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Rémi Marcoux

Executive Chairman of the Board
and Founder,
Transcontinental Inc.

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Given the rapid changes in our industries, we are pursuing our transformation so that we can guide the activation of our customers' marketing process using our products and services, whether conventional, interactive or web-

based. This we believe we can accomplish via a two-pronged approach: (1) build on our existing business and (2) develop new opportunities in interactive marketing and digital solutions.

Continually Changing



In 2010, Transcontinental's operating performance was the best in its history. Our adjusted operating income before amortization rose from \$338.9 million to \$382.0 million, an increase of 12.7%. All our financial indicators show profitability is up over 2009.

This success, while based in part on our solid financial situation which permits ongoing investment in our development, also comes from a set of factors that are the hallmark of Transcontinental: committed employees, a loyal group of prestigious and well-diversified customers, a winning strategy (build the new and strengthen our traditional core), a culture of innovation and efficiency, and disciplined and responsible management.

As a reflection of our confidence in the future and the wish to include our shareholders in the benefits of growth, the Corporation's Board of Directors raised the dividend per participating share from 32 cents to 44 cents (the result of two increases: 12.5% in March 2010 and 22.2% in December 2010).

Our financial results, which outperform almost all of our North American competitors, are even more satisfying in that they were achieved in a still-fragile economy and while pursuing the necessary transformation

of our organization to ensure it remains in the forefront of the new trends and new realities of our industry.

An Integrated Transformation

Transcontinental's future is often linked to the future of print. But this is a false connection that confuses our fundamental mission with the methods used to carry it out.

Since day one, Transcontinental's role has been to help companies and advertisers reach and keep their target consumers. This is our *reason for being*. And from the start, our business model has been based on being close to our customers and anticipating their needs. This is our way of *being* and it is what has always driven our success and that of our customers.

When one works at, or is a customer or shareholder of Transcontinental, it means being in a relationship

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with an organization that makes this *reason for being* and this way of *being* central to its business.

The rest, which is the method of execution, continually evolves to keep pace with the changing needs

of our customers. An organization is a living entity that must change as the technological, social and cultural environment changes.

That is why, for the past several years, our strategy has been to offer our customers innovative marketing services and new media platforms to help them meet the new expectations of consumers. While initially focused on a broad line of mass and targeted printed products, over time our service offering evolved to include one-to-one advertising and data management, then new communications platforms and mobile applications.

This comprehensive offering, which combines mass and interactive marketing, maximizes the return on investment of our customers and gives us a unique position in Canada. It is our trademark.

Transcontinental is thus transforming itself in an *integrated way*:

in keeping with its history, its mission and its culture of efficiency; in symbiosis with its customers and consumers; and in synergy with all of its business units.

I am certain that newspapers, magazines, books, flyers and direct

marketing products will continue to play a role in the communications, sales and marketing strategies of our clients, and will remain an important social and cultural reality. But they now exist in complementarity with new media platforms. For how long and to what extent? That I cannot say. I can say, however, that our service offering will evolve accordingly, because we will always work closely with our customers to meet their new needs, one step at a time.

This decade will be about the fight to keep customers loyal. But I'm not worried: that puts us on familiar ground. We serve an impressive list of clients to whom we already provide the great majority of their marketing tools and with whom we have established great credibility. And we have the financial capacity to add new services, particularly through acquisitions.

Transcontinental's offering is thus a sure value for investors because we represent a sure value and are a major partner to our customers.

The theme of our annual report also applies to our systematic transition to sustainable development, which is both consistent with and an extension of our commitment to the environment, an area in which we are recognized leaders. This year I am particularly proud of our first Sustainability Report, prepared using the

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highly respected Global Reporting Initiative (GRI) methodology.



In closing, I would like to thank our 10,500 employees for their dedication on the job; our customers, suppliers and shareholders for their loyalty; and the members of our Board of Directors for their expertise and the exemplary manner in which they represent the interests of our shareholders.

I have nothing but confidence in our management team under the leadership of François Olivier. Everything starts with the vision that leads the company, and our officers turn that vision into reality.

Lastly, I am optimistic about the future. Transcontinental was born out of and has grown with change, supported by its culture of innovation. We will continue to overcome the challenges that present themselves in the years to come.

Rémi Marcoux
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