



What do consumers want today? Services that meet their needs and interests, on demand, on the media of their choice. That's why Transcontinental has added digital communication platforms and one-to-one advertising to its product and service offering in recent years. For us, this is a natural evolution that is in keeping with our ongoing mission to help advertisers identify, reach and keep their target consumers.

This year I address you after a fiscal year marked by a severe recession in North America. Few industries or companies made it through unscathed. The entire world economy was affected.

This is the context that must be taken into account when judging our performance in 2009. What are the most important elements?

In general, Transcontinental did better than most of its competitors in revenues and earnings. It is particularly encouraging to note that our profitability improved each quarter and that we ended the year with a strong fourth quarter. Our adjusted operating income before amortization, excluding unusual items, grew steadily and culminated in 15% growth in the fourth quarter despite a 9% decrease in revenues. In the last two quarters in 2009, when the economy was still struggling, we did better than our performance in 2008.

Because of that performance, and compared to 2008, we largely regained the ground we lost in the first two quarters when the recession was at its worst.

*Rémi Marcoux,
Executive Chairman
of the Board
and Founder,
Transcontinental Inc.*





I wish to immediately congratulate François Olivier and his management team, who quickly applied the right rationalization measures while continuing to pursue our growth strategy. These measures generated recurring savings of about \$110 million a year, including close to \$80 million in 2009. I would also like to thank everyone in our three operating sectors and at head office. Once again, their commitment to the higher interests of the company and to all employees, their creative drive and their ability to execute made all the difference.

KEY LESSONS OF THE RECESSION

When the economy is down, as it has been this past year, we are moved to look back and reflect. For businesses, an economic downturn is a revealing test of resilience and potential for development.

Recessions are a cyclical phenomenon. Since its inception, Transcontinental has weathered three of them. We have also lived through a technological revolution, the expansion of the Internet and new communication platforms, intense consolidation that is still underway in North American printing and publishing industries, globalization and the rise of emerging economies. There was also for several years the unprecedented negative impact of the exchange rate, until rates became positive again in 2009.

What are the key lessons that I draw from these experiences? What has guided us through the past year and holds promise for Transcontinental going forward?

The first is that we must never lose sight of the corporation's long-term development, despite short-term negative impacts and pressures. In the first two recessions Transcontinental was growing quickly and we maintained our pace despite the sluggish stock markets. If we had not done so, Transcontinental would not be the size it is today, and that size has benefited its shareholders for a long period of time. Our management of the recent recession is another example of our focus. We continued to invest prudently and judiciously in our future by making strategic acquisitions and adopting the latest technologies.

The second key lesson is a corollary of the first: when credit is tight, our financial credibility is a highly valuable asset. Transcontinental has always maintained a careful balance between profits, costs, debt and investments. Through good times and bad. It is that reputation, coupled with our leading position in our niches, that enabled us to arrange financing of \$888 million in 2009, and to do so at competitive rates.

The third key lesson we can draw from the past is that the solidarity of our senior managers and employees is a special strength of Transcontinental. Our people demonstrated this again over the past year by introducing a broad range of initiatives to improve efficiency, reduce costs and serve our customers better, whether those customers are businesses, advertisers or consumers.

This means that now, in early fiscal 2010, Transcontinental is more flexible and more focused on our strategic priorities. The recurring cost savings from our rationalization measures and the related efficiency gains, a financial situation that allowed us in 2009 and will continue to allow us in 2010 to invest in our development—particularly in digital technology—as well as our decision to concentrate our new marketing communications services in a separate sector to encourage expansion, all put us in an excellent position to take advantage of business opportunities in the year ahead.

Which brings us to the theme of the 2009 annual report.

AS A TEAM, LISTENING TO CONSUMERS

At Transcontinental, our mission has always been to help businesses and advertisers identify, reach and keep their target consumers.

Originally, those consumers were the customers of our customers. Over time, to enhance our role as a marketing advisor, we deepened our knowledge of consumers in each of our niche markets in North America. It was thus through a natural evolution, arising out of our business model of being close to our customers and anticipating their needs, that we began, together, to listen to consumers.



Through that process we have become Canada's fourth-largest print media group. Every month we serve 18 million readers of our magazines and newspapers, as well as six million unique visitors to our websites and Internet portals. This means that we are in daily contact with the new values and behaviours of consumers.

Over the years, our print-based service offering has integrated complementary products and services to meet the continually evolving needs of businesses and consumers. However, the new digital media, including mobile technology, are radically changing the way we work, get information, consume and entertain ourselves.

What do consumers want today? Services that meet their needs and interests, on demand, on the media of their choice. It used to be that advertising budgets were spent on three media: radio, television and print. Today, there is a fourth, the Internet, and everything that gravitates around it. It is forecast that by 2013, the Internet will absorb 25% of the advertising pie.

Transcontinental sees this as an exciting challenge which offers new opportunities for growth. That is why we have enhanced our products and services by adding digital communication platforms and one-to-one advertising, which we can provide thanks to our database management capabilities. This is a completely natural evolution for us and we continued to diversify our offering in 2009.

At the same time, I'm certain that print will long remain an important part of any communication, sales or marketing strategy, but it will do so in complementarity with the new media. And vice versa: the new media are much more effective when they are combined with print. It will be both together, strengthening each other and moving in the same direction. Our customers will thus maximize the return on their marketing dollar by continuing to meet the needs and expectations of consumers.

The winning companies in the advertising market of tomorrow will be those who successfully incorporate the

traditional and the new, print and digital, mass marketing and one-to-one marketing, putting it all together in a global package.

In short, Transcontinental is in a unique position to take advantage of new business opportunities as they arise. We serve an impressive array of customers and we already provide them with a major portion of their marketing tools. We have excellent business credibility. We have the capacity to create custom content. And we have the financial capacity to add new marketing services and new communication platforms, through, among other things, acquisitions.

Nor will we forget that the new era of integrated print and digital is also the new era of the environment. I am proud to say that in 2009 we published our first report on sustainable development. It is summarized after the *Review of Operations* and the full version is available on our website.

CONCLUSION

To advance, an organization needs support from each of its pillars.

I would like to thank our some 12,500 employees in Canada, the United States and Mexico for remaining committed to Transcontinental despite the difficult conditions of the past year. Having employees who are motivated, well-trained and supervised by leaders is our most important competitive edge.

I'd also like to thank François Olivier, our President and Chief Executive Officer, and his team, for their leadership. François was able to mobilize his troops to carry out the necessary transformation of Transcontinental in a period when our industries were undergoing major structural change. The dynamic, consisting of both continuity and reinvention, is a promising one.

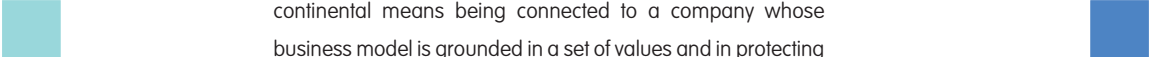
Thank you as well to our customers—businesses, advertisers and consumers—and our shareholders, for their loyalty. You are the reason Transcontinental is in business.

Lastly, I wish to thank the members of our Board of Directors for their active role and excellent advice. I'd like to



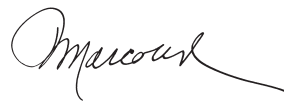


particularly mention the contribution of J.V. Raymond Cyr, who leaves the board after 12 years of invaluable service. During that time, Mr. Cyr worked with great professionalism and discipline to promote the growth of Transcontinental. I thank him on my own behalf and on behalf of all our shareholders. I'd also like to take this opportunity to welcome Pierre Fitzgibbon, who joined the Board in November 2009. Mr. Fitzgibbon brings Transcontinental the benefit of his 30-year career working with public corporations and financial institutions.



Investing in, working at or being a customer of Transcontinental means being connected to a company whose business model is grounded in a set of values and in protecting the long-term interests of its employees, customers and shareholders.

I look ahead to future financial years with confidence. I am convinced that we have the assets, the organizational capacity, the strategy, the values and, above all, the people to keep moving forward and ensure the long-term health of our organization.



Rémi Marcoux
Executive Chairman of the Board and Founder

December 23, 2009

