	0.6
Other	0.2	(1.1)	(1.1)	(0.2)
Cash flow related to financing activities	54.0	29.1	164.6	74.9
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(2.7)	1.4	(3.4)	3.7
(Decrease) increase in cash and cash equivalents	(9.9)	25.3	(93.8)	8.8
Cash and cash equivalents at beginning of period	6.8	32.0	90.7	48.5
(Bank overdraft) cash and cash equivalents at end of period	\$ (3.1)	\$ 57.3	\$ (3.1)	\$ 57.3
Additional information				
Interest paid	\$ 9.8	\$ 10.8	\$ 24.4	\$ 27.6
Income taxes (recovered) paid	(1.0)	(9.4)	17.7	18.8

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

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

1. Significant accounting policies

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), using the same accounting policies as outlined in Note 1 and Note 2 to the consolidated financial statements for the year ended October 31, 2008, except for the changes in accounting policies disclosed in Note 2. The operating results for the interim periods are not necessarily indicative of full-year results due to the seasonality of certain operations of the Corporation. Results of operations are significantly influenced by the advertising market, which is stronger in the second and fourth quarters. The back-to-school period is also the strongest for book printing and for our educational resources publishing unit.

2. Changes in accounting policies

a) General Standards of Financial Statement Presentation

On November 1, 2008, the Corporation adopted the revised version of Section 1400 of the CICA Handbook, General Standards of Financial Statement Presentation, to include requirements for assessing and communicating the ability of an entity to continue its operations.

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

b) Inventories

On November 1, 2008, the Corporation adopted Section 3031 of the CICA Handbook, Inventories, replacing Section 3030, Inventories. 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.

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

c) Goodwill and Intangible Assets

On November 1, 2008, the Corporation adopted Section 3064 of the CICA Handbook, Goodwill and Intangible Assets, which supersedes Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including intangible assets developed internally.

The adoption of this Section was applied retrospectively with restatement of consolidated financial statements of prior periods. The effect on balance sheet items of prior periods were as follows:

	As at October 31, 2008	As at November 1, 2007
Increase (decrease)		
Other assets	\$ (5.4)	\$ (2.5)
Future income tax liabilities - long-term	(1.8)	(0.8)
Retained earnings	(3.0)	(1.7)
Accumulated other comprehensive loss	0.6	-

The adoption of this Section applied retrospectively had the following effects on the results of the three-month period ended July 31, 2008: increase operating costs by \$0.9 million, decrease amortization by \$0.3 million and decrease income taxes by \$0.2 million. For the nine-month period ended July 31, 2008, the effects on the results were the following: increase operating costs by \$2.6 million, decrease amortization by \$0.8 million and decrease income taxes by \$0.6 million.

d) Credit risk and fair value of financial assets and financial liabilities

On November 1, 2008, the Corporation adopted the recommendations of EIC-173 of the CICA Handbook, Credit Risk and Fair Value of Financial Assets and Financial Liabilities. This abstract notes that the credit risk specific to the entity and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives.

The adoption of these recommendations was applied retrospectively without restatement of consolidated financial statements of prior periods. On November 1, 2008, by taking into account the credit risk in the evaluation of derivative financial instruments, the following items were reduced: accounts payable and accrued liabilities by \$0.2 million, other liabilities by \$0.6 million, future income tax assets by \$0.2 million and accumulated other comprehensive loss by \$0.6 million.

3. Effect of new accounting standards not yet implemented

a) Business Combinations

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

b) Consolidated Financial Statements

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

c) Non-controlling Interests

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

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

4. Amortization

(in millions of dollars)	Three months ended July 31		Nine months ended July 31	
	2009	2008	2009	2008
		(Note 2)		(Note 2)
Property, plant and equipment	\$ 30.5	\$ 29.3	\$ 92.0	\$ 88.5
Intangible assets	2.3	2.2	7.2	7.0
	32.8	31.5	99.2	95.5
Intangible assets, presented in revenues, operating costs and financial expenses	4.4	5.8	15.1	16.2
	\$ 37.2	\$ 37.3	\$ 114.3	\$ 111.7

5. Impairment of assets and restructuring costs

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

- During the second quarter of 2009, the Corporation announced major rationalization measures to address the recession. Including the initiative described in b), the elimination of approximately 1,750 jobs and substantive cost-cutting measures are being implemented throughout Canada, the United States and Mexico. In recent months, the deterioration of the economy has reduced the communication and marketing investments of a number of customers of the Corporation. Therefore, commercial printing projects, direct mail projects, magazine and newspaper advertising placements have been cancelled or postponed by companies that are being affected by the recession. It is expected that these initiatives will be completed in 2010.
- During the fourth quarter of 2008, the Corporation initiated a plan to consolidate production from the Warminster and Hamburg facilities in the Hamburg facility. These two facilities are part of the Direct Mail group of the Printing sector. This consolidation is part of a strategy to adapt production capacity to the current demand and to reduce costs following major impacts of the financial crisis on marketing programs of financial institutions which represent a large portion of the customer base of this group. The restructuring is expected to be completed in 2010.
- During the second quarter of 2008, the Corporation initiated a restructuring plan for its newspaper operations in the Media sector which included the closing of *The Daily News* in Halifax and the launch of a free daily newspaper, *Metro*, for the Halifax market. The restructuring was completed during the fourth quarter of 2008.
- During the first quarter of 2007, the Corporation initiated a restructuring plan for its commercial printing operations in the Printing and Marketing Communications sectors. The restructuring was completed during the fourth quarter of 2008.
- During the second quarter of 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 Communications sector. The consolidation was completed during the fourth quarter of 2008.



5. Impairment of assets and restructuring costs (continued)

The following table provides details of these plans:

Three months ended July 31

(in millions of dollars)	2009				2008	
	Liability as at April 30, 2009	Charged to income	Paid	Liability as at July 31, 2009	Charged to income	Paid
(a) Rationalization Measures						
Printing						
Workforce reduction costs	\$ 0.4	\$ 5.5	\$ 4.7	\$ 1.2	\$ -	\$ -
Transfer of printing equipment and other costs	-	0.3	0.2	0.1	-	-
Marketing Communications						
Workforce reduction costs	6.3	-	2.3	4.0	-	-
Transfer of printing equipment and other costs	0.1	0.7	0.7	0.1	-	-
Media						
Workforce reduction costs	-	0.7	0.7	-	-	-
	6.8	7.2	8.6	5.4	-	-
Printing						
Impairment of assets	n/a	(0.9)	n/a	n/a	-	n/a
Marketing Communications						
Impairment of assets	n/a	0.1	n/a	n/a	-	n/a
	\$ 6.8	\$ 6.4	\$ 8.6	\$ 5.4	\$ -	\$ -
(b) Direct mail operations						
Workforce reduction costs	\$ 0.7	\$ 1.0	\$ 1.7	\$ -	\$ -	\$ -
Transfer of printing equipment and other costs	7.1	0.1	7.2	-	-	-
	\$ 7.8	\$ 1.1	\$ 8.9	\$ -	\$ -	\$ -
(d) Commercial printing operations						
Printing						
Workforce reduction costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2
Marketing Communications						
Transfer of printing equipment and other costs	-	-	-	-	0.1	0.1
	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.3
Total						
Workforce reduction costs	\$ 7.4	\$ 7.2	\$ 9.4	\$ 5.2	\$ -	\$ 0.2
Transfer of printing equipment and other costs	7.2	1.1	8.1	0.2	0.1	0.1
Impairment of assets	n/a	(0.8)	n/a	n/a	-	n/a
	\$ 14.6	\$ 7.5	\$ 17.5	\$ 5.4	\$ 0.1	\$ 0.3



5. Impairment of assets and restructuring costs (continued)

Nine months ended July 31

(in millions of dollars)	Total		2009				2008	
	Charged to income	Forecasted	Liability as at October 31, 2008	Charged to income	Paid	Liability as at July 31, 2009	Charged to income	Paid
(a) Rationalization Measures								
Printing								
Workforce reduction costs	\$ 7.6	\$ 8.8	\$ -	\$ 7.6	\$ 6.4	\$ 1.2	\$ -	\$ -
Transfer of printing equipment and other costs	0.4	1.0	-	0.4	0.3	0.1	-	-
Marketing Communications								
Workforce reduction costs	8.1	8.3	-	8.1	4.1	4.0	-	-
Transfer of printing equipment and other costs	3.0	3.7	-	3.0	2.9	0.1	-	-
Media								
Workforce reduction costs	3.6	4.2	-	3.6	3.6	-	-	-
	22.7	26.0	-	22.7	17.3	5.4	-	-
Printing								
Impairment of assets	15.3	15.3	n/a	15.3	n/a	n/a	-	n/a
Marketing Communications								
Impairment of assets	5.0	5.0	n/a	5.0	n/a	n/a	-	n/a
Media								
Impairment of assets	3.8	3.8	n/a	3.8	n/a	n/a	-	n/a
	\$ 46.8	\$ 50.1	\$ -	\$ 46.8	\$ 17.3	\$ 5.4	\$ -	\$ -
(b) Direct mail operations								
Workforce reduction costs	\$ 12.6	\$ 12.7	\$ 7.7	\$ 4.9	\$ 12.6	\$ -	\$ -	\$ -
Transfer of printing equipment and other costs	12.3	14.2	-	12.3	12.3	-	-	-
	24.9	26.9	7.7	17.2	24.9	-	-	-
Impairment of assets	17.4	17.4	n/a	2.3	n/a	n/a	-	n/a
	\$ 42.3	\$ 44.3	\$ 7.7	\$ 19.5	\$ 24.9	\$ -	\$ -	\$ -
(c) Newspaper operations								
Media								
Workforce reduction costs	\$ 1.4	\$ 1.4	\$ -	\$ -	\$ -	\$ -	\$ 1.4	\$ 1.3
Transfer of printing equipment and other costs	0.7	0.7	-	-	-	-	0.6	0.6
Printing								
Workforce reduction costs	0.3	0.3	-	-	-	-	0.3	0.3
	2.4	2.4	-	-	-	-	2.3	2.2
Media								
Impairment of assets	1.9	1.9	n/a	-	n/a	n/a	1.9	n/a
	\$ 4.3	\$ 4.3	\$ -	\$ -	\$ -	\$ -	\$ 4.2	\$ 2.2
(d) Commercial printing operations								
Printing								
Workforce reduction costs	\$ 1.6	\$ 1.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.5
Transfer of printing equipment and other costs	0.7	0.7	-	-	-	-	-	-
Marketing Communications								
Workforce reduction costs	1.8	1.8	-	-	-	-	-	0.3
Transfer of printing equipment and other costs	1.7	1.7	-	-	-	-	0.2	0.2
	5.8	5.8	-	-	-	-	0.2	1.0
Printing								
Impairment of assets	3.4	3.4	n/a	-	n/a	n/a	-	n/a
Marketing Communications								
Impairment of assets	0.2	0.2	n/a	-	n/a	n/a	-	n/a
	\$ 9.4	\$ 9.4	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ 1.0



5. Impairment of assets and restructuring costs (continued)

(in millions of dollars)	Nine months ended July 31							
	Total		2009				2008	
	Charged to income	Forecasted	Liability as at October 31, 2008	Charged to income	Paid	Liability as at July 31, 2009	Charged to income	Paid
(e) Toronto printing operations								
Workforce reduction costs	\$ 3.0	\$ 3.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2
Transfer of printing equipment and other costs	1.0	1.0	-	-	-	-	-	-
	4.0	4.0	-	-	-	-	-	0.2
Impairment of assets	0.2	0.2	n/a	-	n/a	n/a	-	n/a
	\$ 4.2	\$ 4.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2
Total								
Workforce reduction costs			\$ 7.7	\$ 24.2	\$ 26.7	\$ 5.2	\$ 1.7	\$ 2.6
Transfer of printing equipment and other costs			-	15.7	15.5	0.2	0.8	0.8
Impairment of assets			n/a	26.4	n/a	n/a	1.9	n/a
			\$ 7.7	\$ 66.3	\$ 42.2	\$ 5.4	\$ 4.4	\$ 3.4

6. Impairment of goodwill and intangible assets

During the second quarter of 2009, the Corporation has conducted its annual impairment test of goodwill. In assessing whether or not there is an impairment, the Corporation uses a combination of approaches to determine the fair value of a reporting unit, including both the discounted cash flows and the market approaches. Under the market approach, the Corporation estimates the fair value of the reporting unit by multiplying normalized earnings before amortization, interest and income taxes by multiples based on market inputs. If there is an indication of impairment, the Corporation uses a discounted cash flow model in estimating it. The future cash flows are based on the Corporation's estimates and include consideration for expected future operating results, economic conditions, savings associated with the restructuring plans and a general outlook for the industry in which the reporting unit operates.

Due to difficult economic conditions, during the second quarter of 2009, the Corporation recorded an amount of \$166.5 million as impairment of goodwill in the Marketing Communications sector, mostly related to commercial printing activities, and \$2.8 million as impairment of tradenames related to the Business and Consumers Solutions Group in the Media sector. No impairment of goodwill expense has been recorded for the three-month period ended July 31, 2009, and for the three-month and nine-month periods ended July 31, 2008.

7. Financial expenses

(in millions of dollars)	Three months ended July 31		Nine months ended July 31	
	2009	2008	2009	2008
Financial expenses on long-term debt	\$ 9.4	\$ 7.3	\$ 24.6	\$ 21.9
Other expenses (revenues)	1.0	(0.3)	2.1	0.7
Foreign exchange loss	0.3	-	0.1	-
	\$ 10.7	\$ 7.0	\$ 26.8	\$ 22.6

For the three-month and nine-month periods ended July 31, 2009, capitalized interest on property, plant and equipment amounted to \$0.9 million and \$3.5 million, respectively (\$1.2 million and \$3.2 million for the same periods in 2008).

8. Income taxes

	Three months ended July 31		Nine months ended July 31	
	2009	2008	2009	2008
	(Note 2)		(Note 2)	
Statutory tax rate	30.9 %	28.4 %	30.9 %	30.4 %
Effect of foreign tax rate differences	(7.6)	(4.9)	(10.5)	(4.7)
Other	1.9	5.8	(1.2)	2.4
Effective tax rate before the following items:	25.2	29.3	19.2	28.1
Effect of income tax rate differences on impairment of assets and restructuring costs (Note 5)	1.0	-	5.0	(0.1)
Effect of income tax rate differences on impairment of goodwill and intangible assets (Note 6)	-	-	(13.2)	-
Effect of changes in statutory tax rates (a)	-	-	-	(5.7)
Retroactive taxes (b)	-	-	-	(3.6)
Effective tax rate	26.2 %	29.3 %	11.0 %	18.7 %

- 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 2008.
- b) During the second quarter of 2008, the Corporation entered into an agreement with the tax authorities and settled its obligation regarding Bill 15 (Quebec) 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 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.

9. 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 these plans is as follows:

(in millions of dollars)	Three months ended July 31		Nine months ended July 31	
	2009	2008	2009	2008
Defined benefit pension plans	\$ 3.2	\$ 2.4	\$ 11.9	\$ 14.1
Defined contribution pension plans	0.5	0.8	1.8	2.3
	\$ 3.7	\$ 3.2	\$ 13.7	\$ 16.4

10. Accounts receivable

The Corporation sells its accounts receivable through a securitization program, which matures in August 2010, whose maximum net consideration is \$300 million, including a maximum of US\$100 million. Under this program, the Corporation will sell, on a continuous basis, some of its accounts receivable to a trust who has sold the beneficial rights to investors unrelated to the Corporation.

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

(in millions of dollars)	As at July 31, 2009	As at October 31, 2008
	Accounts receivable sold	\$ 236.2
Retained interest	104.2	42.0
Net consideration	132.0	249.0
Net consideration in Canadian dollars	\$ 97.3	\$ 210.0
Net consideration in U.S. dollars (US\$32 million in 2009 and 2008)	\$ 34.7	\$ 39.0

As at July 31, 2009, the maximum net consideration that the Corporation could have obtained in accordance with the program terms and conditions was \$193.8 million (\$249.0 million as at October 31, 2008).

11. Long-term debt

During the third quarter of 2009, the Corporation extended its revolving credit facility ("Tranche B") by 364 days. The renewal of a portion of \$125.3 million was executed on May 5, 2009 and another portion of \$24.7 million on July 14, 2009, for a total of \$150 million. The applicable interest rate on Tranche B is based on the credit rating assigned by Standard & Poor's. Depending on the form of borrowing chosen by the Corporation for Tranche B, the interest rate applicable is, either prime rate + 1.40%, bankers' acceptance rate or LIBOR + 2.40%, based on the Corporation's current credit rating. Facility fees of 0.85% are applicable on Tranche B, whether it is drawn or not. Note that the Corporation has to draw all of Tranche B of its credit facilities before drawing any amount on Tranche A. The other terms and conditions of the revolving credit facilities are as disclosed in Note 14 of the latest annual consolidated financial statements.

During the third quarter of 2009, the Corporation concluded a five-year loan agreement of \$100 million with Caisse de dépôt et placement du Québec. The facility bears interest at bankers' acceptance rate + 6.375%, based on the Corporation's current credit rating assigned by Standard & Poor's. The Corporation has subsequently entered into two interest rate swaps of \$50 million each to fix the rate for five years at 8.394%.

During the third quarter of 2009, the Corporation concluded a five-year term loan of \$50 million with SGF Rexfor Inc. The loan bears interest at 8.25%, payable every three months, based on the Corporation's current credit rating assigned by Standard & Poor's.

On July 28, 2009, the Corporation concluded a six-year financing of €55.6 million (\$85.7 million) with European bank HypoVereinsbank, to acquire various production equipment over the next two years. This financing will be drawn in tranches, based on equipment delivery dates. This financing payable every six months from the date of the last payment, no later than July 2010, bears interest at 6mo EURIBOR + 1.60%. On July 31, 2009, no amount was drawn from this financing.

During the second quarter of 2009, the Corporation closed a private placement offering of \$100 million comprised of two unsecured debentures of \$50 million, underwritten by the Solidarity Fund QFL. The first has a term of five years and bears interest, payable every six months, at a rate of 8.055%. The second has a term of 10 years and bears interest, payable every six months, at a rate of 6.769% for the first two years. The Solidarity Fund QFL may request that the Corporation repurchase the second debenture on its second anniversary. The rate for the last eight years will be negotiated in the six months preceding the second anniversary of the second debenture. The rate will be based on the Canada bonds rate for the same term plus a premium based on the Corporation's credit rating. On August 5, 2009, the Corporation entered into a bond forward contract of \$50 million, which matures on November 5, 2010, to fix the portion of the rate of the second debenture based on the Canada bonds rate at 4.343% for the last eight years of its 10-year term, beginning on its second anniversary.

12. Share capital

Earnings per share

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

	Three months ended		Nine months ended	
	July 31		July 31	
	2009	2008	2009	2008
	(Note 2)		(Note 2)	
Numerator (in millions of dollars)				
Net income (loss)	\$ 25.3	\$ 29.9	\$ (125.4)	\$ 100.9
Denominator (in millions)				
Weighted average number of shares outstanding - basic	80.8	80.8	80.8	82.0
Dilutive effect of stock options	-	0.1	-	0.1
Weighted average number of shares outstanding - diluted	80.8	80.9	80.8	82.1
Basic earnings (loss) per share	\$ 0.31	\$ 0.37	\$ (1.55)	\$ 1.23
Diluted earnings (loss) per share	\$ 0.31	\$ 0.37	\$ (1.55)	\$ 1.23

In the calculation of the diluted earnings per share, 2,049,546 stock options were considered anti-dilutive as at July 31, 2009 (1,385,495 in 2008), since their exercise price was greater than the average stock price during the period. Therefore, these stock options were excluded from the calculation.

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 nine-month periods ended July 31, 2009, there was no exercise of stock options. For the three-month and nine-month periods ended July 31, 2008, the amounts received were \$0.2 million and \$0.6 million, respectively, and no amount 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.

12. Share capital (continued)

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 three-month and nine-month periods ended July 31, 2009 and 2008, 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 July 31						
	2009			2008		
Class A	-	\$ -	\$ -	-	191,500	\$ 19.80
Class B	-	\$ -	\$ -	-	-	\$ -
			\$ -			\$ 3.8
Book value			\$ -			\$ 1.1
Premium paid			-			2.7
			\$ -			\$ 3.8
Nine months ended July 31						
	2009			2008		
Class A	-	\$ -	\$ -	2,894,100	\$ 16.77	\$ 48.5
Class B	-	\$ -	\$ -	8,000	\$ 18.34	\$ 0.2
			\$ -			\$ 48.7
Book value			\$ -			\$ 16.2
Premium paid			-			32.5
			\$ -			\$ 48.7

13. Stock-based compensation plans
Stock option plan

As at July 31, 2009, 2,049,546 stock options were outstanding (1,820,621 for the same period in 2008), of which 1,444,426 could be exercised (1,215,951 for the same period in 2008).

No stock options were granted for the three-month periods ended July 31, 2009 and 2008. For the nine-month periods ended July 31, 2009 and 2008, 317,700 and 159,700 stock options were granted with a weighted average exercise price of \$9.64 and \$15.51, respectively.

The table below summarizes the assumptions used to calculate the weighted average fair value of stock options granted on the date of grant using the Black-Scholes model for the nine-month periods ended July 31:

Fair value of stock options	\$	2009 3,90	2008 4,04
Assumptions:			
Dividend rate		1,4 %	1,2 %
Expected volatility		32,2 %	26,0 %
Risk-free interest rate		2,09 %	3,65 %
Expected life		5 years	5 years



13. Stock-based compensation plans (continued)

Share unit plan for senior executives

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

The following table provides details of this plan:

Number of units	Three months ended July 31			
	2009	2008	2009	2008
	DSU		RSU	
Balance, beginning of period	133,816	116,598	573,235	221,357
Units granted	-	-	-	-
Units cancelled	(4,881)	(13,373)	(16,580)	-
Units paid	-	-	-	-
Dividends paid in units	774	57	-	-
Balance, end of period	129,709	103,282	556,655	221,357

Number of units	Nine months ended July 31			
	2009	2008	2009	2008
	DSU		RSU	
Balance, beginning of period	103,282	165,592	221,357	26,507
Units granted	44,081	-	384,865	194,850
Units cancelled	(18,569)	(54,492)	(49,567)	-
Units paid	-	(7,986)	-	-
Dividends paid in units	915	168	-	-
Balance, end of period	129,709	103,282	556,655	221,357

The expenses recorded in the consolidated statements of income (loss) for the three-month periods ended July 31, 2009 and 2008 were \$0.3 million and \$0.1 million, respectively. For the nine-month periods ended July 31, 2009 and 2008, the expenses recorded in the consolidated statements of income (loss) were \$0.5 million and \$0.9 million, respectively. No amount has been paid under the plan for the three-month and nine-month periods ended July 31, 2009 (\$0.4 million for the same periods in 2008).

Share unit plan for directors

The Corporation offers a deferred share unit plan to its directors. Under this plan, directors can choose to receive cash, deferred stock units or a combination of both as compensation.

The following table provides details of this plan:

Number of units	Three months ended		Nine months ended	
	July 31		July 31	
	2009	2008	2009	2008
Balance, beginning of period	141,060	86,377	108,621	79,938
Directors compensation	12,438	7,106	42,533	22,434
Units paid	-	-	-	(9,627)
Dividends paid in units	1,380	455	3,724	1,193
Balance, end of period	154,878	93,938	154,878	93,938

The expense (reversal) recorded in the consolidated statements of income (loss) for the three-month periods ended July 31, 2009 and 2008 were \$0.1 million and \$(0.3) million, respectively. The expense reversal recorded in the consolidated statements of income (loss) for the nine-month periods ended July 31, 2009 and 2008 were \$0.2 million and \$0.3 million, respectively. Negligible amounts have been paid under the plan for the three-month and nine-month periods ended July 31, 2009 and 2008.



14. Contributed surplus

(in millions of dollars)	Nine months ended July 31	
	2009	2008
Balance, beginning of period	\$ 11.3	\$ 9.2
Compensation costs relating to stock option plan	1.3	1.5
Balance, end of period	\$ 12.6	\$ 10.7

15. Accumulated other comprehensive loss

(in millions of dollars)	Foreign Currency Translation Adjustment	Cash Flow Hedges	Accumulated Other Com- prehensive Loss
	Balance as at October 31, 2008, as previously reported	\$ (24.9)	\$ (15.8)
Change in accounting policies - Goodwill and intangible assets (Note 2)	(0.6)	-	(0.6)
Balance as at October 31, 2008, restated	(25.5)	(15.8)	(41.3)
Change in accounting policies - Credit risk and fair value of financial assets and financial liabilities (Note 2)	-	0.6	0.6
Balance as at November 1, 2008, restated	(25.5)	(15.2)	(40.7)
Net change in unrealized gains, net of income taxes	4.7	18.1	22.8
Balance as at July 31, 2009	\$ (20.8)	\$ 2.9	\$ (17.9)
Balance as at November 1, 2007	\$ (42.3)	\$ 9.2	\$ (33.1)
Net change in unrealized gains (losses), net of income taxes	10.5	(8.0)	2.5
Balance as at July 31, 2008	\$ (31.8)	\$ 1.2	\$ (30.6)

As at July 31, 2009, the amounts expected to be reclassified to net income are as follows:

(in millions of dollars)	2009	2010	2011	2012	2013	2014	Total
Gains (losses) on derivatives designated as cash flow hedges	\$ (1.0)	\$ (0.9)	\$ 1.9	\$ 0.9	\$ 1.7	\$ 1.3	\$ 3.9
Income taxes recovered (expensed)	0.3	0.3	(0.5)	(0.2)	(0.5)	(0.4)	(1.0)
	\$ (0.7)	\$ (0.6)	\$ 1.4	\$ 0.7	\$ 1.2	\$ 0.9	\$ 2.9

16. Business acquisitions

During the nine-month period ended July 31, 2009, the Corporation made the following acquisitions:

Operating sector	Acquisition	Date of acquisition
Marketing Communications	100% of the shares of Conversys, first Canadian provider of online publication.	January 21, 2009
	75% of the shares of Redwood Custom Communications, North America's leading custom communications provider.	November 18, 2008
Media	100% of the shares of That's the spirit.com, marketing and promotions consulting company.	December 12, 2008

(in millions of dollars)	Total
Assets acquired	
Working capital, net	\$ 2.2
Property, plant and equipment	2.0
Goodwill (no tax value)	6.4
Amortizable intangible assets	1.0
Future income taxes	0.3
	\$ 11.9
Liabilities assumed	
Long-term debt	\$ 0.5
Other liabilities	0.3
Future income tax liabilities	0.6
	1.4
	\$ 10.5
Consideration	
Cash paid	\$ 10.9
Cash in acquired operations	(0.5)
	10.4
Short-term liabilities	0.1
	\$ 10.5

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

ThinData

During the nine-month period ended July 31, 2009, adjustments were made to the purchase price allocation of ThinData, acquired on March 11, 2008, to reflect the final valuation of the acquired assets and the final determination of the costs related to this acquisition.

PLM Group Ltd.

For the three-month and nine-month periods ended July 31, 2009, the Corporation paid \$0.5 million and \$3.3 million, respectively. These amounts were included in the short-term liabilities as at October 31, 2008.

17. Commitments

Building and machinery and equipment

The Corporation is committed to acquire machinery and equipment and to complete the construction of a building. As at July 31, 2009, these commitments represented \$79.5 million, including US\$24.3 million, €32.2 million, C\$3.7 million. Minimum payments required in 2009 and 2010 are equivalent to \$29.1 million and \$50.4 million, respectively.



18. Segmented information

In November 2008, the Corporation announced the implementation of a new operating structure to support its growth strategy by creating the Marketing Communications sector. The operating sectors were modified to reflect the implementation of this new operating structure. The comparative figures have been reclassified in order to present the information in accordance with the new sectors.

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

(in millions of dollars)	Three months ended July 31		Nine months ended July 31	
	2009	2008	2009	2008
		(Note 2)		(Note 2)
Revenues				
Printing sector	\$ 316.8	\$ 368.2	\$ 1,042.6	\$ 1,128.2
Marketing Communications sector	83.5	79.2	280.7	248.7
Media sector	151.9	157.9	443.0	462.8
Other activities and unallocated amounts	1.6	2.8	5.9	11.0
Inter-segment sales				
Printing sector	(11.6)	(17.1)	(50.2)	(54.4)
Marketing Communications sector	(1.2)	(0.4)	(6.4)	(5.0)
Media sector	(7.9)	(5.7)	(15.0)	(15.3)
Total inter-segment sales	(20.7)	(23.2)	(71.6)	(74.7)
	\$ 533.1	\$ 584.9	\$ 1,700.6	\$ 1,776.0
Operating income before amortization, impairment of assets, restructuring costs and impairment of goodwill and intangible assets				
Printing sector	\$ 54.3	\$ 50.8	\$ 146.7	\$ 168.8
Marketing Communications sector	1.4	5.1	15.8	20.9
Media sector	33.4	32.9	70.7	83.1
Other activities and unallocated amounts	(2.9)	(7.0)	(8.2)	(19.6)
	\$ 86.2	\$ 81.8	\$ 225.0	\$ 253.2
Operating income (loss)				
Printing sector	\$ 27.7	\$ 30.6	\$ 41.8	\$ 106.2
Marketing Communications sector	(5.8)	(0.7)	(187.3)	3.6
Media sector	28.3	29.1	48.1	67.6
Other activities and unallocated amounts	(4.3)	(8.8)	(12.4)	(24.1)
	\$ 45.9	\$ 50.2	\$ (109.8)	\$ 153.3
Acquisitions of property, plant and equipment ⁽¹⁾				
Printing sector	\$ 58.4	\$ 57.9	\$ 177.6	\$ 143.2
Marketing Communications sector	2.4	1.6	6.5	11.9
Media sector	2.3	6.9	6.4	7.9
Other activities and unallocated amounts	2.2	0.6	5.6	2.1
	\$ 65.3	\$ 67.0	\$ 196.1	\$ 165.1
Amortization of property, plant and equipment and intangible assets				
Printing sector	\$ 20.6	\$ 19.9	\$ 62.3	\$ 62.0
Marketing Communications sector	6.8	5.9	20.5	17.2
Media sector	4.0	3.8	12.3	11.7
Other activities and unallocated amounts	1.4	1.9	4.1	4.6
	\$ 32.8	\$ 31.5	\$ 99.2	\$ 95.5

⁽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 July 31, 2009	As at October 31, 2008
		(Note 2)
Assets		
Printing sector	\$ 1,330.8	\$ 1,277.3
Marketing Communications sector	308.9	479.2
Media sector	805.0	774.1
Other activities and unallocated amounts	34.6	84.4
	\$ 2,479.3	\$ 2,615.0
Goodwill		
Printing sector	\$ 131.2	\$ 131.5
Marketing Communications sector	41.3	202.8
Media sector	507.9	507.4
Other activities and unallocated amounts	0.9	0.9
	\$ 681.3	\$ 842.6

19. Subsequent events

Financing from European Bank HypoVereinsbank

At the date of publication of these consolidated financial statements, the Corporation had drawn €22.7 million (C\$34.9 million) of this financing.

20. Comparative figures

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