

For Immediate Release

**TRANSCONTINENTAL ACHIEVES SOLID PERFORMANCE IN SECOND QUARTER AND
MAINTAINS EARNINGS-PER-SHARE OBJECTIVE DESPITE RISE IN CANADIAN DOLLAR**

- 2% growth in adjusted operating income before amortization; excluding the foreign exchange impact, growth of 7%.
- 20% growth in cash flow from continuing operations before changes in non-cash operating items.
- Slight increase in net income; on a per-share basis, net earnings rose 3%, from \$0.39 to \$0.40.
- 4% decrease in adjusted net income; excluding the foreign exchange impact, growth of 9%; on a per-share basis, adjusted net income remained stable at \$0.41.
- Annual earnings-per-share objective of \$1.52 to \$1.65 before unusual items maintained, as announced at the start of the fiscal year, despite the rising Canadian dollar.
- Launch of Canadian edition of *More* magazine a big success.
- Start-up in April of the new press at Transcontinental Saint-Hyacinthe, which now prints flyers for the Provigo banner, added upon renewal of contract with Loblaw Companies Ltd.
- Excellent financial position for further growth.

Montreal, June 14, 2007 – Transcontinental today reported solid financial results for its second quarter ended April 30, 2007, despite a negative foreign exchange impact and a soft advertising market in certain segments. As mentioned in the previous quarter, management expects results for the second half to be higher than they have historically been compared to the first half. This is due to the change in its business portfolio — related primarily to the acquisition of Chenelière Éducation in 2006 — and the trend to greater seasonality in certain niches. Transcontinental remains in an excellent position to achieve earnings per share before unusual items in the previously announced range of \$1.52 to \$1.65 for 2007.

“We are very satisfied with the second-quarter results and the first half of the year, which are promising for the remainder of 2007,” said Luc Desjardins, president and chief executive officer of Transcontinental.

“We are gradually reaping the benefit from our major reorganization projects in Canada, the United States and Mexico, as well as from our investments in new technology and the ongoing continuous improvement initiatives throughout the company, which have more than offset the negative foreign exchange impact and the softness in certain segments of the advertising market. For the rest of the



year we plan to focus our efforts on sales growth, digital development in the Media sector and improving our ability to compete, primarily in the commercial printing sector.”

“Due to the recent rise in the Canadian dollar, we have revised our assumptions for the rest of the year downward, from \$1.10 CAD/USD to \$1.05 CAD/USD,” Mr. Desjardins said. “Taking into account the unfavorable impact of this change and the previously announced investment of about five million dollars in *Evolution 2010* initiatives, as well as the positive impact of our share buy-back program, we are maintaining our earnings-per-share objective of \$1.52 to \$1.65 for fiscal 2007. This objective would be maintained even with the assumption of an exchange rate at parity by the end of the year.”

The Corporation is in an excellent financial position for further growth, with a net funded debt to total capitalization ratio of 28% as at April 30, 2007.

Financial Highlights

In its second quarter, Transcontinental reported a 2% increase in consolidated revenues, to \$580.7 million, compared to \$570.9 million for the same quarter a year earlier. Adjusted operating income before amortization rose 2% to \$92.8 million, compared to \$91.4 million in 2006. Excluding the exchange rate fluctuations between the Canadian dollar and its U.S. and Mexican counterparts, which lowered revenue by \$3.4 million and adjusted operating income before amortization by \$5.2 million, adjusted operating income before amortization would have grown 7%. Thus the acquisitions made in 2006, higher volumes in certain segments and many cost-reduction initiatives throughout the Corporation more than offset lower volume in other segments and additional investments in the Media sector.

Net income rose slightly, from \$33.7 million in the second quarter of 2006 to \$34 million in 2007; on a per-share basis, net earnings were up 3%, from \$0.39 to \$0.40. Adjusted net income, which does not take into account unusual items related to asset impairment and restructuring costs, declined 4%, from \$35.8 million to \$34.5 million; on a per-share basis, adjusted net income remained stable at \$0.41. Excluding the exchange rate impact, growth would have been 9%.

In the first six months of fiscal 2007, consolidated revenue was up slightly, from \$1.136 billion to \$1.149 billion, while adjusted operating income before amortization was down slightly, from \$170.6 million to \$168.5 million. Excluding the exchange rate impact, which reduced revenue by \$8.6 million and adjusted operating income before amortization by \$8.7 million, adjusted operating income before amortization would have been up 4%.

Net income was down 12%, from \$61.6 million in the first half of 2006 to \$54.2 million in 2007. The decrease stems primarily from asset impairment and higher restructuring costs. In 2007, these costs were mainly related to the restructuring plan for commercial printing operations announced in the first quarter. On a per-share basis, net earnings declined from \$0.70 to \$0.63. Adjusted net income, excluding pre-tax restructuring charges of \$7.8 million in 2007 and \$3.2 million in 2006, was down 7%, from \$63.8 million to \$59.5 million. On a per-share basis, adjusted net income decreased 4%, from \$0.73 to \$0.70.



Excluding the negative foreign exchange impact in the first half of 2007 and unusual items, earnings per share would have been \$0.78, up 7% over the first half of 2006. This measurement is a good indicator of the Corporation's operating performance for the first half of the year.

For more detailed financial information, please see *Management's Discussion and Analysis for the second quarter of 2007* at www.transcontinental.com, under "Investors."

Operating Highlights

The main operating highlights for the second quarter of 2007 are as follows:

- On February 21, Transcontinental announced the creation of a division, under Ted Markle as senior vice president, dedicated to the North American development of its outsourced newspaper printing offer and operating its newspaper printing plants in the United States. The preliminary stages of the *San Francisco Chronicle* project are going well. The site has been chosen, the printing equipment ordered and the team responsible for setting up the project infrastructure and hiring will be in place within a few weeks. Discussions are ongoing with a number of U.S. daily newspaper publishers.
- Transcontinental is consolidating its leading position in delivering products and services to Canadian retailers. In the first quarter of 2007, the Corporation announced a five-year agreement with Hudson's Bay Company to print all flyers for Zellers, The Bay and Home Outfitters. The contract includes materials for the loyalty programs run by these banners, as well as a number of new value-added products and services. The contract started on February 1, 2007, and is valued at \$350 million, of which approximately \$75 million is new business for Transcontinental.

In April, Transcontinental started printing flyers for the Provigo chain at its plant in Saint-Hyacinthe, Quebec, under the new agreement with Loblaw Companies Limited that took effect in 2006. With this contract, Transcontinental renewed its flyer printing for the Loblaws banner across Canada and added, as of this spring, the Provigo banner. The contract has an annualized value of more than \$60 million, of which one third is new business from Provigo.

- On March 21, following an exclusive agreement signed with renowned U.S. publisher Meredith Corporation, Transcontinental launched the Canadian version of *More* magazine, named *Magazine of the Year* in the United States by Advertising Age. Designed for women aged 40 and up, *More* fills an underserved niche in the Canadian market and rounds out Transcontinental's portfolio of women's magazines. The first issue was a big success with advertisers and readers.
- Transcontinental has always endorsed environmental conservation and sustainable development, and this commitment has been recognized over the years by numerous awards. Transcontinental plans to continue to exercise its leadership in this area by mobilizing employees and taking concrete action. In the second quarter, the Transcontinental Printing Book Group introduced a brochure for book publishers to promote a new paper made of 100% post-consumer recycled



content. Furthermore, Transcontinental Media announced the launch of the magazine *Vision Durable*, whose mission is to help businesses embrace sustainable development.

Reconciliation of Non-GAAP Financial Measures

Financial data have been prepared in conformity with 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.

Below is a table that reconciles GAAP financial measures to non-GAAP financial measures.

	Three months ended April 30		Six months ended April 30	
(in millions of dollars, except per share amounts)	2007	2006	2007	2006
Net income	\$ 34.0	\$ 33.7	\$ 54.2	\$ 61.6
Non-controlling interest	---	---	0.3	0.5
Income taxes	16.0	16.0	23.5	29.2
Discount on sale of accounts receivable	2.7	1.8	5.9	3.9
Financial expenses	8.9	7.5	15.9	14.1
Impairment of assets and restructuring costs	0.6	3.1	7.8	3.2
Amortization	30.6	29.3	60.9	58.1
Adjusted operating income before amortization	\$ 92.8	\$ 91.4	\$ 168.5	\$ 170.6
Net income	\$ 34.0	\$ 33.7	\$ 54.2	\$ 61.6
Impairment of assets and restructuring costs (after tax)	0.5	2.1	5.3	2.2
Adjusted net income	34.5	35.8	59.5	63.8
Average number of shares outstanding	85.4	87.2	85.6	87.9
Adjusted earnings per share	\$ 0.41	\$ 0.41	\$ 0.70	\$ 0.73
Cash flow related to (used in) operating activities	\$ 24.4	\$ 27.3	\$ 22.5	\$ (82.7)
Changes in non-cash operating items	(52.6)	(37.1)	(116.4)	(217.5)
Cash flow from operating activities before changes in non-cash operating items	\$ 77.0	\$ 64.4	\$ 138.9	\$ 134.8
Long-term debt			\$ 503.3	\$ 470.8
Current portion of long-term debt			10.5	8.0
Bank overdraft			---	0.2
Cash and temporary investments			(44.1)	(16.5)
Net indebtedness			\$ 469.7	\$ 462.5



Dividend

At its June 14, 2007 meeting, the Corporation's Board of Directors declared a quarterly dividend of \$0.07 per share on Class A Subordinate Voting Shares and Class B shares. These dividends are payable on July 27, 2007 to shareholders of record at the close of business on July 9, 2007. On an annual basis, this represents a dividend of \$0.28 per common share. Dividends paid by Transcontinental to Quebec residents are eligible dividends as per the proposed changes announced during the March 23, 2006 Quebec Budget speech.

Additional Information

Upon releasing its quarterly results, Transcontinental will hold a conference call for the financial community today at 4:15 p.m. 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.

About Transcontinental Inc.

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

Transcontinental (TSX: TCL.A, TCL.B) has more than 14,500 employees in Canada, the United States and Mexico, and reported revenues of C\$2.3 billion in 2006.

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, the Corporation's capacity to implement its strategic plan and cost-reduction program and make and integrate acquisitions. The risks, uncertainties and other factors that could influence actual results are described in the *Management's Discussion and Analysis for the second quarter of 2007* and *Management's Discussion and Analysis for the fiscal year ended October 31, 2006* and the *2006 Annual Information Form*.



The forward-looking information in this release is based on current expectations and information available as of June 14, 2007. We disclaim any intention or obligation to update or revise any forward-looking statements unless otherwise required by the Securities Authorities.

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