

For Immediate Release

TRANSCONTINENTAL ANNOUNCES A 17% RISE IN ITS FIRST-QUARTER ADJUSTED EARNINGS PER SHARE AND A DIVIDEND INCREASE OF 14%

- Growth of 4% in revenues and 9% in adjusted operating income before amortization; excluding the foreign exchange rate impact, growth of 8% and 16%, respectively.
- Significant increase in adjusted operating income margin before amortization, from 13.2% in the first quarter of 2007 to 13.8% in 2008; excluding the foreign exchange rate impact, margin of 14.2%.
- Increase of 69% in net income; on a per-share basis, net income rose from \$0.24 to \$0.41, a 71% increase.
- Increase of 13% in adjusted net income before unusual items; on a per-share basis, adjusted net income grew 17%, from \$0.29 to \$0.34.
- Signing of exclusive six-year contract, valued at \$210 million, to print Rogers' magazines starting in February 2009.
- Acquisition of ThinData, a Canadian leader in permission-based email marketing.
- Announcements of the launch of a French edition of *More* in Canada in the fall of 2008 and of investments totalling \$80 million in two Montreal-area printing facilities.
- Announcement by the Corporation of a 14% increase in its quarterly dividend, to \$0.08 per share.
- Excellent financial position to support further growth.
- As previously announced, François Olivier has become President and Chief Executive Officer.

Montreal, March 13, 2008 – Transcontinental today announced a significant increase in revenues and earnings for the first quarter ended January 31, 2008. This excellent performance is due to organic growth throughout the organization, as well as to the new sales development and operational efficiency measures introduced as part of the *Evolution 2010* business project. Acquisitions made during 2007 offset the negative impact of the exchange rate between the Canadian dollar and U.S. and Mexican currencies.

"We are very satisfied with these first quarter results, which demonstrate the soundness of our business project and our niche strategy," said François Olivier, President and Chief Executive Officer of Transcontinental. "We are reaping the benefits of our major restructuring projects and investments of recent years. Especially promising is the fact that we have almost reached our goal of 5% organic growth in revenues, and we have continued to invest in developing our printing, publishing and digital media activities. Our solid financial position also gives us the flexibility needed to better serve both existing and new customers, as demonstrated by the new contract to print the Rogers magazine portfolio. We have also continued to develop new non-print-related growth platforms that will allow our



customers to optimize their marketing effectiveness and make Transcontinental the obvious choice as marketing partner. The recent acquisition of ThinData, a Canadian leader in permission-based email marketing, is a good example of this.

"I am very confident that we will continue to grow in the medium and long term," said Mr. Olivier. "Our solid financial position, combined with our ability to generate cash flow, gives us the latitude we need to continue investing in our development, notably through acquisitions. As a reflection of our confidence in the future and our commitment to passing on to our shareholders the benefits of Transcontinental's growth, we are today announcing a 14% increase in shareholder dividends, which will rise from \$0.28 to \$0.32 per year."

As at January 31, 2008, the Corporation's net indebtedness totalled \$525 million and its net funded debt to total capitalization ratio was 31%, compared to 29% at the end of fiscal 2007, below the long-term objective of 35% to 50% set by management.

Financial Highlights

In the first quarter ended January 31, 2008, Transcontinental recorded consolidated revenues of \$596 million, up 4% compared to \$572 million in the same quarter of 2007. Adjusted operating income before amortization rose 9% to \$ 82.4 million, compared to \$75.7 million in 2007. This dual increase was fuelled by organic growth of 5% in revenues and 8% in adjusted operating income before amortization, as well as the contribution of acquisitions. These two factors more than offset the unfavourable changes in the exchange rate between the Canadian dollar and the U.S. and Mexico currencies, which caused a decrease of \$21 million in revenues and \$5.2 million in adjusted operating income before amortization.

Net income grew by 69%, from \$20.2 million for the first quarter of 2007 to \$34.1 million in 2008. This growth stemmed mainly from the increase in adjusted operating income before amortization and the favourable change in unusual items. On a per-share basis, net income rose 71%, from \$0.24 to \$0.41.

Adjusted net income, which does not take into account unusual items arising from asset impairment, restructuring costs and unusual adjustments to income taxes, was up 13%, from \$25.1 million in the first quarter of 2007 to \$28.4 million in 2008. On a per-share basis, the increase in adjusted net income was 17%, rising from \$0.29 to \$0.34. This higher percentage reflects the positive impact of the Corporation's normal course issuer bid. Excluding the negative foreign exchange rate impact, adjusted net income would have been \$0.37 per share, up 28%. This measure provides a good indication of Transcontinental's first quarter operating performance.

For more detailed financial information, please see *Management's Discussion and Analysis for the First Quarter ended January 31, 2008* at www.transcontinental.com, under "Investors."



Operating Highlights

The main operating highlights from the beginning of the first quarter of 2008 to date are as follows.

- Once an acquisition has been made, the challenge is to achieve a swift, effective and harmonious integration. Transcontinental is well known for its ability to do this. Indeed, one of the highlights of the first quarter was the successful integration of PLM Group, Canada's fourth-largest printer and a major player in the direct marketing industry, and its 500 employees. PLM Group's diversified customer base includes many leading companies that will now benefit from access to Transcontinental's entire service offering. This promising complementarity quickly manifested itself.
- Transcontinental signed an exclusive six-year contract to print Rogers' complete magazine portfolio, which comprises more than 70 titles, including *Chatelaine*, *Maclean's*, *L'actualité* and *Canadian Business*. This contract, valued at about \$210 million, represents all new business for Transcontinental and takes effect on February 1, 2009, at which time Transcontinental will become the largest catalogue and magazine-printer in Canada.
- Transcontinental announced that in the fall of 2008 it will launch a French-language Canadian edition of *More* magazine, which targets the 40+ women's demographic. This addition builds on the unprecedented success of the English-language edition of *More* launched in March 2007, and strengthens Transcontinental Media's position as Canada's leading publisher of consumer magazines, with more than 40 titles.
- In February, Transcontinental announced plans to invest a total of \$80 million to upgrade two facilities in the Montreal area. A first investment of \$60 million will go to expand the Transcontinental Transmag newspaper printing plant and purchase state-of-the-art equipment. Clients, including Transcontinental Media, which has around 40 of its newspapers printed there, will have the option of including 100% colour on every page of a publication, a capability upon which growth in the industry is largely based. The second project will see an investment of \$20 million in advanced equipment for Transcontinental Interweb Montreal, a catalogue and magazine printing facility on the South Shore.
- Loblaw has outsourced its premedia activities to Transcontinental, including design, digital photography, image archiving, colour management and remote proofing.
- On February 11, Transcontinental ceased the publication of the Halifax *Daily News* and on February 14 it launched a free daily newspaper, *Metro*, in partnership with Metro International S.A. and Torstar Corporation. Management believes that this type of publication is better suited to the Halifax market.
- On March 11, Transcontinental Inc. acquired ThinData Inc., Canada's leading permission-based email marketing services firm. ThinData's offering fits perfectly with Transcontinental's value-added services growth strategy which includes expanding its premedia, database management, direct marketing and analytics and e-marketing capabilities to deliver unique solutions to its clients and its media properties.



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.

A table that reconciles GAAP financial measures to non-GAAP financial measures can be found on the following page.



Reconciliation of non-GAAP financial measures
For the First Quarter Ended January 31
(unaudited)

(in millions of dollars, except per share amounts)	2008	2007
Net income	\$ 34.1	\$ 20.2
Non-controlling interest	0.3	0.3
Income taxes	2.4	7.5
Discount on sale of accounts receivable	3.1	3.2
Financial expenses	8.5	7.0
Impairment of assets and restructuring costs	1.9	7.2
Amortization	32.1	30.3
Adjusted operating income before amortization	\$ 82.4	\$ 75.7
Net income	\$ 34.1	\$ 20.2
Impairment of assets and restructuring costs (after tax)	1.3	4.9
Unusual adjustments to income taxes	(7.0)	-
Adjusted net income	28.4	25.1
Average number of shares outstanding	83.5	85.8
Adjusted earnings per share	\$ 0.34	\$ 0.29
Cash flow related to (used in) operating activities	\$ 33.0	\$ (1.9)
Changes in non-cash operating items	(35.5)	(63.8)
Cash flow from operating activities before changes in non-cash operating items	\$ 68.5	\$ 61.9
Long-term debt	\$ 544.2	\$ 478.9
Current portion of long-term debt	14.5	10.7
Cash and cash equivalents	(33.2)	(32.2)
Net indebtedness	\$ 525.5	\$ 457.4

Corporate Affairs

As announced in September 2007, François Olivier officially became President and Chief Executive Officer of Transcontinental on February 20, 2008, at the annual shareholders' meeting.

A new Board member was also appointed during the meeting: Lino A. Saputo, Jr., President and Chief Executive Officer of Saputo Inc. Mr. Saputo will bring to Transcontinental the benefit of his long experience with one of the most respected companies in the North American business community.



Normal Course Issuer Bid

On December 17, 2007, 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 of December 10, 2007, and up to 845,271 of its Class B Shares, representing 5% of its 16,905,432 issued and outstanding Class B shares as of December 10, 2007. The purchases will be 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 first quarter of 2008, the Corporation purchased 718,300 of its Class A Subordinate Voting Shares at an average price of \$15.07 for a total consideration of \$10.8 million, and 4,000 of its Class B Shares at an average price of \$20.76 for a total consideration of \$0.1 million.

Dividend Increase

At its March 13, 2008 meeting, the Corporation's Board of Directors declared a quarterly dividend of \$0.08 per share on Class A Subordinate Voting Shares and Class B Shares, which represents an increase of 14% over the dividend paid in the previous quarter. These dividends are payable on April 25, 2008 to shareholders of record at the close of business on April 7, 2008. On an annual basis, this represents a dividend of \$0.32 per share. This new dividend increase reflects management's confidence in the future and its commitment to passing on to shareholders the benefits of the Corporation's growth.

Additional Information

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



About Transcontinental

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

Transcontinental (TSX: TCL.A, TCL.B) has close to 15,000 employees in Canada, the United States and Mexico, and reported revenues of C\$2.3 billion in 2007.

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

The forward-looking information in this release is based on current expectations and information available as of March 13, 2008. The Corporation's management disclaims any intention or obligation to update or revise any forward-looking statements unless otherwise required by the Securities Authorities.

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Management's Discussion and Analysis

For the first quarter ended January 31, 2008

The purpose of this Management's Discussion and Analysis is, as required by regulators, to explain management's point of view on Transcontinental's past performance and future outlook. More specifically, it outlines our development strategy, performance in relation to objectives, future expectations and how we address risk and manage our financial resources. This report also provides information to improve the reader's understanding of the consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. This Management's Discussion and Analysis is dated March 13, 2008.

In this document, unless otherwise indicated, all financial data are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). All amounts are in Canadian dollars, and the term "dollar", as well as the symbols "\$" and "C\$", designate Canadian dollars unless otherwise indicated. In this Management's Discussion and Analysis we also use non-GAAP financial measures. Please refer to the section of this report entitled "Reconciliation of Non-GAAP Financial Measures" for a complete description of these measures on page 12.

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

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements, as a number of important factors could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: management of credit, security of data, market dynamics, liquidity, funding and operational risks; the strength of the Canadian, Mexican and United States’ economies in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar and the Mexican peso; the impact from raw material and energy prices; the seasonal nature of certain businesses, notably the Educational Publishing Group, the effects of changes in interest rates; the effects of competition in the markets in which we operate; the effect of new media; judicial judgments and legal proceedings; our ability to successfully realign our organization, resources and processes; our ability to hire qualified personnel and maintain a good reputation; our ability to complete strategic acquisitions and joint ventures and to integrate our acquisitions and joint ventures successfully; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; the possible impact on our businesses from public-health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing risks; other factors may affect future results including, but not limited to, timely development and introduction of new products and services, changes in tax laws, changes in environmental regulations, changes in the U.S. and Canadian postal systems policies, technological changes and new regulations.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Corporation, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Assumptions used to derive forward-looking information could vary materially one at a time or in conjunction. Variation in one assumption may also result in changes in another, which might magnify or counteract the effect on forward-looking information. Unless otherwise required by the securities authorities, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf. See “Risks and Uncertainties” for a description of the most important risks identified by the Corporation. The forward-looking statements contained herein are based on current expectations and information available as of March 13, 2008.

HIGHLIGHTS

- Revenues for the first quarter of 2008 increased 4% over the first quarter of 2007, to \$596.0 million, from \$572.2 million, principally as a result of close to 5% consolidated organic growth as well as the contribution from acquisitions. Organic growth was primarily generated by the Retail Group, the Catalogue and Magazine Group and the Book Group. This growth was partially offset by the negative foreign exchange impact, the paper effect, lower volume in the Commercial Products Group and divestitures and closings.
- Adjusted operating income before amortization increased 9% to \$82.4 million, from \$75.7 million, principally as a result of organic growth, primarily generated in the Retail Group, the Catalogue and Magazine Group and the Book Group as well as acquisitions. This growth was partially offset by the negative foreign exchange impact and negative organic growth in the Direct Marketing Group and Commercial Products Group. Excluding the exchange rate effect, the increase would have been 16%.
- Adjusted operating income margin before amortization increased to 13.8% in the first quarter of 2008, from 13.2% in the first quarter of 2007. Excluding the exchange rate effect, the margin would have been 14.2% in the first quarter of 2008.
- On February 11, 2008, the Corporation closed *The Daily News* in Halifax. Total costs related to this closure are expected to reach \$4.5 million. Of this total cost, an amount of \$1.9 million before tax (\$1.3 million after tax) was charged to income as impairment of assets and restructuring costs in the first quarter of 2008.
- Net income increased by \$13.9 million, or 69%, from \$20.2 million in the first quarter of 2007 to \$34.1 million in the first quarter of 2008, primarily due to the increase in adjusted operating income before amortization and a favourable variation in unusual items (related to income taxes and impairment of assets and restructuring costs), partially offset by higher amortization and financial expenses. On a per-common-share basis, it increased by 71%, from \$0.24 to \$0.41.
- Adjusted net income, which does not take into account impairment of assets and restructuring costs and unusual adjustments to income taxes, increased \$3.3 million, or 13%, from \$25.1 million in the first quarter of 2007 to \$28.4 million in the first quarter of 2008. On a per-common-share basis, it increased by 17%, from \$0.29 to \$0.34; this higher percentage reflects the positive effect of the Corporation's share buy-back program. Excluding the negative foreign exchange impact in the first quarter of 2008, adjusted earnings-per-share would have been \$0.37, representing an increase of 28% over the first quarter of 2007.
- François Olivier officially became President and Chief Executive Officer at the Corporation's annual shareholder meeting on February 20, 2008.
- We signed an exclusive six-year contract, valued at approximately \$210 million, for the printing of Rogers Communications' complete magazine portfolio. The contract takes effect on February 1, 2009 and will necessitate an investment of approximately \$20 million.
- We announced the acquisition of ThinData Inc., Canada's leading permission-based email marketing services firm, which is in line with our value-added services growth strategy.
- We announced plans to invest \$60 million in state-of-the-art equipment at our Transmag newspaper printing facility in Montreal and \$20 million in state-of-the-art equipment at our Interweb Montreal newspaper and magazine printing facility.
- We announced that we plan to introduce a French edition of *More* magazine in the fall of this year for the Canadian market.
- We launched a free daily newspaper, *Metro*, in Halifax in partnership with Metro International S.A. and Torstar Corporation.
- We bought back over 0.7 million shares during the first quarter of 2008 for a total consideration of \$10.9 million, in accordance with our Normal Course Issuer Bid.
- The Corporation announced it was increasing its quarterly dividend by 14% to \$0.08 per share.
- Solid financial position to pursue growth, with a net indebtedness to total capitalization ratio of 31% as at January 31, 2008.

STRATEGIC ORIENTATION UPDATE: EVOLUTION 2010

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

Transcontinental is adapting and changing to the new realities of increased competition and globalization, a stronger Canadian dollar, technological advances and the emergence of new media channels. We are investing more than ever in our long-term development. *Evolution 2010*, our business project, will put more emphasis on our role as a marketing advisor to our customers by developing an even greater knowledge of their markets and integrating ourselves into their value chain. We will also aim to improve our content, product and service offering, and technology platform so that we can better serve our advertisers, readers and website visitors. Furthermore, we will be stressing organic growth, based on the innovative and creative initiatives of our people, while continuing to target strategic acquisitions. In effect, *Evolution 2010* will focus on four issues: Talent, Sales Growth, Efficiency and Digital. Below is a description of our latest initiatives related to *Evolution 2010*.

- We signed an exclusive six-year contract for the printing of Rogers Communications' complete magazine portfolio. The six-year contract, valued at approximately \$210 million, represents all new business. The contract takes effect on February 1, 2009 and will be printed in our network across Canada but mainly in our Transcontinental RBW Graphics plant in Owen Sound, Ontario. As a result, we will invest approximately \$20 million to expand this plant and acquire a new press and peripheral equipment.
- We announced plans to invest \$60 million in state-of-the-art equipment at our Transcontinental Transmag newspaper printing facility in Montreal. This new technology will add color capacity and improve production quality and efficiency. In order to accommodate the new press and peripheral equipment, the facility will be expanded. This project is expected to be completed in 2009 and is part of our strategy to become North America's leader in newspaper printing outsourcing.
- We announced plans to invest \$20 million in state-of-the-art equipment at our Transcontinental Interweb Montreal newspaper and magazine printing facility. This new technology as well as the redesign of the facility will maximize efficiency and workflow, part of Transcontinental's commitment to continuous improvement and efficiency.
- We announced that in the fall of this year, we will introduce a French edition of *More* magazine for the Canadian market. This addition builds on the success of our *More* magazine in English, which was launched last year.
- We closed our newspaper *The Daily News* in Halifax and launched a free daily newspaper, *Metro*, in partnership with Metro International S.A. and Torstar Corporation. This new product will be better aligned with the new market needs of Halifax.
- We announced the acquisition of ThinData Inc., Canada's leading permission-based email marketing services firm. ThinData's offering fits perfectly with Transcontinental's value-added services growth strategy which includes expanding its premedia, database management, direct marketing and analytics and e-marketing capabilities to deliver unique solutions to its clients and its media properties.

Selected financial data

Unaudited

(in millions of dollars, except per share data)	Three months ended		
	January 31		
	2008	2007	Change in %
Operations			
Revenues ⁽²⁾	\$ 596.0	\$ 572.2	4
Adjusted operating income before amortization ^{(3) (4)}	82.4	75.7	9
Operating income	48.4	38.2	27
Net income	34.1	20.2	-
Adjusted net income ^{(3) (5)}	28.4	25.1	13
Cash flow from operating activities before changes in non-cash operating items ⁽³⁾	68.5	61.9	11
Cash flow related to (used in) operating activities	33.0	(1.9)	-
Investments			
Acquisitions of property, plant and equipment	31.3	22.0	42
Business acquisitions ⁽⁶⁾	3.0	10.0	-
Financial condition (restated)⁽¹⁾			
Total assets	2,338.6	2,180.2	7
Net indebtedness ^{(3) (7)}	525.5	457.4	15
Shareholders' equity	1,195.4	1,145.7	4
Net indebtedness / Total capitalization	31%	29%	2
Per share data (basic)			
Net income	\$ 0.41	\$ 0.24	-
Adjusted net income ^{(3) (5)}	0.34	0.29	17
Cash flow from operating activities before changes in non-cash operating items ⁽³⁾	0.82	0.72	14
Cash flow related to (used in) operating activities	0.40	(0.02)	-
Dividends on shares	0.070	0.065	8
Shareholders' equity	14.42	13.38	8
Average number of shares outstanding (in millions)	83.5	85.8	
Number of shares at end of period (in millions)	82.9	85.6	

⁽¹⁾ Balance sheet as at January 31, 2007 was restated (See Note 2 in the annual consolidated financial statements for the year ended October 31, 2007).

⁽²⁾ Prior period revenues have been reclassified to conform with the current period presentation.

⁽³⁾ Please refer to the section "Reconciliation of Non-GAAP Financial Measures" on page 12 in this Management's Discussion and Analysis.

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

⁽⁵⁾ Adjusted net income refers to net income before impairment of assets and restructuring costs, net of income taxes, and unusual adjustments to income taxes (See Notes 4 and 6 to the consolidated financial statements for the three-month period ended January 31, 2008).

⁽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 FIRST QUARTER 2008 OPERATING RESULTS

Analysis of Main Variances - Consolidated Results For the First Quarter Ended January 31, 2008 (unaudited)

(in millions of dollars)	Revenues	%	Adjusted operating income before amortization ⁽¹⁾	%	Net income	%
Results - First Quarter 2007	\$ 572.2		\$ 75.7		\$ 20.2	
Acquisitions/Divestitures/Closures	24.8	4.3 %	5.3	7.0 %	0.9	4.5 %
Existing operations						
Paper effect	(7.4)	(1.3) %	0.6	0.8 %	0.4	2.0 %
Exchange rate	(21.0)	(3.7) %	(5.2)	(6.9) %	(2.7)	(13.4) %
Impairment of assets, restructuring costs and unusual adjustments to income taxes	-	-	-	-	10.6	52.5 %
Organic growth	27.4	4.8 %	6.0	7.9 %	4.7	23.3 %
Results - First Quarter 2008	\$ 596.0	4.2 %	\$ 82.4	8.9 %	\$ 34.1	68.8 %

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

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

- The acquisition of PLM Group, fourth largest printer in Canada, as well as small but strategic acquisitions completed in 2008 and 2007, net of divestitures and closings (notably *TV Hebdo* and conversion of *TV Guide* to a web-only product), contributed \$24.8 million to revenues and \$5.3 million to adjusted operating income before amortization. Net of amortization, financing and income taxes, the contribution to net income was \$0.9 million.
- The paper effect had a \$7.4 million negative impact on revenues. This effect includes the variation in the price of paper, paper supplied and changes in the type of paper used by customers of our printing operations. Note that for printing operations, these elements affect revenues without impacting adjusted operating income before amortization. For the Media sector, the variation in the price of paper had a positive impact of \$0.6 million on adjusted operating income before amortization and \$0.4 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 quarter, causing a \$21.0 million decrease in revenues and a \$5.2 million decrease in adjusted operating income before amortization. It is important to note that the variation in average spot exchange rates in the first quarter of 2008 versus the first quarter of 2007 was 14% for the CAD/USD and 14% for the CAD/MXP. With respect to revenues, conversion of sales by U.S. and Mexican units had a negative impact of approximately \$14.9 million. For export sales from Canadian plants, net of the currency hedging program, the negative impact was \$6.1 million. The negative impact of the conversion of results for U.S. and Mexican units was \$1.5 million on adjusted operating income before amortization. The negative impact of export sales, net of the currency hedging program and purchases in U.S. dollars, was \$4.9 million on adjusted operating income before amortization. Finally, the positive impact of the conversion of balance-sheet items related to the operation of Canadian units denominated in foreign currency was \$1.2 million on adjusted operating income before amortization. Taking into consideration amortization, financial expenses and income taxes denominated in foreign currencies, the net negative effect was \$2.7 million, representing a 13.4% negative variation on net income.

- Organic revenue growth was \$27.4 million, or 4.8%, in the first quarter of 2008, in line with our *Evolution 2010* objective and building on the trend of 2007. This growth was generated primarily from our Marketing Products and Services sector, with the Retail Group and the Catalogue and Magazine Group; followed by the Media sector, with the Magazine Group and Newspaper Group; and finally the Printing Products and Services sector, with the Book Group. These groups more than offset lower volume in the Commercial Products Group resulting from weaker demand.
- Organic growth in adjusted operating income before amortization was \$6.0 million, or 7.9% in the first quarter of 2008. Organic growth was primarily generated in the Retail Group, the Catalogue and Magazine Group and the Book Group due to an increase in volume coupled with the benefits from the full ramp-up of our manufacturing platform. This growth was partially offset by margin pressures in the Direct Marketing Group as well as lower volume from the Commercial Products Group.

Amortization

Amortization expense increased by \$1.8 million, or 6%, in the first quarter of 2008, to \$32.1 million compared to \$30.3 million in the first quarter of 2007. This increase results mostly from acquisitions, more specifically PLM Group acquired in October 2007.

Impairment of assets and restructuring costs

On February 11, 2008, the Corporation closed the newspaper *The Daily News* in Halifax and launched a free daily newspaper, *Metro*. Total costs related to this decision are expected to reach \$4.5 million of which \$1.7 million are for workforce reduction costs, \$0.9 million are for the transfer of equipment and other costs and \$1.9 million are for impairment of assets. Of the total cost, an amount of \$1.9 million before tax (\$1.3 million after tax) was accounted for separately in the consolidated statement of income for the first quarter of 2008 as "Impairment of assets and restructuring costs." The restructuring plan is expected to be finalized by the end of the second quarter.

In the first quarter of 2007, an amount of \$7.2 million before tax (\$4.9 million after tax) was accounted for as "Impairment of assets and restructuring costs." The bulk of this amount is related to the restructuring plan for our commercial printing operations initiated in 2007. Furthermore it includes amounts related to the transfer of printing equipment and other costs for the consolidation of our Toronto printing facilities initiated in 2006 and our book printing operations initiated in 2005.

Financial expenses and discount on sale of accounts receivable

When combined, financial expenses and discount on sale of accounts receivable increased \$1.4 million, or 14%, from \$10.2 million in the first quarter of 2007 to \$11.6 million in the first quarter of 2008. This increase is due to the increase in net indebtedness related to acquisitions and the share buy-back program, partially offset by a decrease in net indebtedness related to our U.S. denominated debt following the appreciation of the Canadian dollar versus the U.S. dollar.

Income taxes

Income taxes decreased by \$5.1 million, from \$7.5 million in the first quarter of 2007 to \$2.4 million in the first quarter of 2008. The effective income tax rate also decreased from 26.8% to 6.5%. Following the third reading of Bill C-28 in the House of Commons on December 13, 2007, related to decreases of the federal income tax rate, Transcontinental had to record a favourable unusual item of \$7.0 million which resulted in a decrease of its income tax expense and in future income tax liabilities in the first quarter. Excluding this item, income taxes would have been \$9.4 million with an income tax rate of 25.5%, a rate slightly lower than in the first quarter of 2007.

Net income

Net income increased \$13.9 million, or 69%, from \$20.2 million in the first quarter of 2007 to \$34.1 million in the first quarter of 2008. This increase is primarily due to the increase in adjusted operating income before amortization and a favourable variation in unusual items (related to income taxes and impairment of assets and restructuring costs), partially offset by the negative foreign exchange impact as well as higher amortization and financial expenses. On a per-common-share basis, it increased by 71%, from \$0.24 to \$0.41.

Adjusted net income, which does not take into account impairment of assets and restructuring costs and unusual adjustments to income taxes, increased \$3.3 million, or 13%, from \$25.1 million in the first quarter of 2007 to \$28.4 million in the first quarter of 2008. On a per-common-share basis, it increased by 17%, from \$0.29 to \$0.34; this higher percentage reflects the positive effect of the Corporation's share buy-back program.

Excluding the negative foreign exchange impact in the first quarter of 2008, adjusted earnings-per-share would have been \$0.37, representing an increase of 28% over the first quarter of 2007. This measure gives a good indication of the net operational performance in the first quarter of 2008.

REVIEW OF OPERATING SECTORS FOR THE FIRST QUARTER OF 2008

Analysis of Main Variances – Sector Results For the First Quarter Ended January 31, 2008 (unaudited)

(in millions of dollars)	Marketing Products and Services Sector	Printing Products and Services Sector	Media Sector	Inter-segment and Other Results	Consolidated Results
Revenues - for First Quarter 2007	\$ 287.7	\$ 161.4	\$ 142.6	\$ (19.5)	\$ 572.2
Acquisitions/Divestitures/Closures	27.4	(0.2)	(2.4)	-	24.8
Existing operations					
Paper effect	(2.4)	(5.0)	-	-	(7.4)
Exchange rate	(14.4)	(6.6)	-	-	(21.0)
Organic growth	20.2	0.5	6.8	(0.1)	27.4
Revenues - for First Quarter 2008	\$ 318.5	\$ 150.1	\$ 147.0	\$ (19.6)	\$ 596.0
Adjusted operating income before amortization - for First Quarter 2007	\$ 32.7	\$ 29.3	\$ 19.7	\$ (6.0)	\$ 75.7
Acquisitions/Divestitures/Closures	5.0	-	0.3	-	5.3
Existing operations					
Paper effect	-	-	0.6	-	0.6
Exchange rate	(2.4)	(2.8)	-	-	(5.2)
Organic growth	6.0	0.8	(0.6)	(0.2)	6.0
Adjusted operating income before amortization - for First Quarter 2008	\$ 41.3	\$ 27.3	\$ 20.0	\$ (6.2)	\$ 82.4

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 17) to the Consolidated Financial Statements for the first quarter ended January 31, 2008.

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

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

Marketing Products and Services Sector

Revenues in the Marketing Products and Services sector increased from \$287.7 million in the first quarter of 2007 to \$318.5 million in the first quarter of 2008, an increase of \$30.8 million, or 10.7%. The PLM Group acquisition contributed \$27.4 million to revenues. Excluding acquisitions, paper and foreign exchange, revenues increased \$20.2 million, or 7.0%. Organic growth was primarily generated in the Retail Group as a result of new business we developed with existing customers last year specifically, Loblaws, which now includes the printing of flyers for the Provigo chain in Quebec and Hbc, which now allows us to introduce extensive use of our value-added product and service offering. This new business more than compensated for the softness in volume from certain customers in our base business. In addition, organic growth was also generated from our Catalogue and Magazine Group due to successful business development initiatives in both Canada and the U.S. On the other hand, the Direct Marketing Group had stable revenues as an increase in volume was compensated by pricing pressures and product mix changes following the negative impact of the postal rate increase last May and the ongoing turmoil in credit markets.

Adjusted operating income before amortization increased from \$32.7 million in the first quarter of 2007 to \$41.3 million in the first quarter of 2008, an increase of \$8.6 million, or 26.3%. The PLM Group acquisition contributed \$5.0 million. Excluding foreign exchange and acquisitions, it increased \$6.0 million, or 18.3%. Organic growth was primarily generated in the Retail Group due to increased volume as well as improved efficiency from its revamped manufacturing platform. Recall that last year this group was affected by disruptions related to press and equipment installations, which are now completed. Furthermore, organic growth was generated in the Catalogue and Magazine Group due to increased volume as well as a better use of its equipment base following the transfer of the Boucherville plant into its network. These two groups more than compensated margin pressures in the Direct Marketing Group related to the product mix changes and pricing pressures mentioned above as well as disruptions to operations following the installation of new postal optimization equipment. As a result, the adjusted operating income margin before amortization increased from 11.4% in the first quarter of 2007 to 13.0% in the first quarter of 2008.

Shortly after the end of the first quarter of 2008 we signed an exclusive six-year contract for the printing of Rogers Communications' complete magazine portfolio. The six-year contract, valued at approximately \$210 million, represents all new business. The contract takes effect on February 1, 2009 whereby Rogers Communications' magazines will be printed in our network across Canada but mainly in our Transcontinental RBW Graphics plant in Owen Sound, Ontario. As a result, we will invest approximately \$20 million to expand this plant and acquire a new press and peripheral equipment. Furthermore, we announced plans to invest \$20 million in state-of-the-art equipment at our Transcontinental Interweb Montreal newspaper and magazine printing facility. This new technology as well as the redesign of the facility will maximize efficiency and workflow, part of Transcontinental's commitment to continuous improvement and efficiency. Furthermore, we signed a four-year contract with Loblaws for the complete outsourcing of its premedia business.

In addition, we announced the acquisition of ThinData Inc., Canada's leading permission-based email marketing services firm. ThinData's offering fits perfectly with Transcontinental's value-added services growth strategy which includes expanding its premedia, database management, direct marketing and analytics and e-marketing capabilities to deliver unique solutions to its clients and its media properties. In parallel we completed our 100-day integration plan for PLM Group. At this point, preliminary analyses suggest that we should be able to surpass the synergies we had previously anticipated while at the same time, PLM's base business is performing better than expected.

For the balance of the year, the Retail Group should benefit from the full-year impact of the Hbc and Provigo agreements as well as the full ramp-up of its manufacturing platform. In addition, it is expected to continue to develop

non-traditional customers, offer more value-added services and develop cross-selling opportunities. The Catalogue and Magazine Group will focus on the PLM Group integration and its \$40 million investments in two of its plants. It should also continue to develop new sales in both Canada and the U.S and benefit from a better use of its equipment base following the transfer of the Boucherville plant into its network. The Premedia Group will focus on the integration of ThinData and the expansion of its customer base.

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

Printing Products and Services Sector

Revenues in the Printing Products and Services sector decreased from \$161.4 million in the first quarter of 2007 to \$150.1 million in the first quarter of 2008, a decrease of \$11.3 million, or 7.0%. Excluding acquisitions, divestitures and closures, foreign exchange and paper, revenues were flat. In essence, successful sales development efforts in the Book Group, following the revamp of its manufacturing platform last year, were offset by lower volume in the Commercial Products Group. Similarly, in the Mexico Group, successful sales development efforts in the retail and magazine segments were offset by lower volume in the book segment. Finally, in the Newspaper Group, an increase in the use of color by some publishers was compensated by a reduction in page count and circulation by others.

Adjusted operating income before amortization decreased from \$29.3 million in the first quarter of 2007 to \$27.3 million in the first quarter of 2008, a decrease of \$2.0 million, or 6.8%. Excluding foreign exchange, it increased \$0.8 million, or 2.7%. Organic growth from the Book Group more than compensated the lower volume in the Commercial Products Group. As a result, the adjusted operating income margin before amortization remained stable at 18.2%.

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

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

Media Sector

Revenues in the Media sector rose from \$142.6 million in the first quarter of 2007 to \$147.0 million in the first quarter of 2008, an increase of \$4.4 million, or 3.1%. Divestitures and closures, net of small but strategic acquisitions completed in 2007 and 2008, had a negative impact of \$2.4 million on revenues. Excluding acquisitions, divestitures and closures, revenue growth was \$6.8 million, or 4.8%. Organic growth was generated by all groups: the Magazine Group, driven by women magazines, with a stellar performance from *Elle Quebec* and *Elle Canada* as well as its new magazine *More* and business publications; the Newspaper Group, fuelled by a marked improvement in our Atlantic region newspapers; the Distribution Group, driven by national sales; and finally, the Digital Media Group, driven by the accelerated development of its multiplatform offering.

Adjusted operating income before amortization slightly increased from \$19.7 million in the first quarter of 2007 to \$20.0 million in the first quarter of 2008, an increase of \$0.3 million, or 1.5%. Excluding acquisitions, divestitures and closures, and paper, it decreased slightly by \$0.6 million, or 3.0%. Organic growth generated in the Magazine Group, the Newspaper Group and the Distribution Group was more than compensated from investments made in the Digital Media Group and the Educational Publishing Group. It is important to highlight that investments made in the Digital Media Group are bearing fruit. For instance, our traffic increased 24% versus the first quarter last year while our reach into the total Canadian internet advertising market increased from 14% to 17%. As a result, the adjusted operating income margin before amortization slightly decreased to 13.6% in the first quarter of 2008 from 13.8% in the first quarter of 2007.

In the first quarter of 2008, we announced that in the fall of this year, we will introduce a French edition of *More* magazine for the Canadian market. This addition builds on the success of our *More* magazine in English, which was launched last year. Furthermore, we acquired three community newspapers: *The Springhill-Parrsboro Record* in Nova Scotia, the *Corrière Italiano* which serves the Italian community in the Montreal area and *L'Autre Voix* which serves the Côte-de-Beaupré region in Quebec. These acquisitions bring our newspaper total to 172 community publications across Canada, with approximately 250 million copies annually. In addition, we closed our newspaper *The Daily News* in Halifax and launched a free daily newspaper, *Metro*, in partnership with Metro International S.A. and Torstar Corporation. This new product will be better aligned with the new market needs in Halifax.

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

Inter-Segment and Other Results

Inter-segment and other revenues went from a negative \$19.5 million in the first quarter of 2007 to a negative \$19.6 million in the first quarter of 2008. The variation is attributable to a slight increase in inter-segment revenues. Adjusted operating income before amortization went from a negative \$6.0 million in the first quarter of 2007 to a negative \$6.2 million in the first quarter of 2008 due to an increase in various expenses.

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)	2008	2007
Net income	\$ 34.1	\$ 20.2
Non-controlling interest	0.3	0.3
Income taxes	2.4	7.5
Discount on sale of accounts receivable	3.1	3.2
Financial expenses	8.5	7.0
Impairment of assets and restructuring costs	1.9	7.2
Amortization	32.1	30.3
Adjusted operating income before amortization	\$ 82.4	\$ 75.7
Net income	\$ 34.1	\$ 20.2
Impairment of assets and restructuring costs (after tax)	1.3	4.9
Unusual adjustments to income taxes	(7.0)	-
Adjusted net income	28.4	25.1
Average number of shares outstanding	83.5	85.8
Adjusted earnings per share	\$ 0.34	\$ 0.29
Cash flow related to (used in) operating activities	\$ 33.0	\$ (1.9)
Changes in non-cash operating items	(35.5)	(63.8)
Cash flow from operating activities before changes in non-cash operating items	\$ 68.5	\$ 61.9
Long-term debt	\$ 544.2	\$ 478.9
Current portion of long-term debt	14.5	10.7
Cash and cash equivalents	(33.2)	(32.2)
Net indebtedness	\$ 525.5	\$ 457.4

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Financial Results (unaudited)

	2008		2007		2006			
(in millions of dollars, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	\$ 596	\$ 618	\$ 551	\$ 585	\$ 572	\$ 605	\$ 533	\$ 576
Adjusted operating income before amortization	82	101	81	93	76	97	75	91
Adjusted operating income margin before amortization	13.8 %	16.3 %	14.8 %	15.9 %	13.2 %	16.1 %	14.0 %	15.9 %
Operating income	\$ 48	\$ 67	\$ 51	\$ 62	\$ 38	\$ 61	\$ 44	\$ 58
Net income	34	39	28	34	20	51	24	33
Per share	0.41	0.46	0.33	0.40	0.24	0.59	0.28	0.38
Adjusted net income	28	39	28	35	25	42	28	35
Per share	0.34	0.47	0.34	0.41	0.29	0.48	0.32	0.41
% of fiscal year	- %	31 %	23 %	27 %	19 %	32 %	21 %	27 %

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Principal Cash Flows and Financial Condition For the First Quarter Ended January 31 (unaudited)

(in millions of dollars)	2008	2007
Operating activities		
Cash flow from operating activities before changes in non-cash operating items	\$ 68.5	\$ 61.9
Changes in non-cash operating items	(35.5)	(63.8)
Cash flow related to (used in) operating activities	33.0	(1.9)
Investing activities		
Business acquisitions, net of disposals	(3.0)	(10.0)
Acquisitions of property, plant and equipment, net of disposals	(31.3)	(21.9)
Other	(5.5)	(5.2)
Cash flow used in investing activities	(39.8)	(37.1)
Financing activities		
Reimbursement of long-term debt, net	(1.6)	(2.1)
Increase in revolving term credit facility	8.4	-
Redemption of shares, net	(10.9)	(10.0)
Dividends on shares	(5.8)	(5.6)
Other	(0.3)	(0.5)
Cash flow used in financing activities	(10.2)	(18.2)
Other relevant information		
Net indebtedness	525.5	457.4
Shareholders' equity	1,195.4	1,145.7
Net indebtedness / total capitalization ratio	31 %	29 %
Credit rating		
DBRS	BBB high Negative trend	BBB high Negative trend
Standard and Poor's	BBB Stable	BBB Stable

Operating activities

In the first quarter of 2008, cash flow from operating activities before changes in non-cash operating items increased from \$61.9 million in the first quarter of 2007 to \$68.5 million in the first quarter of 2008, primarily due to the increase in net income and amortization, partially offset by a decrease in future income taxes. Changes in non-cash operating items resulted in an outflow of \$35.5 million in the first quarter of 2008, compared to an outflow of \$63.8 million in the first quarter of 2007, mainly due to an unusual payment in income taxes in 2007. As a result, cash flow from operating activities increased from an outflow of \$1.9 million in the first quarter of 2007 to a cash generation of \$33.0 million in the first quarter of 2008.

Investing activities

In the first quarter of 2008, \$31.3 million was invested in property, plant and equipment, an increase of \$9.3 million compared to the \$22.0 million invested in the first quarter of 2007. Of this amount, \$10.4 million relates to the *San Francisco Chronicle* project.

Financing activities

The Corporation paid \$5.8 million, or 7 cents per share, in dividends in the first quarter of 2008 compared to \$5.6 million, or 6.5 cents per share, in the first quarter of 2007, an increase of 8%. Moreover, the Corporation announced today an increase in its quarterly dividend by 14% to \$0.08 per share starting in the second quarter. Dividends paid by Transcontinental to Canadian residents are eligible dividends as per the provincial and federal income tax laws.

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

The Corporation was authorized to purchase for cancellation on the open market, between November 21, 2006 and November 20, 2007, up to 3,448,698 of its Class A Subordinate Voting Shares, representing 5% of the 68,973,966 issued and outstanding Class A Subordinate Voting Shares as of 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 of 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 first quarter of 2008, the Corporation purchased 718,300 of its Class A Subordinate Voting Shares at a weighted average price of \$15.07 for a total consideration of \$10.8 million and 4,000 of its Class B Shares at a weighted average price of \$20.76 for a total consideration of \$0.1 million. Of the total consideration of \$10.9 million, \$4.0 million corresponds to the book value and \$6.9 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

During the first quarter of 2007, the Corporation purchased 467,000 of its Class A Subordinate Voting Shares at a weighted average price of \$21.21 for a total consideration of \$9.9 million and 5,300 of its Class B Shares at a weighted average price of \$21.21 for a total consideration of \$0.1 million. Of the total consideration of \$10.0 million, \$2.6 million corresponds to the book value and \$7.4 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

Debt instruments

As at January 31, 2008, the Corporation's net indebtedness stood at \$525.5 million and its net indebtedness to total capitalization ratio was 31%, compared to 29% at the end of fiscal 2007 and 29% in the first quarter of 2007.

As at January 31, 2008, the Corporation had a committed line of credit in the form of a term revolving credit facility, totalling \$400 million or the U.S. - dollar equivalent. An amount of \$200 million of this credit facility was used at the end of the first quarter of 2008. Under the terms and conditions of the credit agreement, the Corporation must comply with certain restrictive covenants, including the requirement to maintain certain financial ratios. The Corporation is in compliance with all of the covenants under the credit agreements governing these facilities and would continue to be in compliance even if it drew all of the facilities at its disposal.

As of January 31, 2008, letters of credit amounting to C\$0.3 million and US\$3.9 million were drawn on the committed line of credit in addition to the amount presented in the previous paragraph. During the year ended October 31, 2007, the Corporation has not been in default under any of its obligations. Other than long-term debt obligations, the Corporation has commitments, mainly comprised of operating leases.

The Corporation is committed to acquire machinery and equipment. During the first quarter of fiscal 2008, the Corporation entered into new commitments representing \$12.2 million (US\$12.3 million). Minimum payments required in 2008 and 2009 are \$3.0 million and \$9.2 million, respectively. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Off-Balance-Sheet Arrangements (Securitization)

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

As at January 31, 2008, \$330 million of accounts receivable (\$273 million as at October 31, 2007) had been sold under the accounts receivable securitization program, of which \$45 million (\$37 million as at October 31, 2007) were kept by the Corporation as retained interest, resulting in a net consideration of \$285 million, including C\$252 million and US\$33 million (\$236 million as at October 31, 2007, including C\$209 million and US\$29 million) which represents the maximum net consideration the Corporation could have obtained on those dates in accordance with the program terms and conditions. The retained interest is recorded in the Corporation's accounts receivable at the lower of cost and fair market value. Under the program, the Corporation recognized an aggregate discount on sale of accounts receivable of \$3.1 million for the three-month period ended January 31, 2008 (\$3.2 million for the same period in 2007). The Corporation is in compliance with all its covenants under the agreements governing this program.

Critical Accounting Policies and Estimates

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

Changes in Accounting Policies

Financial Instruments – Disclosures

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

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

Financial Instruments – Presentation

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

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

Capital Disclosures

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

The adoption of this Section implied that information on capital management is now included in the notes to the consolidated financial statements. This information is included in Note 15 to the financial statements, Capital management.

Accounting changes

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

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

Risks and Uncertainties

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

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

Competition

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

Credit

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

Difficulty Hiring Qualified Personnel

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

Economic Cycles

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

Environment

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

Exchange of Confidential Information

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

Geographic Distribution and Exchange Rate

Our net exposure to the exchange rate between the Canadian dollar and the U.S. dollar and Mexican pesos has not changed materially in the quarter. However, the exchange rate between the Canadian dollar and its U.S. counterpart has fluctuated significantly in the past few years and particularly in our first quarter. The spot exchange rate was 0.98 CAD/USD on average in the first quarter of 2008 and 1.14 CAD/USD on average in the first quarter of 2007, for a variation of 14%.

The Corporation has a currency-hedging program in place to mitigate the risk from foreign exchange. The policy approved by the Corporation's Board of Directors allows hedging of 50% to 100% of net cash 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 January 31, 2008, the Corporation had sold US\$87 million (US\$87.3 million as at October 31, 2007), of which US\$45 million and US\$42 million will be sold in 2008 and 2009, respectively, 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 21 months, with rates varying from 1.0087 to 1.1643. The Corporation was also party to a collar of US\$2 million (US\$6 million as at October 31, 2007). The term of this collar contract is five months, with a floor rate of 1.04 and a cap rate of 1.0885. Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the first quarter of fiscal 2008. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2007.

Integration of Acquisitions

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

Interest Rate

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

Loss of Reputation

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

New Media

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

Canadian and U.S. Postal Systems' Future Policies

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

Raw Materials and Energy Prices

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

Subsequent Event

The Corporation purchased 1,051,600 of its Class A Subordinate Voting Shares at a weighted average price of \$15.87 for a total consideration of \$16.7 million and 3,500 of its Class B Shares at a weighted average price of \$15.91 for a total consideration of \$0.1 million between February 1, 2008 and March 12, 2008 in accordance with its Normal Course Issuer Bid.

Disclosure Controls and Procedures

Transcontinental's President and Chief Executive Officer and its Vice President and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and the Vice President and Chief Financial Officer, to allow timely decisions regarding required disclosure. The President and Chief Executive Officer and the Vice President and Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures as at January 31, 2008, have concluded that the Corporation's disclosure controls and

procedures are adequate and effective to ensure that material information relating to the Corporation and its subsidiaries would have been known to them.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The President and Chief Executive Officer and the Vice President and Chief Financial Officer have evaluated whether there were changes to internal control over financial reporting during the first quarter ended January 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

OUTLOOK

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

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

- (-) a negative pre-tax exchange-rate effect of approximately \$20 million using a constant exchange rate of 1.00 CAD/USD for the year. The second quarter will be the most negatively affected as the average spot rate last year at that time was 1.17 CAD/USD
- (-) additional spending of approximately \$8 million (\$4 million of which will be capitalized) in our Media sector, relating to a number of new digital initiatives. The bulk of this amount has not yet been spent.
- (-) capital expenditures of approximately \$250 million, including \$120 million for the *San Francisco Chronicle*. This amount includes all the recent investments we announced
- (+) the positive effect from our share buy-back program
- (+) lower income tax rate, we expect 29-30% for the full year, excluding unusual items
- (+) contribution from PLM Group

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

On behalf of Management,



Benoît Huard
Vice President and Chief Financial Officer

March 13, 2008



CONSOLIDATED STATEMENTS OF INCOME
unaudited

(in millions of dollars, except per share data)	Three months ended	
	January 31	
	2008	2007
Revenues	\$ 596.0	\$ 572.2
Operating costs	442.9	431.4
Selling, general and administrative expenses	70.7	65.1
Operating income before amortization, impairment of assets and restructuring costs	82.4	75.7
Amortization	32.1	30.3
Impairment of assets and restructuring costs (Note 4)	1.9	7.2
Operating income	48.4	38.2
Financial expenses (Note 5)	8.5	7.0
Discount on sale of accounts receivable (Note 8)	3.1	3.2
Income before income taxes and non-controlling interest	36.8	28.0
Income taxes (Note 6)	2.4	7.5
Non-controlling interest	0.3	0.3
Net income	\$ 34.1	\$ 20.2
Per share (basic) (Note 9)		
Net income	\$ 0.41	\$ 0.24
Per share (diluted) (Note 9)		
Net income	\$ 0.41	\$ 0.23
Average number of shares outstanding (in millions)	83.5	85.8

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



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
unaudited

(in millions of dollars)	Three months ended January 31	
	2008	2007 (restated Note 2)
Net income	\$ 34.1	\$ 20.2
Other comprehensive loss:		
Unrealized net losses on derivatives designated as cash flow hedges, net of income taxes of \$1.4 million (\$1.5 million in 2007)	(2.8)	(3.0)
Reclassification adjustment for net gains on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period, net of income taxes of \$0.8 million (\$0.6 million in 2007)	(1.4)	(1.2)
Change in net gains on derivatives designated as cash flow hedges	(4.2)	(4.2)
Unrealized net gains on translation of financial statements of self-sustaining foreign operations	4.0	3.5
Other comprehensive loss	(0.2)	(0.7)
Comprehensive income	\$ 33.9	\$ 19.5

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
unaudited

(in millions of dollars)	Three months ended January 31	
	2008	2007 (restated Note 2)
Balance, beginning of period, as previously reported	\$ 806.4	\$ 769.0
Adjustments to opening retained earnings (Note 2)	-	(19.9)
	806.4	749.1
Financial Instruments - Recognition and Measurement	-	(0.2)
Restated balance, beginning of period	806.4	748.9
Net income	34.1	20.2
	840.5	769.1
Premium on redemption of shares (Note 9)	(6.9)	(7.4)
Dividends on shares	(5.8)	(5.6)
Balance, end of period	\$ 827.8	\$ 756.1

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



CONSOLIDATED BALANCE SHEETS
unaudited

(in millions of dollars)

	As at January 31, 2008	As at October 31, 2007
Current assets		
Cash and cash equivalents	\$ 33.2	\$ 48.5
Accounts receivable (Note 8)	174.4	196.9
Income taxes receivable	1.3	1.3
Inventories	86.4	91.0
Prepaid expenses and other current assets	17.1	18.4
Future income tax assets	9.8	11.8
	322.2	367.9
Property, plant and equipment	748.7	739.7
Goodwill	946.2	934.6
Intangible assets	169.0	172.5
Future income tax assets	72.6	64.6
Other assets	79.9	90.3
	\$ 2,338.6	\$ 2,369.6
Current liabilities		
Accounts payable and accrued liabilities	\$ 342.4	\$ 400.5
Income taxes payable	31.4	32.3
Deferred subscription revenues and deposits	47.8	52.9
Current portion of long-term debt	14.5	14.2
	436.1	499.9
Long-term debt	544.2	523.3
Future income tax liabilities	101.9	108.4
Other liabilities	60.7	58.2
	1,142.9	1,189.8
Non-controlling interest	0.3	2.2
Commitments (Note 16)		
Shareholders' equity		
Share capital (Note 9)	391.1	395.1
Contributed surplus (Note 11)	9.8	9.2
Retained earnings	827.8	806.4
Accumulated other comprehensive loss (Note 12)	(33.3)	(33.1)
	794.5	773.3
	1,195.4	1,177.6
	\$ 2,338.6	\$ 2,369.6

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



CONSOLIDATED STATEMENTS OF CASH FLOWS
unaudited

(in millions of dollars)	Three months ended	
	January 31	
	2008	2007
Operating activities		
Net income	\$ 34.1	\$ 20.2
Items not affecting cash and cash equivalents		
Amortization	39.0	34.5
Impairment of assets (Note 4)	1.9	3.5
Gain on disposal of assets	-	(0.2)
Future income taxes	(8.8)	0.3
Non-controlling interest	0.3	0.3
Accrued pension benefit asset and liability	3.0	2.7
Stock-based compensation and other stock-based payments (Note 10)	0.9	0.6
Other	(1.9)	-
Cash flow from operating activities before changes in non-cash operating items	68.5	61.9
Changes in non-cash operating items	(35.5)	(63.8)
Cash flow related to (used in) operating activities	33.0	(1.9)
Investing activities		
Business acquisitions (Note 13)	(3.0)	(10.0)
Acquisitions of property, plant and equipment	(31.3)	(22.0)
Disposals of property, plant and equipment	-	0.1
Increase in other assets	(5.5)	(5.2)
Cash flow used in investing activities	(39.8)	(37.1)
Financing activities		
Increase in long-term debt	0.1	-
Reimbursement of long-term debt	(1.7)	(2.1)
Increase in revolving term credit facility	8.4	-
Dividends on shares	(5.8)	(5.6)
Redemption of shares (Note 9)	(10.9)	(10.0)
Other	(0.3)	(0.5)
Cash flow used in financing activities	(10.2)	(18.2)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	1.7	0.1
Decrease in cash and cash equivalents	(15.3)	(57.1)
Cash and cash equivalents at beginning of period	48.5	89.3
Cash and cash equivalents at end of period	\$ 33.2	\$ 32.2
Additional information		
Interest paid	\$ 12.0	\$ 12.5
Income taxes paid	15.3	26.7

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

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

1. Significant accounting policies

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

2. Restatement

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

Amortization of property, plant and equipment.

Opening retained earnings, accumulated other comprehensive loss and comprehensive income for the period ended January 31, 2007 have been reduced by \$10.1 million, \$1.0 million and \$0.2 million, respectively.

Income taxes

Opening retained earnings for the three-month period ended January 31, 2007 have been reduced by \$9.8 million.

3. Changes in accounting policies

a) Financial Instruments – Disclosures

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

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

b) Financial Instruments – Presentation

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

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

c) Capital Disclosures

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

The adoption of this Section implied that information on capital management is now included in the notes to the consolidated financial statements. This information is included in Note 15, Capital management.

d) Accounting changes

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

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

4. Impairment of assets and restructuring costs

The following table summarizes the impairment of assets and restructuring costs:

Three months ended January 31										
(in millions of dollars)	Total		2008						2007	
	Charged to income	Forecasted	Liability as at October 31 2007	Charged to income	Paid	Liability as at January 31 2008	Charged to income	Paid		
Newspaper operations (a)										
Media										
Workforce reduction costs	\$ -	\$ 1.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer of printing equipment and other costs	-	0.9	-	-	-	-	-	-	-	-
Printing Products and Services										
Workforce reduction costs	-	0.3	-	-	-	-	-	-	-	-
	-	2.6	-	-	-	-	-	-	-	-
Media										
Impairment of assets	1.9	1.9	n/a	1.9	n/a	n/a	-	-	n/a	n/a
	\$ 1.9	\$ 4.5	\$ -	\$ 1.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial printing (b)										
Printing Products and Services										
Workforce reduction costs	\$ 1.8	\$ 1.8	\$ 1.1	\$ -	\$ 0.2	\$ 0.9	\$ 1.8	\$ 0.1	\$ 0.1	\$ 0.1
Transfer of printing equipment and other costs	1.4	1.7	-	-	-	-	0.1	0.1	0.1	0.1
Marketing Products and Services										
Workforce reduction costs	1.6	1.6	0.3	-	0.1	0.2	1.3	0.3	0.3	0.3
Transfer of printing equipment and other costs	0.6	0.8	-	-	-	-	-	-	-	-
	5.4	5.9	1.4	-	0.3	1.1	3.2	0.5	0.5	0.5
Printing Products and Services										
Impairment of assets	0.3	0.3	n/a	-	n/a	n/a	0.2	n/a	n/a	n/a
Marketing Products and Services										
Impairment of assets	3.3	3.3	n/a	-	n/a	n/a	3.3	n/a	n/a	n/a
	\$ 9.0	\$ 9.5	\$ 1.4	\$ -	\$ 0.3	\$ 1.1	\$ 6.7	\$ 0.5	\$ 0.5	\$ 0.5
Toronto printing operations (c)										
Workforce reduction costs	\$ 3.0	\$ 3.0	\$ 0.6	\$ -	\$ 0.1	\$ 0.5	\$ -	\$ 0.4	\$ 0.4	\$ 0.4
Transfer of printing equipment and other costs	1.0	1.0	-	-	-	-	0.4	0.4	0.4	0.4
	4.0	4.0	0.6	-	0.1	0.5	0.4	0.8	0.8	0.8
Impairment of assets	0.2	0.2	n/a	-	n/a	n/a	-	n/a	n/a	n/a
	\$ 4.2	\$ 4.2	\$ 0.6	\$ -	\$ 0.1	\$ 0.5	\$ 0.4	\$ 0.8	\$ 0.8	\$ 0.8
Book printing operations (d)										
Workforce reduction costs	\$ 1.3	\$ 1.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer of printing equipment and other costs	3.9	3.9	-	-	-	-	0.1	0.1	0.1	0.1
	5.2	5.2	-	-	-	-	0.1	0.1	0.1	0.1
Impairment of assets	1.6	1.6	n/a	-	n/a	n/a	-	n/a	n/a	n/a
	\$ 6.8	\$ 6.8	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Total			\$ 2.0	\$ 1.9	\$ 0.4	\$ 1.6	\$ 7.2	\$ 1.4	\$ 1.4	\$ 1.4

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



4. Impairment of assets and restructuring costs (continued)

- b) During the first quarter of fiscal 2007, the Corporation initiated a restructuring plan for its commercial printing operations in the Printing Products and Services and Marketing Products and Services sectors. The restructuring is expected to be completed in 2008.
- c) During the second quarter of fiscal 2006, the Corporation adopted a plan for the consolidation of its commercial products and direct-marketing printing facilities located in the Toronto area in the Marketing Products and Services sector. The consolidation is expected to be completed in 2008.
- d) During the second quarter of fiscal 2005, the Corporation announced the consolidation of certain book printing operations in the Printing Products and Services sector. The consolidation was completed during the first quarter of 2007.

5. Financial expenses

(in millions of dollars)	Three months ended January 31	
	2008	2007
Financial expenses on long-term debt	\$ 8.2	\$ 7.0
Other expenses	0.4	0.5
Foreign exchange gain	(0.1)	(0.5)
	\$ 8.5	\$ 7.0

6. Income taxes

	Three months ended January 31	
	2008	2007
Statutory tax rate	31.9 %	30.7 %
Effect of foreign tax rate differences	(5.3)	(6.0)
Other	(1.1)	2.1
Effective tax rate before the following item:	25.5	26.8
Effect of changes in statutory tax rates (a)	(19.0)	-
Effective tax rate	6.5 %	26.8 %

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

7. Employee future benefits

Pension plans

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

(in millions of dollars)	Three months ended January 31	
	2008	2007
Pension plans		
Defined benefit pension plans	\$ 6.0	\$ 6.2
Defined contribution pension plans	0.8	0.8
	\$ 6.8	\$ 7.0



8. Accounts receivable

As at January 31, 2008, \$330 million of accounts receivable (\$273 million as at October 31, 2007) had been sold under the accounts receivable securitization program, of which \$45 million (\$37 million as at October 31, 2007) was kept by the Corporation as retained interest, resulting in a net consideration of \$285 million, including C\$252 million and US\$33 million (\$236 million as at October 31, 2007, including C\$209 million and US\$29 million) which represents the maximum net consideration the Corporation could have obtained on those dates in accordance with the program terms and conditions. The retained interest is recorded in the Corporation's accounts receivable at the lower of cost and fair market value. Under the program, the Corporation recognized an aggregate discount on sale of accounts receivable of \$3.1 million for the three-month period ended January 31, 2008 (\$3.2 million for the same period in 2007).

9. Share capital

Earnings per share

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

	Three months ended January 31	
	2008	2007
Numerator (in millions of dollars)		
Net income	\$ 34.1	\$ 20.2
Denominator (in millions)		
Weighted average number of shares outstanding - basic	83.5	85.8
Dilutive effect of stock options and warrants	0.1	0.2
Weighted average number of shares outstanding - diluted	83.6	86.0
Basic earnings per share	\$ 0.41	\$ 0.24
Diluted earnings per share	\$ 0.41	\$ 0.23

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

	Three months ended January 31	
	2008	2007
Stock options	1,519,340	638,340

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

Exercise of stock options

When officers and senior executives exercise their stock options, the amounts received from them are credited to share capital. For stock options granted since November 1, 2002, the amount previously accounted for as an increase to contributed surplus is also transferred to share capital. For the three-month periods ended January 31, 2008 and 2007, the amounts received were both negligible, and no amount were 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 of 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 of December 10, 2007.

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

9. Share capital (continued)

Redemption of shares (continued)

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 first quarter of fiscal 2008, the Corporation purchased 718,300 of its Class A Subordinate Voting Shares at a weighted average price of \$15.07 for a total consideration of \$10.8 million and 4,000 of its Class B Shares at a weighted average price of \$20.76 for a total consideration of \$0.1 million. Of the total consideration of \$10.9 million, \$4.0 million corresponds to the book value and \$6.9 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

During the first quarter of fiscal 2007, the Corporation purchased 467,000 of its Class A Subordinate Voting Shares at a weighted average price of \$21.21 for a total consideration of \$9.9 million and 5,300 of its Class B Shares at a weighted average price of \$21.21 for a total consideration of \$0.1 million. Of the total consideration of \$10.0 million, \$2.6 million corresponds to the book value and \$7.4 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

10. Stock-based compensation plans

Share unit plan

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

For the three-month period ended January 31, 2008, 188,505 RSU were granted (138,310 DSU and 30,788 RSU in 2007).

As at January 31, 2008, 129,914 DSU and 230,838 RSU were outstanding (138,310 DSU and 64,081 RSU in 2007). The amounts recorded in the consolidated statements of income for the three-month periods ended January 31, 2008 and 2007 were of \$0.3 million and \$0.1 million, respectively. No amount has been paid under the plan for the three-month periods ended January 31, 2008 and 2007.

Stock option plan

As at January 31, 2008, 2,018,226 stock options were outstanding, of which 1,267,991 could be exercised.

For the three-month periods ended January 31, 2008 and 2007, 159,700 and 160,100 stock options were granted with a weighted average exercise price of \$15.51 and \$20.90, respectively.

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

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



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11. Contributed surplus

(in millions of dollars)	Three months ended January 31		
	2008		2007
Balance, beginning of period	\$	9.2	\$ 6.9
Compensation costs relating to stock option plan (Note 10)		0.6	0.6
Balance, end of period	\$	9.8	\$ 7.5

12. Accumulated other comprehensive loss

(in millions of dollars)	Foreign Currency Translation Adjustment		Accumulated Cash Flow Hedge		Other Com- prehensive Loss
Balance as at November 1, 2007	\$	(42.3)	\$	9.2	\$ (33.1)
Net change in unrealized gains/losses, net of income tax		4.0		(4.2)	(0.2)
Balance as at January 31, 2008	\$	(38.3)	\$	5.0	\$ (33.3)
Balance as at November 1, 2006, as previously reported	\$	-	\$	-	\$ -
Unrealized losses, net of income tax		(26.0)		-	(26.0)
Financial instruments - Recognition and measurement		-		3.8	3.8
Restated balance as at November 1, 2006		(26.0)		3.8	(22.2)
Net change in unrealized gains/losses, net of income tax		3.5		(4.2)	(0.7)
Balance as at January 31, 2007	\$	(22.5)	\$	(0.4)	\$ (22.9)

As at January 31, 2008, the amounts expected to be reclassified to net income are as follows:

	2008	2009	Total
Gains on derivatives designated as cash flow hedges	\$ 6.4	\$ 0.9	\$ 7.3
Income taxes	(2.0)	(0.3)	(2.3)
	\$ 4.4	\$ 0.6	\$ 5.0

13. Business acquisitions

During the first quarter of fiscal 2008, the Corporation made the following acquisitions:

Operating sector	Acquisition	Date of acquisition
Media	Assets of <i>L'Autre Voix</i> , weekly newspaper in the eastern Quebec City region	December 21, 2007
	Assets of <i>Corriere Italiano</i> , weekly newspaper serving the Italian community in Montreal area	December 20, 2007
	Assets of <i>The Springhill-Parrsboro Record</i> , weekly newspaper in Nova Scotia	November 23, 2007



13. Business acquisitions (continued)

(in millions of dollars)

Assets acquired	
Goodwill (tax basis of \$1.5 million)	\$ 1.5
Liabilities assumed	
Working capital	(0.2)
	\$ 1.3
Consideration	
Cash paid	\$ 1.1
Short-term liabilities	0.2
	\$ 1.3

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

14. Financial instruments

Credit risk

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

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

The Corporation is protected against any concentration of credit risk through its products, clientele and geographic diversity. As at January 31, 2008, no single customer accounts for more than 5% of its consolidated revenues, and the Corporation's 20 largest customers account for less than 35% of its consolidated revenues. As at January 31, 2008, the maximum credit risk exposure for receivables corresponds to their carrying value. The Corporation also has a credit insurance policy covering most of its major customers, for a maximum amount of \$30 million. The policy contains the usual clauses and limits regarding the amounts that can be claimed by event and year of coverage. The Corporation did not file any claim against this credit insurance policy for the three-month period ended January 31, 2008.

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

The Corporation is exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations; however, it does not foresee such an occurrence since it deals only with recognized financial institutions with superior credit ratings. As at January 31, 2008, the maximum exposure to credit risk is \$7.3 million, which represents the carrying value of the financial instruments.

14. Financial instruments (continued)

Liquidity risk

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

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

Interest rate risk

The Corporation is exposed to market risks related to interest-rate fluctuations. In order to mitigate this risk, the Corporation maintains an adequate balance of fixed versus floating rate debt. As at January 31, 2008, the floating rate portion of the Corporation's long-term debt represented 54% of the total while the fixed rate portion represented 46%.

The Corporation is also exposed to interest rate fluctuations through its securitization program, since the discount on the sale of accounts receivable is based on the rate of the commercial paper issued by the trust. The trust generally issues its commercial paper on a monthly basis. It is important to note that while the Corporation has not been directly exposed to the current credit crunch, it has been indirectly affected through its securitization program since interest rates for this program have gone up slightly, albeit it does not represent a significant additional cost to the Corporation.

The Corporation believes that interest rates for the Canadian and U.S. economies are not likely to trend upward in 2008 and deems that its exposure to interest rates will be subdued in the coming quarters.

For the first quarter of 2008, everything else being equal, an hypothetical increase of 0.5% in interest rates would have had an unfavorable impact of \$0.5 million on net income and no impact on other comprehensive loss. An hypothetical decrease of 0.5% in interest rates would have had an opposite impact on net income and other comprehensive loss.

Foreign exchange risk

The Corporation has operations in the United States and Mexico, exports its products to the United States and purchases machinery and equipment in U.S. dollars. In addition, as at January 31, 2008, the Corporation has long-term debt in U.S. dollars for a total amount of US\$287.5 million (US\$227.9 million as at October 31, 2007). The Corporation is therefore exposed to foreign exchange risk.

To mitigate the foreign exchange risk related to its exports to the United States, the Corporation enters into foreign exchange forward contracts. As at January 31, 2008, the Corporation entered into foreign exchange forward contracts to sell US\$87 million, (US\$87.3 million as at October 31, 2007) of which US\$45 million and US\$42 million will be sold in 2008 and 2009, respectively. The terms of these forward contracts range from one month to 21 months, with rates varying from 1.0087 to 1.1643. The Corporation was also party to a collar of US\$2 million (US\$6 million as at October 31, 2007). The terms of this collar contract is five months, with a floor rate of 1.04 and a cap rate of 1.0885. Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the first quarter of fiscal 2008.

For the first quarter of 2008, everything else being equal, an hypothetical strengthening of 5.0% of the U.S. dollar against the Canadian dollar would have had a favorable impact of \$3.5 million on net income and an unfavorable impact of \$3.0 million on other comprehensive loss. An hypothetical weakening of 5.0% of the U.S. dollar against the Canadian dollar would have had an opposite impact on net income and other comprehensive loss.

For the first quarter of fiscal 2008, everything else being equal, an hypothetical strengthening of 5.0% of the Mexican peso against the Canadian dollar would have had a favorable impact of \$0.1 million on net income and no impact on other comprehensive loss. An hypothetical weakening of 5.0% of the Mexican peso against the Canadian dollar would have had an opposite impact on net income and no impact on other comprehensive loss.

Commodity prices risk

The Corporation is exposed to a financial risk related to fluctuations in natural gas prices and manages it in order to minimize the impact on the Corporation's results and financial position. The Corporation entered into commodity swap agreements to manage a portion of its natural gas price fluctuation exposure and is now committed to exchange, on a monthly basis, the difference between a fixed price and a floating natural gas price index calculated by reference to the notional amounts. Under this program, 40% of the expected natural gas consumption is hedged for the next three fiscal years. Hedging relationships were effective and in accordance with the risk management objectives and strategies of the Corporation throughout the first quarter of fiscal 2008.

As at January 31, 2008, the Corporation had purchased commodity swap agreements for 604,000 Gigajoules (533,000 Gigajoules as at October 31, 2007), of which 284,000, 275,000 and 45,000 Gigajoules will mature in 2008, 2009 and 2010, respectively. The terms of these commodity swap agreements range from one month to 30 months, with prices varying from \$7.38 to \$8.97 per Gigajoule.

14. Financial instruments (continued)

For the first quarter of fiscal 2008, everything else being equal, an hypothetical strengthening of 25.0% of gas prices would have had a unfavorable impact of \$0.1 million on net income and a favorable impact of \$0.8 million on other comprehensive loss. An hypothetical weakening of 25.0% of gas prices would have had an opposite impact on net income and other comprehensive loss.

Stock-based compensation costs risk

The Corporation is exposed to a financial risk related to stock-based compensation costs. Potential fluctuations in its Class A Subordinate Voting Share price would have an impact on the charge related to its share unit plan as described in Note 10. During the first quarter of fiscal 2007, the Corporation entered into a total return swap agreement with a financial institution in order to minimize this financial risk. The Corporation now receives or pays, on a quarterly basis, the difference between the fixed share price of the total return swap and the Class A Subordinate Voting Share price, less any amount previously received or paid. As at January 31, 2008, the total return swap agreement covered 118,000 Class A Subordinate Voting Shares. The remaining term of this total return swap agreement is four years, with an option to terminate it before its maturity date without any costs. The fair value of the swap agreement as at January 31, 2008, for a total amount of \$0.1 million, is recorded in the Corporation's consolidated balance sheet with changes in fair value recognized in net income.

For the first quarter of fiscal 2008, everything else being equal, an hypothetical strengthening of 5.0% of the Class A Subordinate Voting Share price would have had a negligible impact on net income and on other comprehensive loss. An hypothetical weakening of 5.0% of the Class A Subordinate Voting Share price would have had also a negligible impact on net income and other comprehensive loss.

Fair value

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

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

(in millions of dollars)	January 31, 2008		October 31, 2007	
	Fair value	Book value	Fair value	Book value
Long-term debt	\$ 560.6	\$ 558.7	\$ 539.5	\$ 537.5
Foreign exchange forward contracts and collars	\$ 7.6	\$ 7.6	\$ 14.3	\$ 14.3
Commodity swap agreements	\$ (0.3)	\$ (0.3)	\$ (0.6)	\$ (0.6)

15. Capital management

The Corporation's primary objectives of managing capital are:

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

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

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

As at January 31, 2008, the net indebtedness/total capitalization ratio was 31%. As at October 31, 2007, the net indebtedness/total capitalization ratio was 29%. The variation of this ratio was mainly the result of the redemption of shares. Capital management objectives, policies and procedures were unchanged since the last period.

For the three-month period ended January 31, 2008, the Corporation has not been in default under any of its obligations regarding the term revolving credit facility, the securitization program and other financial obligations.



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16. Commitments

Machinery and equipment

The Corporation is committed to acquire machinery and equipment. During the first quarter of fiscal 2008, the Corporation entered into new commitments, representing \$12.2 million (US\$12.3 million). Minimum payments required in 2008 and 2009 are \$3.0 million and \$9.2 million, respectively.

17. Segmented information

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

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

(in millions of dollars)	Three months ended January 31	
	2008	2007
Revenues		
Printing Products and Services	\$ 150.1	\$ 161.4
Marketing Products and Services	318.5	287.7
Media	147.0	142.6
Other activities and unallocated amounts	4.3	3.5
Inter-segment sales		
Printing Products and Services	(12.9)	(12.9)
Marketing Products and Services	(6.2)	(6.7)
Media	(4.8)	(3.4)
Total inter-segment sales	(23.9)	(23.0)
	\$ 596.0	\$ 572.2
Operating income before amortization, impairment of assets and restructuring costs		
Printing Products and Services	\$ 27.3	\$ 29.3
Marketing Products and Services	41.3	32.7
Media	20.0	19.7
Other activities and unallocated amounts	(6.2)	(6.0)
	\$ 82.4	\$ 75.7
Operating income		
Printing Products and Services	\$ 18.7	\$ 18.9
Marketing Products and Services	23.1	11.2
Media	14.2	15.4
Other activities and unallocated amounts	(7.6)	(7.3)
	\$ 48.4	\$ 38.2
Acquisitions of property, plant and equipment ⁽¹⁾		
Printing Products and Services	\$ 26.2	\$ 2.7
Marketing Products and Services	5.6	21.4
Media	1.5	1.0
Other activities and unallocated amounts	0.4	1.0
	\$ 33.7	\$ 26.1
Amortization of property, plant and equipment, intangible assets and deferred charges		
Printing Products and Services	\$ 8.6	\$ 8.5
Marketing Products and Services	18.2	16.6
Media	4.0	3.9
Other activities and unallocated amounts	1.3	1.3
	\$ 32.1	\$ 30.3

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



17. Segmented information (continued)

(in millions of dollars)	As at January 31, 2008	As at October 31, 2007
Assets		
Printing Products and Services	\$ 521.9	\$ 520.1
Marketing Products and Services	937.5	971.5
Media	773.3	770.8
Other activities and unallocated amounts	105.9	107.2
	\$ 2,338.6	\$ 2,369.6
Goodwill		
Printing Products and Services	\$ 110.2	\$ 110.2
Marketing Products and Services	329.4	319.9
Media	505.7	504.3
Other activities and unallocated amounts	0.9	0.2
	\$ 946.2	\$ 934.6

18. Subsequent events

Redemption of shares

The Corporation purchased 1,051,600 of its Class A Subordinate Voting Shares at a weighted average price of \$15.87 for a total consideration of \$16.7 million and 3,500 of its Class B Shares at a weighted average price of \$15.91 for total consideration of \$0.1 million between February 1, 2008 and March 12, 2008 in accordance with its Normal Course Issuer Bid as described in Note 9.

19. Effect of new accounting standards not yet implemented

a) Inventories

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

b) General standards of financial statement presentation

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

c) Goodwill and intangible assets

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

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

20. Comparative figures

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