

**TRANSCONTINENTAL'S SECOND QUARTER:
RATIONALIZATION MEASURES LIMIT IMPACT OF RECESSION**

- Decreases of 5% in consolidated revenue and 10% in adjusted operating income before amortization compared to second quarter 2008.
- Before negative impact of reduced direct mail activities in the United States, consolidated revenue down 2% and adjusted operating income before amortization down 5%.
- Adjusted net income before unusual items of \$30.2 million, versus \$34.1 million in the second quarter 2008; on a per-share basis, adjusted net income of \$0.37, versus \$0.42 for the same period in 2008.
- Impairment of intangible assets and write-off of goodwill, principally related to commercial printing activities, totalled \$169 million during the quarter; non-cash items having no effect on cash and cash flow from operations.
- Rationalization plan announced on February 18, 2009 carried out. As expected, measures generated a total of \$27.5 million in restructuring costs and asset impairment.
- Net income: loss of \$144.3 million in 2009 compared to earnings of \$36.9 million in 2008. Decrease mainly due to unusual items mentioned above.
- Signed a total of \$625 million in financing agreements since the end of first quarter 2009.
- Commencement of two new printing and marketing communications contracts with Rogers Communications; full impact of flyer-printing contract with Shoppers Drug Mart-Pharmaprix; began final preparations to start printing the *San Francisco Chronicle* in summer 2009.
- Appointment of Christian Trudeau as President of the new Marketing Communications Sector and signing of several promising contracts.
- Dividend kept at \$0.08 per share.
- Standard & Poor's lowers Transcontinental's credit rating from BBB to BBB (-) with a stable outlook. DBRS leaves unchanged its BBB (H) with a stable outlook rating for Transcontinental.
- Net funded debt to total capitalization ratio of 49%, in the high end of the target range of 35% - 50% set by management.

Montreal, June 11, 2009 – Before asset impairment, goodwill write-off and restructuring costs, Transcontinental's results for the second quarter ended April 30, 2009 were better than the previous quarter. Adjusted operating income before amortization for the second quarter 2009 was down 10% compared to a decline of 29% in the first quarter 2009. The Corporation continued to carry out its major rationalization plan implemented in the United States in November 2008 and extended to all its other



operations in February 2009. These measures, which included the elimination of 1,500 jobs, limited the negative impact of the recession. The full effect of the measures, combined with beginning two new contracts for Rogers Communications, printing the *San Francisco Chronicle* in summer 2009, and promising developments in marketing communications activities will put Transcontinental in a better position for the second half of its fiscal year. With financing arrangements totalling \$625 million in place since February, management has the resources required to pursue its business plan and projects.

"In the current context, excluding unusual items, these are encouraging results that show an improvement over the first quarter," said François Olivier, President and CEO of Transcontinental. "We reacted quickly and adjusted our production capacity and costs to the demand in each of our markets. I'd like to thank our employees for their exceptional support of our rationalization efforts and for the new and innovative ways they have found to do their work. After three quarters of adjustment and refocusing, and assuming no further deterioration in the present economic situation and the execution of our rationalization plan, we are confident that our profitability will continue to improve in coming quarters.

"In a more general way," noted Mr. Olivier, "we will continue to benefit from our niche strategy, our diversified and balanced customer base, the start of new contracts and our financial resources. The year 2009 will be one of transition for Transcontinental and we will come out of it stronger and better positioned in each of our markets to take advantage of the economic recovery."

Financial Highlights

In the second quarter 2009, Transcontinental recorded consolidated revenues of \$563.4 million, down 5% from \$595.1 million in the second quarter of 2008. Adjusted operating income before amortization was down 10%, from \$89.0 million to \$80.5 million. The decline is mainly due to a major decrease in the volume of direct mail activities in the United States and, to a lesser extent, to the effects of the recession on some printing and publishing activities. Excluding the negative impact of the lower volume of direct mail activities in the United States, consolidated revenues would have declined 2% and adjusted operating income before amortization would have declined 5%. The decrease was mitigated by the positive contribution of acquisitions, the positive impact of paper on revenues and the positive fluctuations in the exchange rate between the Canadian dollar and its U.S. and Mexican counterparts, combined with growth in door-to-door distribution activities, in the publishing of educational materials and in digital and one-to-one marketing communication products

Adjusted net income, which does not take unusual items into account, declined 11%, from \$34.1 million to \$30.2 million; on a per-share basis, adjusted net income decreased from \$0.42 to \$0.37.

Net income went from \$36.9 million in the second quarter of 2008 to a loss of \$144.3 million in 2009. The decrease is mainly due to impairment of intangible assets and goodwill write-off, principally related to commercial printing activities, totalling \$169 million, non-cash items having no effect on cash and cash flow from operations. Net income was also reduced by restructuring costs and asset impairment



totalling \$27.5 million, stemming from rationalization measures. On a per-share-basis, net income went from \$0.45 to a loss of \$1.79.

In the first six months of fiscal 2009, consolidated revenue decreased 2%, from \$1.19 billion to \$1.17 billion, while adjusted operating income before amortization decreased 19%, from \$171.4 million to \$138.8 million. Net income went from \$71 million in the first half of 2008 to a loss of \$150.7 million in 2009; on a per-share basis, net income declined from \$0.86 to a loss of \$1.87. Adjusted net income, which does not take into account unusual items related to asset impairment, restructuring costs and goodwill write-off, was down 28%, from \$62.5 million to \$45.3 million; on a per-share basis, adjusted net income declined from \$0.76 to \$0.56.

As at April 30, 2009, the Corporation's net funded debt to total capitalization ratio was 49%, in the high end of the target range of 35% - 50% set by management.

For more detailed financial information, please see *Management's Discussion and Analysis for the Second Quarter Ended April 30, 2009*, at www.transcontinental.com, under "Investors."

Operating Highlights

Here are the main operating highlights for the second quarter 2009.

- The Corporation continued to carry out its major rationalization plan to keep Transcontinental financially solid, and modified production capacity in each of its markets to meet demand. To date, the equivalent of 1,400 positions have been cut—more than half of them in the United States; in addition, five print titles have ceased publication and four printing plants have been merged or consolidated. A set of other measures have also been implemented throughout the organization, ranging from a hiring freeze to unpaid leave and shorter work weeks. The savings from the restructuring should exceed the targets set in the first quarter and will amount to about \$100 million on an annual basis, \$75 million of that in the current fiscal year. The full impact of these measures will be felt starting in the second half of this fiscal year. Lastly, the plant in Fairborn, Ohio, which produces flyers for regional retailers, was sold following a review of the Corporation's business objectives in this segment in the United States.
- In early 2009, the two new contracts with Rogers Communications took effect: one is an exclusive six-year contract to print all of Rogers' magazines; the second, also for six years, is to produce and print its marketing communications products. These two major gains add to the full impact of the Shoppers Drug Mart-Pharmaprix contract in 2009 and the printing of the *San Francisco Chronicle* daily, which will start in the summer of 2009.
- The mission of the new Marketing Communications sector, created in November 2008, is to develop new avenues of growth centred on new communications platforms, one-to-one marketing and an integrated service offering. In the second quarter, this sector signed several contracts with major brands such as Reader's Digest Canada and Purolator Courier. It also received seven 2008 Pearl Awards, which recognize excellence in the custom communications industry.



- In the second quarter, the Media sector continued to extend and enrich its digital services offering through various initiatives: the launch of icimamaison.ca, a real estate selling site; the relaunch of publisac.ca; the launch of online versions for the two finance magazines *Investment Executive* and *Finance et Investissement*, which will also soon release daily updates for BlackBerries and the Apple iPhone. Also, traffic on weblocal.ca, Transcontinental's Canada-wide search site for finding and rating local businesses now exceeds two million unique visitors per month. Revenue generated by digital services grew more than 30% in the first half compared to the same period a year ago. In the second half of fiscal 2009, the Media sector will continue to expand its digital services offering while completing its rationalization measures.

Reconciliation of Non-GAAP Financial Measures

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

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

Reconciliation of non-GAAP financial measures (unaudited)



(in millions of dollars, except per share amounts)	Three months ended April 30		Six months ended April 30	
	2009	2008	2009	2008
Net income (loss)	\$ (144.3)	\$ 36.9	\$ (150.7)	\$ 71.0
Non-controlling interest	(0.1)	-	0.2	0.3
Income taxes	(15.4)	8.6	(24.4)	11.0
Discount on sale of accounts receivable	1.4	2.1	3.1	5.2
Financial expenses	8.7	7.1	16.1	15.6
Goodwill and intangibles assets impairment	169.3	-	169.3	-
Impairment of assets and restructuring costs	27.5	2.4	58.8	4.3
Adjusted operating income	\$ 47.1	\$ 57.1	\$ 72.4	\$ 107.4
Amortization	33.4	31.9	66.4	64.0
Adjusted operating income before amortization	\$ 80.5	\$ 89.0	\$ 138.8	\$ 171.4
Net income (loss)	\$ (144.3)	\$ 36.9	\$ (150.7)	\$ 71.0
Impairment of assets and restructuring costs (after tax)	19.7	1.7	41.2	3.0
Goodwill and intangibles assets impairment (after tax)	154.8	-	154.8	-
Unusual adjustments to income taxes	-	(4.5)	-	(11.5)
Adjusted net income	30.2	34.1	45.3	62.5
Average number of shares outstanding	80.8	81.8	80.8	82.7
Adjusted earnings per share	\$ 0.37	\$ 0.42	\$ 0.56	\$ 0.76
Cash flow related to operating activities	\$ (21.9)	\$ 21.5	\$ (12.4)	\$ 54.5
Changes in non-cash operating items	(72.1)	(54.2)	(107.1)	(89.7)
Cash flow from operating activities before changes in non-cash operating items	\$ 50.2	\$ 75.7	\$ 94.7	\$ 144.2
Long-term debt			\$ 747.4	\$ 643.7
Current portion of long-term debt			176.2	14.4
Cash and cash equivalents			(6.8)	(32.0)
Net indebtedness			\$ 916.8	\$ 626.1



Financing Activities

In an environment in which credit is tight and costly, Transcontinental has successfully completed several refinancing and financing arrangements since the end of the first quarter. In the second quarter, the Corporation announced it had completed a long-term private placement offering of \$100 million in unsecured debentures underwritten by the Solidarity Fund QFL, a Quebec-based development capital company. It also announced the extension, to August 2010, of its \$300-million securitization of receivables program set up in 2001. Since the end of the second quarter, the Corporation has renewed credit facilities of \$125 million for one year with its bank syndicate, and arranged \$100 million in financing through a five-year loan from the Caisse de dépôt et placement du Québec.

The commitment of this \$625 million in various financings reflects the financial market's confidence in Transcontinental.

Corporate Affairs

On March 12, 2009, Transcontinental announced the appointment of Christian Trudeau as President of its Marketing Communications sector and as a member of the Corporation's Executive Committee. The purpose of the new sector is to deliver integrated marketing solutions to Transcontinental's customers by focusing on the development of new one-to-one advertising services, new communication platforms and the production of marketing communications products. Mr. Trudeau assumed his duties on April 9. From 2004, he was President and Chief Operating Officer of Centria Commerce, an e-commerce company. Previously, Mr. Trudeau was President and Chief Operating Officer of BCE Emergis, a North American leader in e-commerce, and he also held senior executive positions at Bell Canada and the Montréal Exchange.

Dividend

At its June 11, 2009 meeting, the Corporation's Board of Directors maintained the quarterly dividend of \$0.08 per share on Class A Subordinate Voting Shares and Class B Shares. These dividends are payable on July 24, 2009 to shareholders of record at the close of business on July 6, 2009. On an annual basis, this represents a dividend of \$0.32 per share.

Additional Information

Upon releasing its quarterly results, Transcontinental will hold a conference call for the financial community today at 4:15 p.m. (ET). Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on Transcontinental's Web site, which will be archived for 30 days. For Media requests for information or interviews, please contact Maxim Labrie, Media Relations, at 514-954-4176.



Profile

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

Transcontinental (TSX: TCL.A, TCL.B) has approximately 13,500 employees in Canada, the United States and Mexico, and reported revenue of C\$2.4 billion in 2008. For more information about the Corporation, please visit www.transcontinental.com.

Note: This press release contains certain forward-looking statements concerning the future performance of the Corporation. Such statements, based on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown. We caution that all 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, availability of Capital, energy costs, increased competition, the Corporation's capacity to implement its strategic plan and rationalization plan, and make and integrate acquisitions into its activities. The risks, uncertainties and other factors that could influence actual results are described in the *Management's Discussion and Analysis* and *Annual Information Form*.

The forward-looking information in this release is based on current expectations and information available as of June 11, 2009. The Corporation's management disclaims any intention or obligation to update or revise any forward-looking statements unless otherwise required by the Securities Authorities.

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Management's Discussion and Analysis

For the second quarter ended April 30, 2009

The purpose of this Management's Discussion and Analysis is to explain management's point of view on Transcontinental's past performance and future outlook. More specifically, it outlines our development strategy, performance in relation to objectives, future expectations and how we address risk and manage our financial resources. This report also provides information to improve the reader's understanding of the consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. This Management's Discussion and Analysis is dated June 11, 2009.

In this document, unless otherwise indicated, all financial data are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). All amounts are in Canadian dollars, and the term "dollar", as well as the symbols "\$" and "C\$", designate Canadian dollars unless otherwise indicated. In this Management's Discussion and Analysis we also use non-GAAP financial measures. Please refer to the section of this report entitled "Reconciliation of Non-GAAP Financial Measures" for a complete description of these measures on page 23.

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, more particularly the U.S. dollar and the Mexican peso; the impact from raw material and energy prices; the seasonal nature of certain businesses, notably the book publishing activities, the effects of changes in interest rates; the effects of competition in the markets in which we operate; the effects of new media and the corresponding shift of advertising revenue to new platforms; judicial judgments and legal proceedings; our ability to successfully realign our organization, resources and processes; our ability to hire and retain qualified personnel and maintain a good reputation; our ability to complete strategic acquisitions and joint ventures and to integrate our acquisitions and joint ventures successfully; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; the possible impact on our businesses from public-health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing risks; other factors may affect future results including, but not limited to, timely development and introduction of new products and services, changes in tax laws, changes in environmental regulations, changes in the U.S. and Canadian postal systems policies, technological changes and new regulations.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Corporation, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Assumptions used to derive forward-looking information could vary materially one at a time or in conjunction. Variation in one assumption may also result in changes in another, which might magnify or counteract the effect on forward-looking information. Unless otherwise required by the securities authorities, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf. See "Risks and Uncertainties" for a description of the most important risks identified by the Corporation. The forward-looking statements contained herein are based on current expectations and information available as of June 11, 2009.

BUSINESS SUMMARY OF THE SECOND QUARTER OF FISCAL 2009

The current recession coupled with the effects of the credit crisis has put some pressure on our operations. However, our revenues have decreased less than the industry average given our niche strategy in Canada, the diversification of our customer base and the fact that a good portion of our business is under long term contracts. In fact, our distribution activities, educational book publishing activities and our new marketing communication services have demonstrated growth in the second quarter while our retail flyer and newspaper printing businesses, newspaper publishing activities as well as our Mexican operations have been holding their own in a tough environment.

Having said this, we have businesses that have been more severely affected by current market conditions namely our U.S. direct mail operations, the printing of marketing products (commercial), magazines, books and catalogues and magazine publishing activities. In effect, we initiated a restructuring plan for our U.S. direct mail operations in the fall of 2008 and another plan in February 2009 for the rest of our business. In the second quarter, we have had to put in place additional rationalization measures as our U.S. direct mail operations and commercial printing activities have continued to deteriorate. By far, our U.S. direct mail operations have been hit the hardest with their revenues down approximately 50%. These additional rationalization measures have successfully been able to reduce our cost base and allowed us to remain cash flow positive. While restructuring costs related to these overall rationalization measures have increased, the expected cost savings are also expected to be higher. On a consolidated basis, we have reduced our cost base by about \$25 million in the first half of the year, above our initial expectations, since additional rationalization measures were initiated in response to deteriorating market conditions in two of our niches. As a result, we currently expect to surpass our initial cost savings estimate by \$25 million. In effect, we expect to generate cost savings of \$75 million for fiscal 2009 and \$100 million on an annualized basis.

In addition, during these more challenging times we have successfully completed a number of re-financing and financing activities. In the second quarter, we have completed a private placement offering of \$100 million in unsecured debentures with the Solidarity Fund QFL and extended our \$300 million securitization program for an additional year. Since the end of the quarter, we have renewed a credit facility of \$125.3 million for one year with members of our bank syndicate and concluded a five-year loan agreement for \$100 million from Caisse de dépôt et placement du Québec. Furthermore, we have signed a number of new customers for our marketing communication services, executed on major capital investment projects and expanded our digital asset offering in the Media sector.

HIGHLIGHTS OF THE SECOND QUARTER OF FISCAL 2009

- Revenues in the second quarter of fiscal 2009 decreased 5.3% to \$563.4 million, from \$595.1 million in the second quarter of fiscal 2008. This decrease is due primarily to the reduction in volume from our U.S. direct mail operations and to a lesser extent the printing of marketing products and magazines, books and catalogues as well as our magazine publishing activities, stemming from the ongoing North American recession. This decrease was mitigated by the positive contributions from acquisitions, net of divestitures and closures, the paper effect and the exchange rate effect combined with growth in our distribution, educational book publishing and new marketing communication services.
- Initiated increased rationalization measures in response to deteriorating market conditions in our U.S. direct mail operations and the printing of marketing products. As a result, we expect to generate about \$100 million in cost savings on an annualized basis, versus \$75 million previously anticipated.
- Generated approximately \$25 million in cost savings in the first half of 2009 related to our rationalization measures. In effect, we eliminated the equivalent of approximately 1400 positions, consolidated printing plants and ceased to publish some print titles, among other initiatives.
- An amount of \$27.5 million before tax (\$19.7 million after tax), was charged to income as restructuring costs and impairment of assets in the second quarter of fiscal 2009 relating to the consolidation of our U.S. direct mail operations as well as rationalization measures announced in February following the deterioration of demand for the products and services of certain businesses.

- An amount of \$169.3 million before tax (\$154.8 million after tax) was charged to income as impairment of goodwill and intangible assets in the second quarter of fiscal 2009. Of this amount, \$166.5 million represents goodwill impairment in the Marketing Communications sector, mainly associated with our commercial printing activities. The balance of \$2.8 million was charged to income as impairment of intangible assets relating to trade names in our Consumer Solutions Group in our Media sector.
- Adjusted operating income in the second quarter of fiscal 2009 decreased 17.5% to \$47.1 million, from \$57.1 million in the second quarter of 2008. This decrease is mainly due to the lower volume from our direct mail operations in the U.S., the printing of marketing products and magazines, books and catalogues as well as our magazine publishing activities as mentioned above. This decrease was partially compensated by the cost savings and the positive foreign exchange impact.
- Adjusted operating income margin decreased to 8.3% in the second quarter of 2009, from 9.6% in the second quarter of 2008. This decrease is largely attributed to the severe margin erosion for direct mail activities in the U.S and to a lesser extent magazine publishing activities.
- Net income decreased from \$36.9 million in the second quarter of 2008, to a loss of \$144.3 million in the second quarter of fiscal 2009. This decrease is primarily due to an unfavourable variation in unusual items (related mainly to impairment of goodwill and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes) and the decrease in adjusted operating income, partially offset by the reduction in income taxes. On a per-common-share basis, it decreased from \$0.45 to a loss of \$1.79.
- Adjusted net income, which does not take into account impairment of goodwill and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes, decreased \$3.9 million, or 11.4%, from \$34.1 million in the second quarter of fiscal 2008 to \$30.2 million in the second quarter of fiscal 2009. On a per-common-share basis, it decreased \$0.05 from \$0.42 to \$0.37.
- Standard & Poor's downgraded our credit rating to BBB (-) with a stable outlook from BBB with a stable outlook, on April 6, 2009. On the other hand, DBRS has not changed its credit rating of BBB (H) with a stable outlook.
- Concluded a number of financing and re-financings in the quarter: we extended our \$300 million securitization program for an additional year and we completed a private placement offering of \$100 million in unsecured debentures with the Solidarity Fund QFL. After the end of the quarter, we renewed credit facilities of \$125.3 million for one year with members of our bank syndicate and we obtained \$100 million in financing from Caisse de dépôt et placement du Québec (CDPQ).
- Invested over \$50 million in major projects previously announced, namely the *San Francisco Chronicle* project, the *Globe and Mail* project and the Transmag project.
- Signed a number of contracts for our new marketing communications services.
- Maintained our quarterly dividend at \$0.08 per share.
- Sound financial position with a net indebtedness to total capitalization ratio of 49% as at April 30, 2009, in the high end of our target range.
- Announced the appointment of Christian Trudeau as President of Transcontinental's Marketing Communications Sector.

TRANSCONTINENTAL PROFILE

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

culture of continuous improvement and financial discipline, whose values, including respect, innovation and integrity, are central to its operation. Transcontinental (TSX: TCL.A, TCL.B) has approximately 13,500 employees in Canada, the United States and Mexico, and reported revenues of C\$2.4 billion in 2008.

STRATEGY

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

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

A Two-Pronged Strategy

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

1) Build on our existing business

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

- In December, 2008, we signed a second contract for six years, valued at \$150 million, with Rogers Communications for the production of its marketing products.
- Invested over \$100 million in major projects we previously announced, namely the *San Francisco Chronicle* project which is expected to start in the third quarter, the *Globe and Mail* project and the Transmag project.
- Launched a new mobile application for the *Canadian Living* magazine in December 2008. Subscribers to *Canadian Living* magazine have access to their favourite women's magazine on their BlackBerry or iPhone simply by entering the address m.canadianliving.com. The free mobile applications for popular magazine *The Hockey News* have been a resounding success. Launched this past September, *The Hockey News Mobile* has become a must-have companion for more than 110,000 hockey fans, who can download timely hockey scores and rich content onto their iPhone or BlackBerry.
- Received triple chain of custody certification in all 45 of our facilities in Canada and the United States. This certification designates that the process by which paper is made promotes sustainable forest management standards. Transcontinental has been certified by the Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) and Programme for the Endorsement of Forest Certification (PEFC).

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

2) Develop new opportunities in marketing communications

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

- Signed a number of brand leaders as new clients for our marketing communication services. While this new business comes from a wide range of industries, the new contracts all follow a common thread in that they focus on the company's ability to provide marketers with a comprehensive set of solutions that are developed to address customers' diverse business needs and expand their marketing mix. Selected customers include, Readers Digest Canada, the Shopping Channel and Purolator Courier.
- Acquired Conversys Inc., the leading Canadian Print-to-Web provider that specializes in the seamless transformation of print marketing materials such as flyers and catalogues into rich, interactive Web content that is user-friendly and brand-consistent across multiple channels. The acquisition complements Transcontinental's existing print and interactive communications offering to major retailers. Conversys's multi-channel marketing services enable businesses to increase sales and more effectively interact with their customers by delivering a continuous flow of digital content through various media, including Web sites, email, and mobile devices. Conversys excels in providing content conversion and hosting services to large scale retail organizations.
- Acquired Redwood Custom Communications, a North American leader in custom communications headquartered in Toronto. Redwood is a full service marketing and communications company and creates turn-key custom publishing and branded content solutions for both print and digital platforms. Redwood's offering also includes data sciences, research and measurement, database marketing, variable printing, photo studio and premedia tools. This makes it an attractive complement to the services offered by Transcontinental's newly created Marketing Communications Sector, such as database analytics, premedia, email marketing, one-to-one marketing and the printing of marketing products.
- Invested approximately \$5.0 million in strategic investments in our Media sector, mainly related to our digital assets.
- Our recently formed Marketing Communications Sector won a total of seven awards at the 2008 Pearl Awards, the North American competition which recognizes excellence in content, design, digital and strategy in custom publishing.

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

Notwithstanding this, we expect to face some challenges as we execute on these new opportunities. The recession may slow down the growth of some of these new services. Our challenge will remain to combine a manufacturing

focus and a more marketing focus, to become increasingly integrated in our selling process and finally, to change the market's primary perception of us as mainly a printer and publisher. While the current economic environment is somewhat tempering the growth of these new services, we have succeeded in winning many new contracts. In fact, we are in the process of organizing our selling process to present a more complete service offering to our customers. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

New Structure

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

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

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

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

Major Rationalization Measures

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

- The equivalent of approximately 1400 positions have been eliminated, of which more than half were located in the U.S.
- We ceased the publication of a few print titles, consolidated four printing plants and are in the process of consolidating others. We are reviewing other non-performing titles and are evaluating our overall print production capacity for further opportunities.
- Other extraordinary initiatives have been initiated including a hiring freeze, unpaid leaves and reduced work weeks among others. The Corporation's senior managers have decided to take two weeks of unpaid leave but to work throughout that period which represents a salary decrease of 4%, the Executive Chairman of the Board and the President and Chief Executive Officer have reduced their salary by 10% and Board members have agreed to freeze their annual fees.
- Other measures are being implemented throughout Canada, the United States and Mexico.

In the second quarter, we have had to initiate increased rationalization measures in response to deteriorating market conditions in our U.S. direct mail operations and our printing of marketing products business. As a result, total restructuring costs for this plan have increased. In fact, we expect to eliminate a total of 1750 employees versus 1500 as originally planned. While this rationalization plan comes at a significant cost, when completed, it will protect the Corporation's financial health. Total costs related to this plan are expected to be \$91.5 million before tax. For fiscal 2009, costs are expected to reach \$68.7 million before tax, of which \$27.2 million is non-cash as the table below demonstrates.

RESTRUCTURING COSTS

(in millions of dollars)	2008	Q1-09	Q2-09	Balance 2009	Total 2009	Total Plan
Severances	7.7	2.6	14.4	6.3	23.3	31.0
Other costs	0.0	9.9	4.7	3.6	18.2	18.2
Total cash costs	7.7	12.5	19.1	9.9	41.5	49.2
Impairment of assets (non cash)	15.1	18.8	8.4	0.0	27.2	42.3
Total costs	22.8	31.3	27.5	9.9	68.7	91.5

Since, we initiated increased rationalization measures, we expect to generate increased cost savings. We expect to generate \$100 million in cost savings on an annualized basis, up from \$75 million previously. For fiscal 2009, we expect to generate \$75 million, up from \$50 million previously. In the first half of the year, we generated about \$25 million in cost savings.

ENVIRONMENT

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

Policies

- *Paper Purchasing Policy*- Transcontinental promotes the use of environmentally preferable papers. With respect to fibre sourcing, Transcontinental promotes the use of papers with maximized post-consumer and de-inked recycled fibre and also encourages the use of papers made with post-consumer recovered fibre or alternative fibres in preference to virgin wood fibre. Where virgin wood fibre is required, preference will be given to forest fibre from sustainable forests, certified by a recognized organization, avoiding fibre from high conservation value forests where those values are not protected. Other papers may also be promoted where it can be shown that there is an overall environmental advantage, in keeping with the principles of sustainable development. This will be addressed more systematically as better information becomes available about the environmental aspects of each paper.
- *Compliance to Applicable Legal Requirements*- Transcontinental complies in all material respects with applicable environmental laws, including federal, provincial/state and municipal/local laws.

- *Environment Protection*
 - Product Stewardship- Transcontinental recognizes that it shares in the responsibility for the environmental impact of the products it produces. Therefore, we cooperate with other public and private bodies to develop systems for the recovery, re-use and recycling of the company's products.
 - Eco-Efficiency- We will strive to improve our products and processes so as to progressively reduce routine discharges of contaminants and to use resources efficiently.
 - Climate Change and Energy Use- Transcontinental recognizes the dual challenge of climate change and energy supply security. Therefore, we will maximize the efficiency of our operations and encourage a transition to low carbon fuels and renewable energy.
 - Waste Management- Transcontinental will strive to reduce its waste and to re-use and recycle materials. We will strive to minimize the generation of hazardous waste.
 - Risk Management- Transcontinental will strive to avoid accidental discharges of contaminants into the environment and will prepare emergency plans so that it can diligently contain and clean up any potential environmental incidents. We evaluate environmental risks prior to acquiring properties or businesses, and prior to changing or undertaking major new activities.
 - Supply Chain Improvement- We encourage our suppliers to adopt environmental practices consistent with this policy.
- *Monitoring and Reporting*- We monitor our performance in carrying out this policy.
- *Communication*- Transcontinental fosters openness and dialogue with all stakeholders, including employees, regulators, neighbours, shareholders, suppliers, customers and the public, concerning the environmental impacts of Transcontinental activities, and will be responsive to their legitimate concerns.
- *Continuous Improvement*- Transcontinental strives to continuously improve its environmental performance.

Certification and Implementation

- We received triple chain of custody certification in all 45 of our facilities in Canada and the United States. This certification designates that the process by which paper is made promotes sustainable forest management standards. Transcontinental has been certified by the Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) and Programme for the Endorsement of Forest Certification (PEFC).
- In 2007, Transcontinental adopted a forward-looking Paper Purchasing Policy which goes well beyond existing standards and certifications. Since then, managers have taken steps to make our suppliers and customers more aware of it and to help them move forward with us. The Corporation is proud to announce the concrete and auditable results of our day-to-day efforts: from 2007 to 2008, Transcontinental customers' use of "Gold" ranked papers, which meet the highest standards of sustainable forest management, rose by 37%. And this trend has continued to intensify in the first half of the year

- We have developed a Classification of Environmental Papers and supporting documentation that will guide the implementation of the Paper Purchasing Policy. The Classification of Environmental Papers can be found on our internet site at www.transcontinental.com.
- Transcontinental started to use an Environmental Products Inc. (EPI) certified biodegradable plastic bag for its Publisac, a well-known tool used to distribute marketing material door-to-door to households in Quebec and eastern Ontario. The plastic is engineered to degrade and totally fragment in 90 to 120 days and to biodegrade in a further 12 to 24 months after disposal.
- We support the Carbon Disclosure Project (CDP) to reduce the production of CO₂. Transcontinental's support for the CDP reinforces its position on the environment, while demonstrating its commitment to continually finding new ways to help preserve the planet.
- At the beginning of 2009 we put in place an Energy Policy whose goal is to reduce energy consumption across the Corporation.
- Numerous other smaller initiatives are conducted across the Corporation every day from promoting the use of public transit to eliminating Styrofoam cups, to initiating car pools.

Selected financial data Unaudited

(in millions of dollars, except per share data)	Three months ended April 30			Six months ended April 30		
	2009	2008 ⁽¹⁾	Change in %	2009	2008 ⁽¹⁾	Change in %
Operations						
Revenues	\$ 563.4	\$ 595.1	(5)	\$ 1,167.5	\$ 1,191.1	(2)
Adjusted operating income before amortization ^{(2) (3)}	80.5	89.0	(10)	138.8	171.4	(19)
Operating income (loss)	(149.7)	54.7	-	(155.7)	103.1	-
Adjusted operating income ^{(2) (4)}	47.1	57.1	(18)	72.4	107.4	(33)
Net income (loss)	(144.3)	36.9	-	(150.7)	71.0	-
Adjusted net income ^{(2) (5)}	30.2	34.1	(11)	45.3	62.5	(28)
Cash flow from operating activities before changes in non-cash operating items ⁽²⁾	50.2	75.7	(34)	94.7	144.2	(34)
Cash flow related to operating activities	(21.9)	21.5	-	(12.4)	54.5	-
Investments						
Acquisitions of property, plant and equipment	64.2	60.2	7	162.9	91.5	-
Business acquisitions ⁽⁶⁾	1.3	13.9	-	13.0	16.9	(23)
Financial condition						
Total assets				2,479.2	2,470.2	-
Net indebtedness ^{(2) (7)}				916.8	626.1	46
Shareholders' equity				942.0	1,194.1	(21)
Net indebtedness / Total capitalization				49%	34%	44
Per share data (basic)						
Net income (loss)	\$ (1.79)	\$ 0.45	-	\$ (1.87)	\$ 0.86	-
Adjusted net income ^{(2) (5)}	0.37	0.42	(12)	0.56	0.76	(26)
Cash flow from operating activities before changes in non-cash operating items ⁽²⁾	0.62	0.93	(33)	1.17	1.74	(33)
Cash flow related to operating activities	(0.27)	0.26	-	(0.15)	0.66	-
Dividends on shares	(0.08)	(0.08)	-	(0.16)	(0.15)	7
Shareholders' equity				11.66	14.76	(21)
Average number of shares outstanding (in millions)	80.8	81.8		80.8	82.7	
Number of shares at end of period (in millions)	80.8	80.9		80.8	80.9	

⁽¹⁾ Balance sheet items as at April 30, 2008 were restated (See Note 2 in the consolidated financial statements).

⁽²⁾ Please refer to the section "Reconciliation of Non-GAAP Financial Measures" on page 23 in this Management's Discussion and Analysis.

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

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

⁽⁵⁾ Adjusted net income refers to net income before impairment of assets and restructuring costs, impairment of goodwill and intangibles assets, net of income taxes, and unusual adjustment to income taxes.

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

⁽⁷⁾ Net indebtedness refers to long-term debt plus current portion of long-term debt plus bank overdraft less cash and cash equivalents.

DETAILED ANALYSIS OF SECOND QUARTER 2009 OPERATING RESULTS

Analysis of Main Variances - Consolidated Results For the Second Quarter Ended April 30, 2009 (unaudited)

(in millions of dollars)	Revenues	%	Adjusted operating income ⁽¹⁾	%	Net income	%
Results - Second Quarter 2008	\$ 595.1		\$ 57.1		\$ 36.9	
Acquisitions/Divestitures/Closures	17.4	2.9 %	0.1	0.2 %	(0.4)	(1.1) %
Existing operations						
Paper effect	14.0	2.4 %	(1.1)	(1.9) %	(0.8)	(2.2) %
Exchange rate effect	21.1	3.5 %	5.0	8.8 %	3.0	8.1 %
Impairment of assets, restructuring costs, goodwill and intangibles assets impairment and unusual adjustments to income taxes	-	-	-	-	(177.3)	(480.5) %
Organic growth (negative)	(84.2)	(14.1) %	(14.0)	(24.5) %	(5.7)	(15.4) %
Results - Second Quarter 2009	\$ 563.4	(5.3) %	\$ 47.1	(17.5) %	\$ (144.3)	(491.1) %

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

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

- The acquisitions of Rastar, Inc., ThinData Inc., Redwood Custom Communications and Conversys Inc., as well as small but strategic acquisitions contributed \$17.4 million to revenues and \$0.1 million to adjusted operating income. The low margin contribution from these acquisitions is primarily explained by the recent decrease in marketing budgets of our customers, in particular the automotive industry. Net of financing and income taxes, the negative impact on net income was \$0.4 million.
- The paper effect had a \$14.0 million positive impact on revenues. This effect includes the variation in the price of paper, paper supplied and changes in the type of paper used by customers of our printing operations. Note that for printing operations, these elements affect revenues without impacting adjusted operating income. For the Media sector, the variation in the price of paper had a negative impact of \$1.1 million on adjusted operating income and \$0.8 million on net income.
- The variations in the exchange rate between the Canadian dollar and its U.S. and Mexican counterparts had a significant impact on the second quarter of fiscal 2009 results, causing a \$21.1 million increase in revenues and a \$5.0 million increase in adjusted operating income. It is important to note that the variation in average spot exchange rates in the second quarter of fiscal 2009 versus the second quarter of fiscal 2008 was 22.3% for the CAD/USD and 7.3% for the CAD/MXP. With respect to revenues, conversion of sales by U.S. and Mexican units had a positive impact of \$15.8 million. For export sales from Canadian plants, net of the currency hedging program, the positive impact was \$5.3 million. The positive impact of the conversion of results for the U.S. and Mexican units was \$0.5 million on adjusted operating income. The positive impact of export sales, net of the currency hedging program and purchases in U.S. dollars, was \$3.5 million on adjusted operating income. Finally, the positive impact of the conversion of balance sheet items related to the operation of Canadian units denominated in foreign currency was \$1.0 million on adjusted operating income. Taking into consideration financial expenses and income taxes denominated in foreign currencies, the net positive effect was \$3.0 million, representing a 8.1% positive variation on net income.

- The decrease in revenues of \$84.2 million, or 14.1%, in our base business in the second quarter of fiscal 2009 was largely attributed to our direct mail activities in the U.S., following the financial crisis, and accounted for approximately 40% of the total decrease. The recession in Canada mainly affected the printing of marketing products and magazines, books and catalogues as well as our magazine publishing activities. Our printing businesses of newspaper and retail as well as our newspaper publishing business were also affected by the recession but to a lesser extent. The decrease in these businesses was slightly offset by growth in marketing communication services, educational book publishing and distribution activities. In effect, our revenues have decreased less than the industry average given our niche strategy, the diversification of our customer base and the fact that a good portion of our business is under long term contracts.
- The decrease in adjusted operating income of \$14.0 million, or 24.5% in our base business in the second quarter of fiscal 2009 was mainly due to the lower volume from our direct mail in the U.S., marketing products, magazine, book and catalogue and magazine publishing activities as mentioned above. This decrease was partially compensated by the cost savings related to our rationalization plan.

Amortization

Amortization expense increased by \$1.5 million, or 4.7%, in the second quarter of fiscal 2009, to \$33.4 million, compared to \$31.9 million in the second quarter of fiscal 2008. This increase results mostly from acquisitions, the exchange rate effect and recent capital investments, partially offset by the capital asset write downs related to the rationalization measures.

Impairment of Assets and Restructuring Costs

In the second quarter of fiscal 2009, an amount of \$27.5 million before tax (\$19.7 million after tax) was accounted for separately in the consolidated statement of income as impairment of assets and restructuring costs. Details are as follows:

- Impairment of assets of \$8.4 million before tax (\$6.0 million after tax) mainly related to machinery and equipment no further necessary considering the lower level of activity of certain businesses.
- Restructuring costs of \$19.1 million before tax (\$13.7 million after tax) related to the consolidation of the direct mail activities in the U.S., announced during the fourth quarter of fiscal 2008, as well as the rationalization measures put in place following the deterioration of demand for the products and services of certain businesses, announced in February 2009.

In the second quarter of fiscal 2008, an amount of \$2.4 million before tax (\$1.7 million after tax) was accounted for separately in the consolidated statement of income as impairment of assets and restructuring costs. Of this amount, \$2.3 million relates to the closure of *The Daily News* in Halifax and \$0.1 million relates to the restructuring plan for our commercial printing operations initiated in 2007.

Impairment of goodwill and intangible assets

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

Financial Expenses and Discount on Sale of Accounts Receivable

When combined, financial expenses and discount on sale of accounts receivable increased by \$0.9 million, or 9.8%, from \$9.2 million in the second quarter of fiscal 2008 to \$10.1 million in the second quarter of fiscal 2009. This increase is mainly due to the increase in net indebtedness related to the purchase of property, plant and equipment, and business acquisitions combined with the exchange rate effect, partially offset by the decrease in interest rates.

Income Taxes

Income taxes decreased by \$24.0 million, from \$8.6 million in the second quarter of fiscal 2008 to a recovery of \$15.4 million in the second quarter of fiscal 2009. Excluding income taxes on impairment of goodwill and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes, the income taxes would have been \$7.0 million with an income tax rate of 18.8% as compared to \$13.8 million and 28.8% in the second quarter of fiscal 2008. This decrease is mainly due to the change in the geographic distribution of pre-tax earnings and various other factors.

During the second quarter of fiscal 2008, the Corporation entered into an agreement with the tax authorities and settled its obligation regarding Bill 15 (Quebec) enacted in June 2006 for an amount of \$3.9 million. An amount of \$8.4 million had been provided for in the third quarter of fiscal 2006 with regards to this obligation. A decrease of \$4.5 million in current income tax expense has therefore been recorded to reflect this settlement.

Net Income

Net income decreased from \$36.9 million in the second quarter of fiscal 2008 to a loss of \$144.3 million in the second quarter of fiscal 2009. This decrease is primarily due to an unfavourable variation in unusual items (related mainly to impairment of goodwill and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes) coupled with the decrease in adjusted operating income, partially offset by the reduction in income taxes. On a per-common-share basis, it decreased from \$0.45 to a loss of \$1.79.

Adjusted net income, which does not take into account impairment of goodwill and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes, decreased \$3.9 million, or 11.4%, from \$34.1 million in the second quarter of fiscal 2008 to \$30.2 million in the second quarter of fiscal 2009. On a per-common-share basis, it decreased \$0.05 from \$0.42 to \$0.37.

Excluding the favourable exchange rate effect in the second quarter of 2009, adjusted earnings-per-share would have been \$0.33 representing a decrease of 21.4% over the second quarter of 2008. This measure gives a good indication of the net operational performance in the second quarter of 2009.

REVIEW OF OPERATING SECTORS FOR THE SECOND QUARTER OF 2009

Analysis of Main Variances – Sector Results For the Second Quarter Ended April 30, 2009 (unaudited)

(in millions of dollars)	Printing Sector	Marketing Communications Sector	Media Sector	Inter-segment and Other Results	Consolidated Results
Revenues - for the Second Quarter 2008	\$ 375.5	\$ 85.2	\$ 158.0	\$ (23.6)	\$ 595.1
Acquisitions/Divestitures/Closures	-	16.9	0.5	-	17.4
Existing operations					
Paper effect	14.2	(0.2)	-	-	14.0
Exchange rate effect	19.8	1.3	-	-	21.1
Organic growth (negative)	(61.6)	(14.2)	(7.3)	(1.1)	(84.2)
Revenues - for the Second Quarter 2009	\$ 347.9	\$ 89.0	\$ 151.2	\$ (24.7)	\$ 563.4
Adjusted operating income (1)					
- for the Second Quarter 2008	\$ 36.9	\$ 1.9	\$ 26.0	\$ (7.7)	\$ 57.1
Acquisitions/Divestitures/Closures	-	-	0.1	-	0.1
Existing operations					
Paper effect	-	-	(1.1)	-	(1.1)
Exchange rate effect	4.1	0.9	-	-	5.0
Organic growth (negative)	(10.3)	(4.0)	(3.7)	4.0	(14.0)
Adjusted operating income (1)					
- for the Second Quarter 2009	\$ 30.7	\$ (1.2)	\$ 21.3	\$ (3.7)	\$ 47.1

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

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 second quarter ended April 30, 2009. Management believes that adjusted operating income by business segment used in this section is a meaningful measure of its performance. Management uses this measure in evaluating the Corporation's financial performance by business segment. It is important to note that the second quarter of fiscal 2008 segmented results have been reclassified to reflect the new operating structure:

- **Printing Sector:** includes the Magazine, Book and Catalogue Group (merge of the Magazine and Catalogue Group and the Book Group), the Mexico Group, the Newspaper Group (Print), the Retail Group and the Direct Mail Group;
- **Marketing Communications Sector:** includes the Custom Communications Group (Redwood Custom Communications and Transcontinental Custom Communications transferred from the Consumer Solutions Group, previously called the Magazine Group in the Media Sector), the One-to-One Marketing Group (Rastar, Inc.), the Premedia Group, the Online Direct Marketing Group (ThinData Inc.), the Data Analytics Group (Transcontinental Database Marketing unit transferred from the Premedia Group) and the Marketing Products Group (PLM and Yorkville plants transferred from the Magazine and Catalogue Group).
- **Media Sector:** includes the Consumer Solutions Group (previously called the Magazine Group), the Business Solutions and Book Publishing Group (merge of the business magazines transferred from the Consumer Solutions Group and the Book Publishing Group, previously called the Educational Publishing Group), the Local Solutions Group (merge of the Newspaper Group (Media) and the Distribution Group) and the Digital Solutions Group.

Printing Sector

Revenues in the Printing sector decreased from \$375.5 million in the second quarter of fiscal 2008 to \$347.9 million in the second quarter of fiscal 2009, a decrease of \$27.6 million, or 7.4%. Excluding the paper effect and the exchange rate, revenues decreased \$61.6 million, or 16.4%. Revenue decreases were experienced in all business units at varying degrees with our direct mail operations in the U.S. accounting for more than half of the total reduction as the market for this business deteriorated further in the second quarter. This business was down over 50% as financial institutions continued to delay or cancel direct mail campaigns. Since we were the first to adjust our cost base, we are now in a better competitive position. Our decision to quickly adjust our cost base has also allowed our direct mail activities in the U.S. to remain cash flow positive. While the environment remains volatile, we have been able to maintain our market share.

Our other printing businesses were also negatively affected by the current North American recession but to a lesser extent. The Magazine, Book and Catalogue Group was negatively affected by a reduction in page count and circulation from magazines combined with a softer export market for its products to the U.S. This decrease was partially compensated by the start of the new Rogers contract in February. Similarly, the Newspaper Group was affected by a reduction in page count and circulation from newspapers. However, it is important to note that as a printer we are less affected than publishers from the reduction in advertising revenues. The Retail Group was negatively affected by a reduction in programs from certain customers of its base business but this decrease was partially compensated by the full-year impact from the Shoppers Drug Mart contract started in April last year. Finally, the Mexico Group has been holding its own in this tougher environment.

The execution of our rationalization measures are on track. In the second quarter we have reduced our cost structure through various measures including the reduction of our labor force. In addition, since the end of the quarter we announced the closure of one retail plant. We are currently in the process of reviewing the production capacity of our printing plants for further opportunities. It is important to note that the full impact from our rationalization measures will only be felt in the second half of the year.

Adjusted operating income decreased from \$36.9 million in the second quarter of fiscal 2008 to \$30.7 million in the second quarter of fiscal 2009, a decrease of \$6.2 million, or 16.8%. Excluding the paper effect and exchange rate, adjusted operating income decreased \$10.3 million, or 27.9%. In addition, by also excluding the Direct Mail Group, adjusted operating income would have decreased \$5.7 million, or only 15.4%. Organic growth generated in the Retail Group through increased production efficiency and cost savings derived from the execution of the rationalization plan were more than offset by lower volume from the Direct Mail Group in the U.S. and the Magazine, Book and Catalogue Group. As a result, adjusted operating income margin decreased from 9.8% in the second quarter of fiscal 2008 to 8.8% in the second quarter of fiscal 2009. This lower margin is mainly due to the severe margin erosion in the Direct Mail Group.

In the second quarter we planned, ramped-up and executed a number of large manufacturing projects:

- Rogers project (\$20 million investment for magazine printing): we successfully started up the new press for the printing of the suite of Rogers magazines. The start-up was executed smoothly with minimal disruptions to our existing operations;
- Transmag project (\$60 million investment for community newspapers): we are currently printing some volume on the new presses but the full ramp-up is expected in the third quarter;
- *Globe and Mail* project (\$175 million investment for newspaper outsourcing): it is on track to begin in late 2010;
- *San Francisco Chronicle* (US\$230 million investment for newspaper outsourcing): we are currently in testing mode with regards to the printing of the San Francisco Chronicle. The go live date is expected to be during the third quarter.

In the second half of fiscal 2009, the Printing sector will focus on the execution of its rationalization measures, its numerous manufacturing projects mentioned above as well as capturing new customers. More specifically, the Direct Mail Group will focus on protecting its assets and increasing market share. Having said this, the market remains volatile and unpredictable. The Magazine, Book and Catalogue Group will benefit from the new Rogers contract but we expect it to continue to be affected by the reduction in page count and circulation in magazines stemming from the decrease in national advertising, the reduction in marketing budgets for catalogues and a soft market for trade and religious books. The Newspaper Group will benefit from the start-up of the *San Francisco Chronicle* and Transmag facilities but we expect it to continue to be affected by the reduction in page count and circulation from newspapers. Moreover, it will focus on the planning and execution of *The Globe and Mail* project. The Retail Group will continue to benefit from cross selling activities and should continue to hold its own. However, its revenues will be negatively affected by the sale of its plant in the U.S., focused on regional customers, following a review of the Corporation's operational objectives in that region. Finally, the Mexico Group should continue to hold its own in this environment.

Marketing Communications Sector

Revenues in the Marketing Communications sector increased from \$85.2 million in the second quarter of fiscal 2008 to \$89.0 million in the second quarter of fiscal 2009, an increase of \$3.8 million, or 4.5%. Acquisitions (Rastar, Inc., ThinData, Inc., Redwood Custom Communications and Conversys) contributed \$16.9 million to revenues. Excluding acquisitions, the paper effect and the exchange rate, revenues decreased \$14.2 million, or 16.7%. Organic growth generated from the new marketing communication services stemming from new contract wins, was more than offset by lower volume from the printing of marketing products as market conditions deteriorated further in the second quarter. However, the lower volume from the base business was partially compensated by the new Rogers contract for the printing of its marketing products. While the printing of marketing products is experiencing a further deterioration in volume, we are maintaining our market share and we have been successful at transitioning our business towards more one-to-one marketing with an increase in revenues from direct marketing, fulfillment and digital printing.

The execution of our rationalization measures are on track. In the second quarter, we have reduced our cost structure by merging four commercial plants into two and reducing our labor force. In addition, other plant consolidations are currently underway. It is important to note that the full impact from our rationalization measures will only be felt in the second half of the year.

Adjusted operating income decreased from \$1.9 million in the second quarter of fiscal 2008 to a loss of \$1.2 million in the second quarter of fiscal 2009, a decrease of \$3.1 million. Acquisitions did not contribute as our customers have recently reduced their marketing budgets, particularly in the automotive industry. Excluding the exchange rate effect, adjusted operating income decreased by \$4.0 million. Organic growth generated in the new marketing communication services combined with the cost savings derived from the execution of the rationalization plan mentioned above were more than offset by the reduction in volume from the printing of marketing products. As a result, the adjusted operating income margin decreased from 2.2% in the second quarter of fiscal 2008 to a loss of 1.3% in the second quarter of fiscal 2009. This lower margin was mainly due to the difficult market conditions in the printing of marketing products.

In the second quarter, we signed a number of brand leaders as new clients for marketing communication services. While this new business comes from a wide range of industries, the new contracts all follow a common thread in that they focus on the company's ability to provide marketers with a comprehensive set of solutions that are developed to address customers' diverse business needs and expand their marketing mix. Selected customers include, Readers Digest Canada, The Shopping Channel and Purolator Courier.

In the second half of fiscal 2009, the Marketing Communications Sector will focus on the execution of its rationalization measures and growth of its new marketing communication services. More specifically, the Marketing

Products Group will continue to look for new ways to improve their competitiveness within the current market environment and continue to transition their product offering to more one-to-one marketing. However, market conditions in this group are not expected to improve until the economy shows signs of revival. On the other hand, the new marketing communication services will focus on the integration of its new acquisitions, finding new strategic acquisitions and building a complete offering to present to existing and prospective customers. It is important to keep in mind that while these new marketing communication services demonstrate great promise, the current economic environment is expected to continue to temper growth.

Media Sector

Revenues in the Media sector decreased from \$158.0 million in the second quarter of fiscal 2008 to \$151.2 million in the second quarter of fiscal 2009, a decrease of \$6.8 million, or 4.3%. Small but strategic acquisitions completed in 2008, net of divestitures and closures, had a positive impact of \$0.5 million on revenues. Excluding acquisitions, divestitures and closures, revenues decreased \$7.3 million, or 4.6%. Organic growth generated in our educational book publishing and distribution activities were more than offset by a reduction in national advertising in consumer and business magazine publishing activities and, to a lesser extent, local advertising from community newspapers.

The execution of our rationalization measures are on track. In the second quarter, we have reduced our cost structure by ceasing the publication of a few under-performing print titles, including *Canadian Home and Country* and *Vision Durable* and reduced our labor force. In addition, we are currently looking at ceasing the publication of other non-performing print titles. It is important to note that the full impact from our rationalization measures will only be felt in the second half of the year.

Adjusted operating income decreased from \$26.0 million in the second quarter of fiscal 2008 to \$21.3 million in the second quarter of fiscal 2009, a decrease of \$4.7 million, or 18.1%. Excluding acquisitions, divestitures and closures, and the paper effect, adjusted operating income decreased by \$3.7 million, or 14.2%. Organic growth generated in our educational book publishing and distribution activities combined with the cost savings derived from the execution of the rationalization plan mentioned above were more than offset by lower revenues from consumer and business magazines and community newspapers as well as strategic investments in digital initiatives. As a result, the adjusted operating income margin decreased to 14.1% in the second quarter of fiscal 2009 from 16.5% in the second quarter of fiscal 2008. This lower margin is largely attributed to the decrease in national advertising in the consumer and business magazine publishing activities as well as the strategic investments in digital initiatives.

In the second quarter, the Media sector continued to expand and improve its digital offerings with various initiatives: we launched the website icimamaison.ca, a real estate website; we re-launched publisac.ca; we have successfully given all our newspapers an online version; and we launched an online version of two finance magazines, *Investment Executive* and *Finance et Investissement* which will soon broadcast their daily news updates on BlackBerry and Iphone. Moreover, weblocal.ca has now surpassed two million unique monthly visitors.

In the second half of fiscal 2009, the Media Sector will focus on the execution of its rationalization measures and expansion of its digital offering. More specifically, community newspapers are expected to gain from the contribution from small but strategic acquisitions and new products such as weblocal.ca but are expected to continue to be affected by soft local advertising especially from the automotive industry. Similarly, consumer and business magazines should continue to leverage their strong brands in the Canadian market, on an increasing number of different platforms, while benefiting from new products such as *Vita*. However, we expect that magazine publishing will continue to be negatively affected by a softer national advertising environment. On the other hand, distribution activities should continue to prove resilient during this challenging economic environment as flyers remain the best method to bring the consumer to the store. Finally, educational book publishing activities should also prove resilient as this business is driven by the current Quebec educational reform program.

Inter-Segment and Other Activities

Revenues of inter-segment and other activities went from a negative \$23.6 million in the second quarter of fiscal 2008 to a negative \$24.7 million in the second quarter of fiscal 2009. The variation is mainly attributable to a decrease in other activities. Adjusted operating income went from a negative \$7.7 million in the second quarter of fiscal 2008 to a negative \$3.7 million in the second quarter of fiscal 2009 due mainly to a decrease in the pension plan costs and cost savings related to our rationalization plan.

DETAILED ANALYSIS OF SIX-MONTH PERIOD ENDED APRIL 30, 2009 OPERATING RESULTS

Analysis of Main Variances – Consolidated Results For the Six-Month Period Ended April 30, 2009 (unaudited)

(in millions of dollars)	Revenues	%	Adjusted operating income ⁽¹⁾	%	Net income	%
Results - Six-month 2008	\$ 1,191.1		\$ 107.4		\$ 71.0	
Acquisitions/Divestitures/Closures	46.3	3.9 %	3.5	3.3 %	1.6	2.3 %
Existing operations						
Paper effect	26.3	2.2 %	(2.6)	(2.4) %	(1.9)	(2.7) %
Exchange rate	49.8	4.2 %	7.4	6.9 %	3.8	5.4 %
Impairment of assets, restructuring costs, goodwill and intangibles assets impairment and unusual adjustments to income taxes	-	-	-	-	(204.5)	(288.0) %
Organic growth (negative)	(146.0)	(12.3) %	(43.3)	(40.3) %	(20.7)	(29.2) %
Results - Six-month 2009	\$ 1,167.5	(2.0) %	\$ 72.4	(32.6) %	\$ (150.7)	(312.3) %

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

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

- The acquisition of Rastar, Inc., Redwood Custom Communications, ThinData, Conversys as well as small but strategic acquisitions completed in 2008, net of divestitures and closures (notably *The Daily News* in Halifax), contributed \$46.3 million to revenues and \$3.5 million to adjusted operating income. Net of amortization, financing and income taxes, the contribution to net income was \$1.6 million.
- The paper effect had a \$26.3 million positive impact on revenues. This effect includes the variation in the price of paper, paper supplied and changes in the type of paper used by customers of our printing operations. Note that for printing operations, these elements affect revenues without impacting adjusted operating income. For the Media sector, the variation in the price of paper had a negative impact of \$2.6 million on adjusted operating income and \$1.9 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 six months of fiscal 2009, causing a \$49.8 million increase in revenues and a \$7.4 million increase in adjusted operating income. It is important to note that the variation in average spot exchange rates in the first six months of fiscal 2009 versus the first six months of fiscal 2008 was 25.2% for the CAD/USD and 2.1% for the CAD/MXP. With respect to revenues, conversion of sales by U.S. and Mexican units had a positive impact of approximately \$38.0 million. For export sales from Canadian plants, net of the currency hedging program, the positive impact was \$11.8 million. The positive impact of the conversion of results for the U.S. and Mexican units was \$1.1 million on adjusted operating income. The positive impact of export sales, net of the currency hedging program and purchases in U.S. dollars, was \$9.4 million on adjusted operating income. Finally, the negative impact of the conversion of balance sheet items related to the operation of Canadian units denominated in foreign currency was \$3.1 million on adjusted operating income. Taking into consideration amortization, financial expenses and income taxes denominated in foreign currencies, the net positive effect was \$3.8 million, representing a 5.4% positive variation on net income.

- The decrease in revenues of \$146.0 million or 12.3% in our base business for the first six months of fiscal 2009 was primarily generated from the Printing sector with the Direct Mail Group and the Magazine, Book and Catalogue Group; followed by the Marketing Communication Sector with the Marketing Products Group; and finally the Media sector with the consumer and business magazines. It is important to note that close to half of the total decrease stems from the Direct Mail Group in the U.S.
- The decrease in adjusted operating income of \$43.3 million, or 40.3% in our base business for the first six months of fiscal 2009 was primarily generated from the Printing sector with the Magazine, Book and Catalogue Group and the Direct Mail Group; followed by the Media sector with the consumer and business magazines; and finally the Marketing Communications sector with the Marketing Products Group. It is important to highlight that the execution of our rationalization measures are bearing fruit. In effect, the adjusted operating income was down 58.4% in the first quarter of fiscal 2009 but was down only 24.5% in the second quarter of fiscal 2009, a marked improvement.

Amortization

Amortization expense increased by \$2.4 million, or 3.8%, in the first six months of fiscal 2009, to \$66.4 million compared to \$64.0 million in the first six months of fiscal 2008. This increase results mostly from acquisitions and the exchange rate effect, partially offset by the capital asset write downs related to the rationalization measures.

Impairment of assets and restructuring costs

In the first six months of fiscal 2009, an amount of \$58.8 million before tax, or \$41.2 million after tax, was accounted for separately in the consolidated statement of income as impairment of assets and restructuring costs. Details are as follows:

- Impairment of assets of \$27.2 million before tax (\$19.2 million after tax) related to machinery and equipment no further necessary considering the lower level of activity of certain businesses.
- Restructuring costs of \$31.6 million before tax (\$22.0 million after tax) related to the consolidation of the direct mail activities in the U.S., announced during the fourth quarter of fiscal 2008, as well as the rationalization measures put in place following the deterioration of demand for the products and services of certain businesses, announced in February 2009.

In the first six months of fiscal 2008, an amount of \$4.3 million before tax, or \$3.0 million after tax, was accounted for separately in the consolidated statement of income as impairment of assets and restructuring costs. Of this amount, \$4.2 million relates to the closure of *The Daily News* in Halifax and \$0.1 million relates to the restructuring plan for our commercial printing operations initiated in 2007.

Impairment of goodwill and intangible assets

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

Financial expenses and discount on sale of accounts receivable

When combined, financial expenses and discount on sale of accounts receivable decreased \$1.6 million, or 7.7%, from \$20.8 million in the first six months of 2008 to \$19.2 million in the first six months of fiscal 2009. This decrease is mainly due to the decrease in interest rates combined with increased capitalized interest, partially offset by the increase in net indebtedness related to the purchase of property, plant and equipment and business acquisitions as well as the exchange rate effect.

Income taxes

Income taxes decreased by \$35.4 million, from \$11.0 million in the first six months of fiscal 2008 to a recovery of \$24.4 million in the first six months of fiscal 2009. Excluding income taxes on impairment of goodwill and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes, the income taxes would have been \$7.7 million with an income tax rate of 14.5% as compared to \$23.8 million and 27.5% in the first six months of fiscal 2008. This decrease is mainly due to the change in the geographic distribution of pre-tax earnings and various other factors.

During the second quarter of fiscal 2008, the Corporation entered into an agreement with the tax authorities and settled its obligation regarding Bill 15 (Quebec) enacted in June 2006 for an amount of \$3.9 million. An amount of \$8.4 million had been provided for in the third quarter of fiscal 2006 with regards to this obligation. A decrease of \$4.5 million in current income tax expense has therefore been recorded to reflect this settlement. In addition, on December 13, 2007, Bill C-28 received third reading in the House of Commons. Accordingly, the federal corporate income tax rate reductions announced in the October 30, 2007 Economic Statement became substantively enacted for the purpose of preparing the consolidated financial statements in accordance with Canadian GAAP. This decrease in federal tax rate reduced both the income tax expense and net future income tax liabilities by \$7.0 million during the first quarter of fiscal 2008.

Net income

Net income decreased from \$71.0 million in the first six months of fiscal 2008 to a loss of \$150.7 million in the first six months of 2009. This decrease is primarily due to an unfavourable variation in unusual items (related mainly to impairment of goodwill and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes) coupled with the decrease in adjusted operating income, partially offset by the reduction in income taxes and financial expenses. On a per-common-share basis, it decreased from \$0.86 to a loss of \$1.87.

Adjusted net income, which does not take into account goodwill impairment and intangible assets, impairment of assets and restructuring costs as well as unusual adjustments to income taxes, decreased \$17.2 million, or 27.5%, from \$62.5 million in the first six months of 2008 to \$45.3 million in the first six months of 2009. On a per-common-share basis, it decreased 26.3% from \$0.76 to \$0.56.

Excluding the favourable exchange rate effect in the first six months of fiscal 2009, adjusted earnings-per-share would have been \$0.51, representing a decrease of 32.9% over the first six months of fiscal 2008. This measure gives a good indication of the net operational performance in the first six months of the year.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

Reconciliation of non-GAAP financial measures (unaudited)

(in millions of dollars, except per share amounts)	Three months ended April 30		Six months ended April 30	
	2009	2008	2009	2008
Net income (loss)	\$ (144.3)	\$ 36.9	\$ (150.7)	\$ 71.0
Non-controlling interest	(0.1)	-	0.2	0.3
Income taxes	(15.4)	8.6	(24.4)	11.0
Discount on sale of accounts receivable	1.4	2.1	3.1	5.2
Financial expenses	8.7	7.1	16.1	15.6
Goodwill and intangibles assets impairment	169.3	-	169.3	-
Impairment of assets and restructuring costs	27.5	2.4	58.8	4.3
Adjusted operating income	\$ 47.1	\$ 57.1	\$ 72.4	\$ 107.4
Amortization	33.4	31.9	66.4	64.0
Adjusted operating income before amortization	\$ 80.5	\$ 89.0	\$ 138.8	\$ 171.4
Net income (loss)	\$ (144.3)	\$ 36.9	\$ (150.7)	\$ 71.0
Impairment of assets and restructuring costs (after tax)	19.7	1.7	41.2	3.0
Goodwill and intangibles assets impairment (after tax)	154.8	-	154.8	-
Unusual adjustments to income taxes	-	(4.5)	-	(11.5)
Adjusted net income	30.2	34.1	45.3	62.5
Average number of shares outstanding	80.8	81.8	80.8	82.7
Adjusted earnings per share	\$ 0.37	\$ 0.42	\$ 0.56	\$ 0.76
Cash flow related to operating activities	\$ (21.9)	\$ 21.5	\$ (12.4)	\$ 54.5
Changes in non-cash operating items	(72.1)	(54.2)	(107.1)	(89.7)
Cash flow from operating activities before changes in non-cash operating items	\$ 50.2	\$ 75.7	\$ 94.7	\$ 144.2
Long-term debt			\$ 747.4	\$ 643.7
Current portion of long-term debt			176.2	14.4
Cash and cash equivalents			(6.8)	(32.0)
Net indebtedness			\$ 916.8	\$ 626.1

SUMMARY OF QUARTERLY RESULTS

Selected Quarterly Financial Results (unaudited)

(in millions of dollars, except per share amounts)	2009			2008			2007		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Revenues	\$ 563	\$ 604	\$ 653	\$ 585	\$ 595	\$ 596	\$ 618	\$ 551	
Adjusted operating income before amortization	81	58	108	82	89	82	101	81	
Adjusted operating income margin before amortization	14.4 %	9.6 %	16.5 %	14.0 %	15.0 %	13.8 %	16.3 %	14.7 %	
Operating income (loss)	\$ (150)	\$ (6)	\$ (139)	\$ 50	\$ 55	\$ 48	\$ 67	\$ 51	
Adjusted operating income	47	25	76	51	57	50	68	52	
Adjusted operating income margin	8.3 %	4.1 %	11.6 %	8.7 %	9.6 %	8.4 %	11.0 %	9.4 %	
Net income (loss)	\$ (144)	\$ (6)	\$ (94)	\$ 30	\$ 37	\$ 34	\$ 39	\$ 28	
Per share	(1.79)	(0.08)	(1.16)	0.37	0.45	0.41	0.46	0.33	
Adjusted net income	30	15	48	30	34	28	39	28	
Per share	0.37	0.19	0.59	0.37	0.42	0.34	0.47	0.34	
% of fiscal year	- %	- %	34 %	22 %	24 %	20 %	31 %	23 %	

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Principal Cash Flows and Financial Condition For the Second Quarter Ended April 30 (unaudited)

(in millions of dollars)	2009	2008
Operating activities		
Cash flow from operating activities before changes in non-cash operating items	\$ 50.2	\$ 75.7
Changes in non-cash operating items	(72.1)	(54.2)
Cash flow related to operating activities	(21.9)	21.5
Investing activities		
Business acquisitions, net of disposals	(1.3)	(13.9)
Acquisitions of property, plant and equipment, net of disposals	(58.3)	(59.7)
Other	(9.3)	(5.7)
Cash flow related to investing activities	(68.9)	(79.3)
Financing activities		
Reimbursement of long-term debt, net	98.6	(1.6)
Increase (decrease) in revolving term credit facility	(18.7)	96.6
Redemption of shares, net	-	(33.6)
Dividends on shares	(6.4)	(6.6)
Other	(0.8)	1.2
Cash flow related to financing activities	72.7	56.0
Other relevant information		
Net indebtedness	916.8	626.1
Shareholders' equity	942.0	1,194.1
Net indebtedness / Total capitalization ratio	49 %	34 %
Credit rating		
DBRS	BBB high Stable	BBB high Stable
Standard and Poor's	BBB- Stable	BBB Stable

Operating Activities

Cash flow from operating activities before changes in non-cash operating items decreased from \$75.7 million in the second quarter of fiscal 2008 to \$50.2 million in the second quarter of fiscal 2009, primarily due to an increase in restructuring costs, a decrease in future income taxes and a decrease in adjusted operating income, partially offset by a reduction in current income tax expense. Changes in non-cash operating items resulted in an outflow of \$72.1 million in the second quarter of fiscal 2009, compared to an outflow of \$54.2 million in the second quarter of fiscal 2008. As a result, cash flow from operating activities decreased from a cash generation of \$21.5 million in fiscal 2008 to a cash outflow of \$21.9 million in fiscal 2009.

Investing Activities

In the second quarter of fiscal 2009, \$58.3 million was invested in property, plant and equipment, net of disposals, a decrease of \$1.4 million compared to the \$59.7 million invested in the second quarter of fiscal 2008. We invested over \$50.0 million in the major projects we previously announced, namely the *San Francisco Chronicle* project, the *Globe and Mail* project and the Transmag project.

Financing Activities

The Corporation paid \$6.4 million, or 8 cents per share, in dividends in the second quarter of fiscal 2009 compared to \$6.6 million, or 8 cents per share, in the second quarter of fiscal 2008. Dividends paid by Transcontinental to Canadian residents are eligible dividends as per provincial and federal income tax laws.

The Corporation was authorized to purchase for cancellation on the open market, between December 20, 2007 and December 19, 2008, up to 3,333,994 of its Class A Subordinate Voting Shares, representing 5% of the 66,679,889 issued and outstanding Class A Subordinate Voting Shares as at December 10, 2007, and up to 845,271 of its Class B Shares, representing 5% of the 16,905,432 issued and outstanding Class B Shares as at December 10, 2007. In addition, the Corporation was authorized to purchase for cancellation on the open market, between November 21, 2006 and November 20, 2007, up to 3,448,698 of its Class A Subordinate Voting Shares, representing 5% of the 68,973,966 issued and outstanding Class A Subordinate Voting Shares as at November 7, 2006, and up to 852,907 of its Class B Shares, representing 5% of the 17,058,145 issued and outstanding Class B Shares as at November 7, 2006. The purchases were made in the normal course of business at market prices through the facilities of the Toronto Stock Exchange in accordance with the requirements of the exchange.

In the second quarter of fiscal 2009, the Corporation did not buy back any shares as it did not renew its share buyback program. In the second quarter of fiscal 2008, the Corporation purchased 1,984,300 of its Class A Subordinate Voting Shares at a weighted average price of \$17.10 for a total consideration of \$33.9 million and 4,000 of its Class B Shares at a weighted average price of \$15.93 for a total consideration of \$0.1 million. Of the total consideration of \$34.0 million, \$11.1 million corresponds to the book value and \$22.9 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

For the first six months of fiscal 2009, the Corporation did not buy back any shares as it did not renew its share buyback program. For the first six months of fiscal 2008, the Corporation purchased 2,702,600 of its Class A Subordinate Voting Shares at a weighted average price of \$16.56 for a total consideration of \$44.7 million and 8,000 of its Class B Shares at a weighted average price of \$18.34 for a total consideration of \$0.2 million. Of the total consideration of \$44.9 million, \$15.1 million corresponds to the book value and \$29.8 million corresponds to the premium paid. The premium was accounted for as a decrease in retained earnings.

As at April 30, 2009, there were 64,562,627 Class A Subordinate Voting Shares and 16,215,754 Class B Multiple Voting Shares of the Corporation issued and outstanding, for a total of 80,778,381 shares issued and outstanding.

Debt Instruments

As at April 30, 2009, the Corporation's net indebtedness stood at \$916.8 million and its net indebtedness to total capitalization ratio was 49%, compared to 39% as at October 31, 2008 and 34% as at April 30, 2008, as it has invested in capital assets that have not yet started to generate revenues combined with a lower shareholders' equity due to recent goodwill write-offs. This ratio is in the high end of the range of our *Evolution 2010* objective to maintain a net debt to total capitalization ratio between 35% and 50%.

On February 6, 2009, the Corporation completed a private placement offering of \$100 million in unsecured debentures. These debentures were underwritten by the Solidarity Fund QFL, a development capital fund based in Quebec. The placement is comprised of two debentures of \$50 million each. The first has a term of five years and bears interest, payable every six months, at a rate of 8.06%. The second has a term of ten years and bears interest, payable every six months, at a rate of 6.77% for the first two years. The rate for the following eight years will be set at the beginning of that period at the then prevailing market rate. The Solidarity Fund QFL has a put option on this second debenture on its second anniversary.

On April 6, 2009, Standard & Poor's downgraded our credit rating to BBB (-) with a stable outlook from BBB with a stable outlook. This downgrade has resulted in a slight increase in our financing costs. On the other hand, DBRS has not changed its credit rating of BBB (H) with a stable outlook.

As at April 30, 2009, the Corporation had a committed line of credit in the form of a term revolving credit facility, totalling \$550 million or the U.S. dollar equivalent, divided in two tranches: Tranche A of \$400 million and Tranche B of \$150 million, of which amounts of \$359 million and \$68 million, respectively, were used as at April 30, 2009. The applicable interest rate on the revolving term credit facility is based on the credit rating assigned by Standard & Poor's Ratings Services. Depending on the form of borrowing chosen by the Corporation, the interest rate applicable for the line of credit, is currently either, bank prime rate, bankers' acceptance rate + 0.615% or LIBOR + 0.615% on Tranche A and bankers' acceptance rate + 0.8% or LIBOR + 0.8%, on Tranche B. Facility fees of 0.135% and 0.25% are also applicable on Tranche A and B, respectively, whether the line of credit is drawn or not and utilization fees of 0.1% are applicable if the amount drawn on each respective tranche exceeds 66 ²/₃%. Tranche A is renewable on an annual basis and, if not renewed, it matures five years after its issuance or the last renewal, as the case may be. It was last renewed on August 30, 2007. Tranche B was to be renewed on May 13, 2009.

On May 5, 2009, the Corporation announced that it reached an agreement with members of its bank syndicate to renew Tranche B for \$125.3 million for one year, giving it additional leeway in managing its working capital and capital expenditures or to meet any other specific need. Given current market conditions combined with the downgrade from Standard & Poor's, the interest rate applicable to Tranche B, is currently either, bank prime rate +1.4%, bankers' acceptance rate + 2.4% or LIBOR +2.4%. Facility fees of 0.85% are also applicable. 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 the covenants under the credit agreements governing these facilities and would have been in compliance even if it had drawn all the facilities at its disposal.

As of April 30, 2009, letters of credit amounting to C\$0.2 million and US\$4.1 million were issued under the committed line of credit in addition to the amount presented in the previous paragraph. During the second quarter of fiscal 2009, 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.

On May 15, 2009, the Corporation concluded a five-year loan agreement for \$100 million from Caisse de dépôt et placement du Québec (CDPQ). The loan bears interest at bankers' acceptance rate +6.375%. The Corporation has subsequently put in place an interest rate swap to fix the rate for five years at 8.394%. These new credit facilities give Transcontinental the flexibility to pursue its development projects in its print, media and marketing communications sectors in North America. Conditions governing the new financing agreements are not materially more restrictive than other indebtedness and include change of control clauses.

The Corporation is committed to acquire machinery and equipment and to complete the construction of a building. As at April 30, 2009, these commitments represented \$125.8 million, including US\$40.3 million, €45.2 million and C\$4.5 million. Minimum payments required in 2009 and 2010 are equivalent to \$91.4 million and \$34.4 million, respectively.

On June 1, 2009 we repaid Unsecured Senior Debentures totalling \$100.0 million.

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. On February 17, 2009, the Corporation extended its \$300 million securitization program for an additional year. The maximum net consideration allowable in the program is \$300 million, including a maximum of \$100 million in U.S. dollars. The program, established in 2001, now matures in August 2010. Under its securitization agreement, the Corporation will continue to sell some of its accounts receivables on a continuous basis to a trust, managed by RBC Capital Markets, that has sold its beneficial interest to third-party investors. Terms and conditions of this extension reflect the current environment and remain attractive compared with other sources of financing.

As at April 30, 2009, \$230.3 million of accounts receivable (\$291 million as at October 31, 2008) had been sold under the accounts receivable securitization program, of which \$35.3 million (\$42.0 million as at October 31, 2008) was kept by the Corporation as retained interest, resulting in a net consideration of \$195.0 million, including C\$156.3 million and US\$38.7 million (\$249.0 million as at October 31, 2008, including C\$210.0 million and US\$39.0 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 \$1.4 million and \$3.1 million for the three-month and six-month periods ended April 30, 2009 (\$2.1 million and \$5.2 million for the same periods in 2008). The Corporation is in compliance with all its covenants under the agreements governing this program.

Critical Accounting Policies and Estimates

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

Changes in Accounting Policies

General Standards of Financial Statement Presentation

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

Inventories

On November 1, 2008, the Corporation adopted Section 3031 of the CICA Handbook, Inventories, replacing Section 3030, Inventories. The Section prescribes the accounting treatment for inventories such as measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and reversal of previous

write-downs of inventories arising from an increase in net realizable value. It also provides guidance on the cost methodologies that are used to assign costs to inventories and it describes the required disclosures on the carrying amount of inventories, the amount of inventories recognized as an expense and the amount of write-downs or reversal of write-downs of inventories. The adoption of this Section did not have a significant impact on the consolidated financial statements.

Goodwill and Intangible Assets

On November 1, 2008, the Corporation adopted Section 3064 of the CICA Handbook, Goodwill and Intangible Assets, which supersedes Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and development costs. The Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including intangible assets developed internally. The adoption of this Section was applied retrospectively with restatement of consolidated financial statements of prior periods.

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

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

The adoption of this Section applied retrospectively had the following effects on the results of the three-month and six-month periods ended April 30, 2008: increase operating costs by \$1.7 million, decrease amortization by \$0.5 million and decrease income taxes by \$0.4 million.

Credit risk and fair value of financial assets and financial liabilities

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

International Financial Reporting Standards (IFRS)

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

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

The Corporation is required to qualitatively disclose its changeover impacts in conjunction with its 2009 and 2010 financial reporting as well as quantitative information if available, with its interim and annual financial reporting for the year ending October 31, 2011. This information will be used by the Corporation to present comparative information in its financial statements for the year ending October 31, 2012.

The Corporation's conversion plan consists of three phases:

Phase 1 - Evaluation

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

Phase 2 – Conversion

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

Phase 3 - Implementation

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

The Corporation is currently in phase 1 and intends to disclose the status of the key elements and timing of its changeover plan in its next annual Management's Discussion and Analysis.

Effect of New Accounting Standards not yet implemented

Business Combinations

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

Consolidated Financial Statements

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

Non-controlling Interests

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

Risks and Uncertainties

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

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

Financial risks

Availability of Capital

At the beginning of fiscal 2009, the Corporation had to re-finance three debt instruments: \$100 million of Unsecured Senior Debentures maturing in June 2009, a \$150 million line of credit due in May 2009 and a \$300 million securitization program due in August 2009. In addition, the Corporation had to secure additional financing to meet its capital expenditure program of about \$250 million for the year as well as secure additional flexibility.

Since the beginning of fiscal 2009, the Corporation has completed the following financing and re-financing activities:

- On February 6, 2009, the Corporation completed a private placement offering of \$100 million in unsecured debentures with the Solidarity Fund QFL
- On February 17, 2009, the Corporation extended its \$300 million securitization program for an additional year
- On May 5, 2009, the Corporation renewed its credit facility of \$125.3 million for one year with members of its bank syndicate
- On May 15, 2009, the Corporation concluded a five-year loan agreement for \$100 million from Caisse de dépôt et placement du Québec (CDPQ)

The Corporation expects it will continue to generate significant cash flow from operations and is currently pursuing other financing alternatives to gain additional flexibility. At this time, we believe sufficient capital will be available to meet our requirements. The risk of availability of capital is mitigated by the fact that the Corporation is an investment grade Corporation, has a sound financial position, with a net indebtedness to total capitalization ratio of 49% as at April 30, 2009, in the high end of our target range. However, there is no assurance that the Corporation will be able to increase distributions to shareholders by way of dividends and to pursue or implement a new share buy back program. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Interest Rate

Transcontinental is exposed to market risks related to interest-rate fluctuations. The Corporation tries to minimize this risk by keeping a good balance between fix and variable rate debt. At the end of the second quarter of fiscal 2009, the floating rate portion of the Corporation's long-term debt represented 59% of the total, while the fixed rate portion represented 41%. When taking into account the interest rate swaps that the Corporation put in place, the floating rate

portion of the Corporation's long-term debt represents 46% of the total, while the fixed rate portion represents 54%. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Credit

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

Pension Plans

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

Operational Risks

Economic Cycles

A significant risk that Transcontinental faces and over which it has no control is related to economic cycles. During the second quarter of fiscal 2009, our direct mail business, magazine publishing business and printing of marketing products, magazines, books and catalogues businesses were largely affected by the global recession and more particularly the financial crisis in the U.S. Due to the magnitude of the economic slowdown almost all our other businesses were affected but to a lesser extent since our diversification helps to reduce our exposure to economic cycles. For more information, please refer to Management's Discussion and Analysis for the year ended October 31, 2008.

Competition

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

Geographic Distribution and Exchange Rate

Our net exposure to the exchange rate between the Canadian dollar and the U.S. dollar and Mexican pesos has changed materially in the second quarter of fiscal 2009 versus the second quarter of fiscal 2008, due to the combination of lower revenues from U.S. business units relating to the financial crisis in the U.S. and lower revenue from exports from Canadian plants. The exchange rate between the Canadian dollar and its U.S. counterpart has fluctuated significantly in the second quarter of fiscal 2009 versus the second quarter of fiscal 2008. The spot exchange rate was 1.2400 CAD/USD on average in the second quarter of fiscal 2009 and 1.0141 CAD/USD on average in the second quarter of fiscal 2008.

The currency-hedging program uses derivatives to protect the Corporation from the risk of short-term currency fluctuations. Moreover, Transcontinental attempts to maximize the matching of cash inflows and outflows in the same currency. The policy approved by the Corporation's Board of Directors allows hedging of 50% to 100% of net cash flow for a period of one to 12 months, of 25% to 50% for the next 12 months and up to 33% for the subsequent 12 months. The Corporation also uses collars to limit the risk of losses related to the 1- to 12-month portion that is not covered by forward contracts.

As at April 30, 2009, the Corporation had contracts to sell US\$145.5 million, of which US\$43.5 million, US\$69.0 million and US\$33.0 million will be sold in fiscal 2009, 2010 and 2011, respectively, (US\$136.0 million as at October 31, 2008) using foreign exchange forward contracts related to its strategy of hedging foreign currency cash flows from its exports to the United States. The terms of these forward contracts range from one month to 26 months, with rates varying from 1.0075 to 1.3015. As at April 30, 2009, the Corporation was also party to a collar totalling US\$2.0 million maturing in November 2009, with a floor rate of 1.075 and a cap rate of 1.140. (US\$2.0 million as at October 31, 2008). Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the second quarter of fiscal 2009.

New Media

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

Difficulty in Hiring Qualified Personnel

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

Exchange of Confidential Information

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

Business Development

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

Integration of Acquisitions

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

Loss of Reputation

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

Environmental Risk

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

Raw Material and Postal Risks

Raw Materials and Energy Prices

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

Canadian and U.S. Postal Systems' Future Policies

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

Subsequent Events

On May 5, 2009, the Corporation announced that it reached an agreement with members of its bank syndicate to renew credit facilities of \$125.3 million for one year, giving it additional leeway in managing its working capital and capital expenditures or to meet any other specific need. Given current market conditions combined with the downgrade from Standard & Poor's, the interest rate applicable for the line of credit, is currently either, bank prime rate +1.4%, bankers' acceptance rate + 2.4% or LIBOR +2.4%. Facility fees of 0.85% are also applicable.

On May 15, 2009, the Corporation concluded a five-year loan agreement for \$100 million from Caisse de dépôt et placement du Québec (CDPO). The loan bears interest at bankers' acceptance rate +6.375%. The Corporation has subsequently put in place an interest rate swap to fix the rate for five years at 8.394%. These new credit facilities give Transcontinental the flexibility to pursue its development projects in its print, media and marketing communications sectors in North America. Conditions governing the new financing agreements are not materially more restrictive than other indebtedness and include change of control clauses.

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The President and Chief Executive Officer and the Vice President and Chief Financial Officer have evaluated whether there were changes to internal control over financial reporting during the quarter ended April 30, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

OUTLOOK

For the balance of fiscal 2009, the Corporation will focus on managing the balance sheet by preserving cash and controlling capital expenditures, executing its rationalization measures and planning and executing its numerous capital investments including *the Globe and Mail* and the *San Francisco Chronicle* projects.

In terms of managing the balance sheet, we have completed all the re-financings that were outstanding at the beginning of the fiscal year as well as obtained additional financing. While we believe we have sufficient capital for our requirements in 2009, we continue to look for additional financing in order to gain greater financial flexibility. However, it is important to bear in mind that the turmoil in financial markets is having a negative impact on the confidence level of debt investors which in turn is reducing the availability of capital from many sources and increasing the cost of this capital. Having said this, we are starting to see a revival in public debt markets as of late. Nevertheless, we still believe interest expense will be higher than in fiscal 2008.

With regards to the current North American recession, we have reacted quickly to adjust our cost base to the decrease in revenues. Notwithstanding this, we have had to initiate additional rationalization measures in our U.S. direct mail operations and our printing of marketing products business as market conditions have deteriorated further. These additional rationalization measures have resulted in increased restructuring costs but additional cost savings. In fact, we expect to generate about \$100 million in cost savings on an annualized basis, up from \$75 million previously. In the first half of the year, we generated about \$25 million in cost savings. The full impact from these savings will only be felt in the second half of the year as the rationalization plan was only initiated during the month of February. Notwithstanding these cost savings, there are certain of our businesses that will continue to be more severely affected by the recession:

- Direct mail activities in the U.S is expected to continue to be severely affected by the reduction in marketing budgets of our customers in the financial industry, who represent over 50% of revenues, stemming from the credit crisis and recession;
- Other businesses expected to be affected to a lesser extent include our magazine publishing business following the reduction in advertising budgets of national advertisers; the printing of marketing products following the reduction in marketing budgets of our customers and more recently; the printing of magazines, books and catalogues following the reduction in page count and circulation of magazines, the reduction in marketing budgets of our catalogue customers and a soft market for trade and religious books

Having said this, it is important to note that our niche based strategy has effectively mitigated the impact of the recession on our results. In fact, the Corporation boasts a diversified customer base combined with a balance between local and national advertising as well as between long term contracts and spot jobs. Finally, in the next few months we will put a lot of emphasis on the start-up of the *San Francisco Chronicle* project.

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

- (+) the start of the printing of the *San Francisco Chronicle* in the second half
- (+) the full year impact from the Shoppers Drug Mart® (Pharmaprix® in Québec) business
- (+) the start of the Rogers contracts in February 2009
- (+) the contribution of the Redwood Custom Communications, Rastar, Inc. and Conversys inc. acquisitions
- (+) the reduction of approximately \$75 million in costs in 2009 related to the rationalization measures
- (-) the capital expenditures of approximately \$250 million, including approximately \$185 million for major projects which will generate adequate returns over the longer term but limited in 2009
- (-) higher start up costs of approximately \$3 million more than last year for major projects
- (-) the disruptions related to the start-up of major projects

- (-) the amortization expense increase due to major projects
- (-) increased financial expenses
- (-) the sale of a retail plant with revenues of about US\$30 million on an annualized basis

We could also be affected by the variance in the exchange rate between the Canadian dollar and its U.S. counterpart as well as commodity prices, albeit it is difficult to gauge the impact, if any, considering the unprecedented volatility in the current environment.

Having said this, our ultimate goal remains to ensure the sustained growth and profitability of Transcontinental over the long term. In order to continue to do this, we must strike a delicate balance between investing for the future and dealing with the ramifications from the current financial crisis.

On behalf of Management,



Benoît Huard
Vice President and Chief Financial Officer

June 11, 2009.



CONSOLIDATED STATEMENTS OF INCOME (LOSS)
unaudited

(in millions of dollars, except per share data)	Three months ended		Six months ended	
	April 30		April 30	
	2009	2008	2009	2008
Revenues	\$ 563.4	\$ 595.1	\$ 1,167.5	\$ 1,191.1
Operating costs	418.0	434.6	889.9	877.5
Selling, general and administrative expenses	64.9	71.5	138.8	142.2
Operating income before amortization, impairment of assets and restructuring costs and impairment of goodwill and intangible assets	80.5	89.0	138.8	171.4
Amortization (Note 4)	33.4	31.9	66.4	64.0
Impairment of assets and restructuring costs (Note 5)	27.5	2.4	58.8	4.3
Impairment of goodwill and intangible assets (Note 6)	169.3	-	169.3	-
Operating income (loss)	(149.7)	54.7	(155.7)	103.1
Financial expenses (Note 7)	8.7	7.1	16.1	15.6
Discount on sale of accounts receivable (Note 10)	1.4	2.1	3.1	5.2
Income (loss) before income taxes and non-controlling interest	(159.8)	45.5	(174.9)	82.3
Income taxes (recovered) (Note 8)	(15.4)	8.6	(24.4)	11.0
Non-controlling interest	(0.1)	-	0.2	0.3
Net income (loss)	\$ (144.3)	\$ 36.9	\$ (150.7)	\$ 71.0
Per share (basic) (Note 11)				
Net income (loss)	\$ (1.79)	\$ 0.45	\$ (1.87)	\$ 0.86
Per share (diluted) (Note 11)				
Net income (loss)	\$ (1.79)	\$ 0.45	\$ (1.87)	\$ 0.86
Average number of shares outstanding (in millions)	80.8	81.8	80.8	82.7

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



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
unaudited

(in millions of dollars)	Three months ended		Six months ended	
	April 30		April 30	
	2009	2008	2009	2008
Net income (loss)	\$ (144.3)	\$ 36.9	\$ (150.7)	\$ 71.0
Other comprehensive income (loss):				
Unrealized net change in fair value of derivatives designated as cash flow hedges, net of income taxes of \$1.5 million and (\$0.3) million for the three-month and six-month periods ended April 30, 2009 (\$0.6 million and (\$0.8) million for the same periods in 2008)	3.5	1.8	(2.3)	(1.0)
Reclassification adjustments for net change in fair value of derivatives designated as cash flow hedges in prior periods, transferred to net income in the current period, net of income taxes of (\$0.6) million and (\$2.1) million for the three-month and six-month periods ended April 30, 2009 (\$1.1 million and \$1.9 million for the same periods in 2008)	1.9	(2.8)	5.2	(4.2)
Net change in fair value of derivatives designated as cash flow hedges	5.4	(1.0)	2.9	(5.2)
Unrealized net gains (losses) on translation of financial statements of self-sustaining foreign operations	3.6	3.5	(1.8)	7.5
Other comprehensive income (Note 14)	9.0	2.5	1.1	2.3
Comprehensive income (loss)	\$ (135.3)	\$ 39.4	\$ (149.6)	\$ 73.3

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
unaudited

(in millions of dollars)	Six months ended	
	April 30	
	2009	2008
Balance, beginning of period, as previously reported	\$ 756.5	\$ 806.4
Change in accounting policies - Goodwill and intangible assets (Note 2)	(3.0)	(1.7)
Restated balance, beginning of period	753.5	804.7
Net income (loss)	(150.7)	71.0
	602.8	875.7
Premium on redemption of shares (Note 11)	-	(29.8)
Dividends on shares	(12.9)	(12.4)
Balance, end of period	\$ 589.9	\$ 833.5

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



CONSOLIDATED BALANCE SHEETS
unaudited

(in millions of dollars)	As at April 30, 2009	As at October 31, 2008 (Note 2)
Current assets		
Cash and cash equivalents	\$ 6.8	\$ 90.7
Accounts receivable (Note 10)	249.1	207.1
Income taxes receivable	6.0	4.5
Inventories	92.4	99.3
Prepaid expenses and other current assets	19.7	16.1
Future income taxes	18.4	28.1
	392.4	445.8
Property, plant and equipment	981.0	936.7
Goodwill (Note 6)	682.1	842.6
Intangible assets	156.1	166.2
Future income taxes	187.8	141.0
Other assets	79.8	82.7
	\$ 2,479.2	\$ 2,615.0
Current liabilities		
Accounts payable and accrued liabilities	\$ 340.4	\$ 442.9
Income taxes payable	44.7	48.3
Deferred subscription revenues and deposits	54.2	49.6
Future income taxes	2.6	9.9
Current portion of long-term debt	176.2	194.3
	618.1	745.0
Long-term debt	747.4	602.1
Future income taxes	108.4	99.3
Other liabilities	63.3	65.5
	1,537.2	1,511.9
Non-controlling interest	-	0.1
Commitments (Note 16)		
Shareholders' equity		
Share capital (Note 11)	379.5	379.5
Contributed surplus (Note 13)	12.2	11.3
Retained earnings	589.9	753.5
Accumulated other comprehensive loss (Note 14)	(39.6)	(41.3)
	550.3	712.2
	942.0	1,103.0
	\$ 2,479.2	\$ 2,615.0

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



CONSOLIDATED STATEMENTS OF CASH FLOWS
unaudited

(in millions of dollars)	Three months ended		Six months ended	
	April 30		April 30	
	2009	2008	2009	2008
Operating activities				
Net income (loss)	\$ (144.3)	\$ 36.9	\$ (150.7)	\$ 71.0
Items not affecting cash and cash equivalents				
Amortization (Note 4)	39.2	35.4	77.1	74.4
Impairment of assets (Note 5)	8.4	-	27.2	1.9
Impairment of goodwill and intangible assets (Note 6)	169.3	-	169.3	-
(Gain) loss on disposal of assets	(1.2)	0.4	(1.3)	0.4
Future income taxes	(23.0)	(0.6)	(37.0)	(9.4)
Non-controlling interest	(0.1)	-	0.2	0.3
Net change in accrued pension benefit asset and liability	(1.7)	2.7	(4.1)	5.7
Stock-based compensation (Note 12)	0.6	0.9	0.8	1.8
Other	3.0	-	13.2	(1.9)
Cash flow from operating activities before changes in non-cash operating items	50.2	75.7	94.7	144.2
Changes in non-cash operating items	(72.1)	(54.2)	(107.1)	(89.7)
Cash flow related to operating activities	(21.9)	21.5	(12.4)	54.5
Investing activities				
Business acquisitions (Note 15)	(1.3)	(13.9)	(13.0)	(16.9)
Acquisitions of property, plant and equipment	(64.2)	(60.2)	(162.9)	(91.5)
Disposals of property, plant and equipment	5.9	0.5	6.0	0.5
Increase in other assets	(9.3)	(5.7)	(11.5)	(11.2)
Cash flow related to investing activities	(68.9)	(79.3)	(181.4)	(119.1)
Financing activities				
Increase in long-term debt	100.6	-	100.6	-
Reimbursement of long-term debt	(2.0)	(1.6)	(3.9)	(3.2)
(Decrease) Increase in revolving term credit facility	(18.7)	96.6	28.1	105.0
Dividends on shares	(6.4)	(6.6)	(12.9)	(12.4)
Redemption of shares (Note 11)	-	(34.0)	-	(44.9)
Issuance of shares	-	0.4	-	0.4
Other	(0.8)	1.2	(1.3)	0.9
Cash flow related to financing activities	72.7	56.0	110.6	45.8
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(0.3)	0.6	(0.7)	2.3
Decrease in cash and cash equivalents	(18.4)	(1.2)	(83.9)	(16.5)
Cash and cash equivalents at beginning of period	25.2	33.2	90.7	48.5
Cash and cash equivalents at end of period	\$ 6.8	\$ 32.0	\$ 6.8	\$ 32.0
Additional information				
Interest paid	\$ 3.1	\$ 4.8	\$ 14.6	\$ 16.8
Income taxes paid (recovered)	(0.6)	12.9	18.7	28.2

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

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

1. Significant accounting policies

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

2. Changes in accounting policies

a) General Standards of Financial Statement Presentation

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

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

b) Inventories

On November 1, 2008, the Corporation adopted Section 3031 of the CICA Handbook, Inventories, replacing Section 3030, Inventories. The Section prescribes the accounting treatment for inventories such as measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and reversal of previous write-downs of inventories arising from an increase in net realizable value. It also provides guidance on the cost methodologies that are used to assign costs to inventories and it describes the required disclosures on the carrying amount of inventories, the amount of inventories recognized as an expense and the amount of write-downs or reversal of write-downs of inventories.

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

c) Goodwill and Intangible Assets

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

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

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

The adoption of this Section applied retrospectively had the following effects on the results of the three-month and six-month periods ended April 30, 2008: increase operating costs by \$1.7 million, decrease amortization by \$0.5 million and decrease income taxes by \$0.4 million.

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

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

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

3. Effect of new accounting standards not yet implemented

a) Business Combinations

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

3. Effect of new accounting standards not yet implemented (continued)

b) Consolidated Financial Statements

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

c) Non-controlling Interests

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

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

4. Amortization

(in millions of dollars)	Three months ended April 30		Six months ended April 30	
	2009	2008	2009	2008
Property, plant and equipment	\$ 30.8	\$ 29.8	\$ 61.5	\$ 59.2
Intangible assets	2.6	2.1	4.9	4.8
	33.4	31.9	66.4	64.0
Intangible assets, presented in revenues, operating costs and financial expenses	5.8	3.5	10.7	10.4
	\$ 39.2	\$ 35.4	\$ 77.1	\$ 74.4

5. Impairment of assets and restructuring costs

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

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



5. Impairment of assets and restructuring costs (continued)

The following table provides details of these plans:

(in millions of dollars)	Three months ended April 30					
	2009			2008		
	Liability as at January 31, 2009	Charged to income	Paid	Liability as at April 30, 2009	Charged to income	Paid
(a) Rationalization Measures						
Printing						
Workforce reduction costs	\$ -	\$ 2.1	\$ 1.7	\$ 0.4	\$ -	\$ -
Transfer of printing equipment and other costs	-	0.1	0.1	-	-	-
Marketing Communications						
Workforce reduction costs	-	8.1	1.8	6.3	-	-
Transfer of printing equipment and other costs	-	2.3	2.2	0.1	-	-
Media						
Workforce reduction costs	-	2.9	2.9	-	-	-
	-	15.5	8.7	6.8	-	-
Printing						
Impairment of assets	n/a	(0.3)	n/a	n/a	-	n/a
Marketing Communications						
Impairment of assets	n/a	3.7	n/a	n/a	-	n/a
Media						
Impairment of assets	n/a	2.7	n/a	n/a	-	n/a
	\$ -	\$ 21.6	\$ 8.7	\$ 6.8	\$ -	\$ -
(b) Direct mail operations						
Workforce reduction costs	\$ 1.6	\$ 1.3	\$ 2.2	\$ 0.7	\$ -	\$ -
Transfer of printing equipment and other costs	7.5	2.3	2.7	7.1	-	-
	9.1	3.6	4.9	7.8	-	-
Impairment of assets	n/a	2.3	n/a	n/a	-	n/a
	\$ 9.1	\$ 5.9	\$ 4.9	\$ 7.8	\$ -	\$ -
(c) Newspaper operations						
Media						
Workforce reduction costs	\$ -	\$ -	\$ -	\$ -	\$ 1.4	\$ 1.3
Transfer of printing equipment and other costs	-	-	-	-	0.6	0.6
Printing						
Workforce reduction costs	-	-	-	-	0.3	0.3
	-	-	-	-	2.3	2.2
Media						
Impairment of assets	n/a	-	n/a	n/a	-	n/a
	\$ -	\$ -	\$ -	\$ -	\$ 2.3	\$ 2.2
(d) Commercial printing operations						
Printing						
Workforce reduction costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1
Transfer of printing equipment and other costs	-	-	-	-	-	-
Marketing Communications						
Workforce reduction costs	-	-	-	-	-	0.2
Transfer of printing equipment and other costs	-	-	-	-	0.1	0.1
	-	-	-	-	0.1	0.4
Printing						
Impairment of assets	n/a	-	n/a	n/a	-	n/a
Marketing Communications						
Impairment of assets	n/a	-	n/a	n/a	-	n/a
	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.4



5. Impairment of assets and restructuring costs (continued)

Three months ended April 30

(in millions of dollars)	2009				2008	
	Liability as at January 31, 2009	Charged to income	Paid	Liability as at April 30, 2009	Charged to income	Paid
(e) Toronto printing operations						
Workforce reduction costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1
Transfer of printing equipment and other costs	-	-	-	-	-	-
	-	-	-	-	-	0.1
Impairment of assets	n/a	-	n/a	n/a	-	n/a
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1
Total						
Workforce reduction costs	\$ 1.6	\$ 14.4	\$ 8.6	\$ 7.4	\$ 1.7	\$ 2.0
Transfer of printing equipment and other costs	7.5	4.7	5.0	7.2	0.7	0.7
Impairment of assets	n/a	8.4	n/a	n/a	-	n/a
	\$ 9.1	\$ 27.5	\$ 13.6	\$ 14.6	\$ 2.4	\$ 2.7

Six months ended April 30

(in millions of dollars)	Total		2009			2008		
	Charged to income	Forecasted	Liability as at October 31, 2008	Charged to income	Paid	Liability as at April 30, 2009	Charged to income	Paid
(a) Rationalization Measures								
Printing								
Workforce reduction costs	\$ 2.1	\$ 6.7	\$ -	\$ 2.1	\$ 1.7	\$ 0.4	\$ -	\$ -
Transfer of printing equipment and other costs	0.1	0.4	-	0.1	0.1	-	-	-
Marketing Communications								
Workforce reduction costs	8.1	8.7	-	8.1	1.8	6.3	-	-
Transfer of printing equipment and other costs	2.3	3.3	-	2.3	2.2	0.1	-	-
Media								
Workforce reduction costs	2.9	3.9	-	2.9	2.9	-	-	-
	15.5	23.0	-	15.5	8.7	6.8	-	-
Printing								
Impairment of assets	16.2	16.2	n/a	16.2	n/a	n/a	-	n/a
Marketing Communications								
Impairment of assets	4.9	4.9	n/a	4.9	n/a	n/a	-	n/a
Media								
Impairment of assets	3.8	3.8	n/a	3.8	n/a	n/a	-	n/a
	\$ 40.4	\$ 47.9	\$ -	\$ 40.4	\$ 8.7	\$ 6.8	\$ -	\$ -
(b) Direct mail operations								
Workforce reduction costs	\$ 11.6	\$ 11.7	\$ 7.7	\$ 3.9	\$ 10.9	\$ 0.7	\$ -	\$ -
Transfer of printing equipment and other costs	12.2	14.5	-	12.2	5.1	7.1	-	-
	23.8	26.2	7.7	16.1	16.0	7.8	-	-
Impairment of assets	17.4	17.4	n/a	2.3	n/a	n/a	-	n/a
	\$ 41.2	\$ 43.6	\$ 7.7	\$ 18.4	\$ 16.0	\$ 7.8	\$ -	\$ -



5. Impairment of assets and restructuring costs (continued)

(in millions of dollars)	Total		Six months ended April 30				2008	
	Charged to income	Forecasted	Liability as at October 31, 2008	Charged to income	Paid	Liability as at April 30, 2009	Charged to income	Paid
(c) Newspaper operations								
Media								
Workforce reduction costs	\$ 1.4	\$ 1.4	\$ -	\$ -	\$ -	\$ -	\$ 1.4	\$ 1.3
Transfer of printing equipment and other costs	0.7	0.7	-	-	-	-	0.6	0.6
Printing								
Workforce reduction costs	0.3	0.3	-	-	-	-	0.3	0.3
	2.4	2.4	-	-	-	-	2.3	2.2
Media								
Impairment of assets	1.9	1.9	n/a	-	n/a	n/a	1.9	n/a
	\$ 4.3	\$ 4.3	\$ -	\$ -	\$ -	\$ -	\$ 4.2	\$ 2.2
(d) Commercial printing operations								
Printing								
Workforce reduction costs	\$ 1.6	\$ 1.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.3
Transfer of printing equipment and other costs	0.7	0.7	-	-	-	-	-	-
Marketing Communications								
Workforce reduction costs	1.8	1.8	-	-	-	-	-	0.3
Transfer of printing equipment and other costs	1.7	1.7	-	-	-	-	0.1	0.1
	5.8	5.8	-	-	-	-	0.1	0.7
Printing								
Impairment of assets	3.4	3.4	n/a	-	n/a	n/a	-	n/a
Marketing Communications								
Impairment of assets	0.2	0.2	n/a	-	n/a	n/a	-	n/a
	\$ 9.4	\$ 9.4	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.7
(e) Toronto printing operations								
Workforce reduction costs	\$ 3.0	\$ 3.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2
Transfer of printing equipment and other costs	1.0	1.0	-	-	-	-	-	-
	4.0	4.0	-	-	-	-	-	0.2
Impairment of assets	0.2	0.2	n/a	-	n/a	n/a	-	n/a
	\$ 4.2	\$ 4.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2
Total								
Workforce reduction costs			\$ 7.7	\$ 17.0	\$ 17.3	\$ 7.4	\$ 1.7	\$ 2.4
Transfer of printing equipment and other costs			-	14.6	7.4	7.2	0.7	0.7
Impairment of assets			n/a	27.2	n/a	n/a	1.9	n/a
			\$ 7.7	\$ 58.8	\$ 24.7	\$ 14.6	\$ 4.3	\$ 3.1

6. Impairment of goodwill and intangible assets

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

Due to the difficult economic conditions, the Corporation recorded an amount of \$166.5 million as impairment of goodwill in the Marketing Communications sector, mostly related to commercial printing activities, and \$2.8 million as impairment of tradenames related to the consumers group in the Media sector.

7. Financial expenses

(in millions of dollars)	Three months ended April 30		Six months ended April 30	
	2009	2008	2009	2008
Financial expenses on long-term debt	\$ 8.2	\$ 6.4	\$ 15.2	\$ 14.6
Other expenses	0.8	0.6	1.1	1.0
Foreign exchange loss (gain)	(0.3)	0.1	(0.2)	-
	\$ 8.7	\$ 7.1	\$ 16.1	\$ 15.6

For the three-month and six-month periods ended April 30, 2009, capitalized interest on property, plant and equipment amounted to \$1.0 million and \$2.6 million, respectively (\$1.2 million and \$2.0 million for the same periods in 2008).

8. Income taxes

	Three months ended April 30		Six months ended April 30	
	2009	2008	2009	2008
Statutory tax rate	30.9 %	30.9 %	30.9 %	31.2 %
Effect of foreign tax rate differences	(9.4)	(4.1)	(12.8)	(4.7)
Other	(2.7)	2.0	(3.6)	1.0
Effective tax rate before the following items:	18.8	28.8	14.5	27.5
Effect of income tax rate differences on impairment of assets and restructuring costs (Note 5)	2.0	-	5.5	(0.1)
Effect of income tax rate differences on impairment of goodwill and intangible assets (Note 6)	(11.2)	-	(6.0)	-
Effect of changes in statutory tax rates (a)	-	-	-	(8.5)
Retroactive taxes (b)	-	(9.9)	-	(5.5)
Effective tax rate	9.6 %	18.9 %	14.0 %	13.4 %

- 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.
- b) During the second quarter of fiscal 2008, the Corporation entered into an agreement with the tax authorities and settled its obligation regarding Bill 15 (Quebec) enacted in June 2006 for an amount of \$3.9 million. An amount of \$8.4 million had been provided for in the third quarter of fiscal 2006 with regards to this obligation. A decrease of \$4.5 million in current income tax expense has therefore been recorded to reflect this settlement.

9. Pension plans

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

(in millions of dollars)	Three months ended April 30		Six months ended April 30	
	2009	2008	2009	2008
Pension plans				
Defined benefit pension plans	\$ 4.5	\$ 5.7	\$ 8.7	\$ 11.7
Defined contribution pension plans	0.6	0.7	1.3	1.5
	\$ 5.1	\$ 6.4	\$ 10.0	\$ 13.2

10. Accounts receivable

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

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

(in millions of dollars)	As at April 30, 2009	As at October 31, 2008
Accounts receivable sold	\$ 230.3	\$ 291.0
Retained interest	35.3	42.0
Net consideration	195.0	249.0
Net consideration in Canadian dollars	\$ 156.3	\$ 210.0
Net consideration in U.S. dollars (US\$32 million in 2009 and 2008)	\$ 38.7	\$ 39.0

11. Share capital

Earnings per share

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

	Three months ended April 30		Six months ended April 30	
	2009	2008	2009	2008
Numerator (in millions of dollars)				
Net income (loss)	\$ (144.3)	\$ 36.9	\$ (150.7)	\$ 71.0
Denominator (in millions)				
Weighted average number of shares outstanding - basic	80.8	81.8	80.8	82.7
Dilutive effect of stock options and warrants	-	0.1	-	0.1
Weighted average number of shares outstanding - diluted	80.8	81.9	80.8	82.8
Basic earnings (loss) per share	\$ (1.79)	\$ 0.45	\$ (1.87)	\$ 0.86
Diluted earnings (loss) per share	\$ (1.79)	\$ 0.45	\$ (1.87)	\$ 0.86

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 these periods.

	Three months ended April 30		Three months ended January 31	
	2009	2008	2009	2008
Stock options	2,053,716	1,387,495	1,641,160	1,519,340

Exercise of stock options

When officers and senior executives exercise their stock options, the amounts received from them are credited to share capital. For stock options granted since November 1, 2002, the amount previously accounted for as an increase to contributed surplus is also transferred to share capital. For the three-month and six-month periods ended April 30, 2009, there was no exercise of stock options. For the three-month and six-month periods ended April 30, 2008, the amounts received were \$0.4 million for each period and no amount was transferred from contributed surplus to share capital for the same periods.

Redemption of shares

The Corporation was authorized to purchase for cancellation on the open market, between December 20, 2007 and December 19, 2008, up to 3,333,994 of its Class A Subordinate Voting Shares, representing 5% of the 66,679,889 issued and outstanding Class A Subordinate Voting Shares as at December 10, 2007, and up to 845,271 of its Class B Shares, representing 5% of the 16,905,432 issued and outstanding Class B Shares as at December 10, 2007.

The Corporation was authorized to purchase for cancellation on the open market, between November 21, 2006 and November 20, 2007, up to 3,448,698 of its Class A Subordinate Voting Shares, representing 5% of the 68,973,966 issued and outstanding Class A Subordinate Voting Shares as at November 7, 2006, and up to 852,907 of its Class B Shares, representing 5% of the 17,058,145 issued and outstanding Class B Shares as at November 7, 2006.

Purchases were made in the normal course of business at market prices through the facilities of the Toronto Stock Exchange in accordance with the requirements of the exchange.



11. Share capital (continued)

During the three-month and six-month periods ended April 30, 2009 and 2008, the following purchases have been made:

	Number of shares purchased	Weighted average price	Total consideration (in millions of dollars)	Number of shares purchased	Weighted average price	Total consideration (in millions of dollars)
Three months ended April 30						
	2009			2008		
Class A	-	\$ -	\$ -	1,984,300	\$ 17.10	\$ 33.9
Class B	-	\$ -	\$ -	4,000	\$ 15.93	\$ 0.1
			\$ -			\$ 34.0
Book value			\$ -			\$ 11.1
Premium paid			-			22.9
			\$ -			\$ 34.0
Six months ended April 30						
	2009			2008		
Class A	-	\$ -	\$ -	2,702,600	\$ 16.56	\$ 44.7
Class B	-	\$ -	\$ -	8,000	\$ 18.34	\$ 0.2
			\$ -			\$ 44.9
Book value			\$ -			\$ 15.1
Premium paid			-			29.8
			\$ -			\$ 44.9

12. Stock-based compensation plans

Stock option plan

As at April 30, 2009, 2,053,716 stock options were outstanding, of which 1,444,426 could be exercised.

No stock options were granted for the three-month periods ended April 30, 2009 and 2008. For the six-month periods ended April 30, 2009 and 2008, 317,700 and 159,700 stock options were granted with a weighted average exercise price of \$9.64 and \$15.51, respectively.

The table below summarizes the assumptions used to calculate the weighted average fair value of stock options granted on the date of grant using the Black-Scholes model for the six-month periods ended April 30:

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



12. Stock-based compensation plans (continued)

Share unit plan for senior executives

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

The following table provides details of this plan:

Number of units	Three months ended April 30			
	2009	2008	2009	2008
	DSU		RSU	
Balance, beginning of period	133,675	145,741	586,334	215,012
Units granted	-	-	-	6,345
Units cancelled	-	(21,268)	(13,099)	-
Units paid	-	(7,986)	-	-
Dividends paid in units	141	111	-	-
Balance, end of period	133,816	116,598	573,235	221,357

Number of units	Six months ended April 30			
	2009	2008	2009	2008
	DSU		RSU	
Balance, beginning of period	103,282	165,592	221,357	26,507
Units granted	44,081	-	384,865	194,850
Units cancelled	(13,688)	(41,119)	(32,987)	-
Units paid	-	(7,986)	-	-
Dividends paid in units	141	111	-	-
Balance, end of period	133,816	116,598	573,235	221,357

The expenses recorded in the consolidated statements of income (loss) for the three-month periods ended April 30, 2009 and 2008 were \$0.3 million and \$0.5 million, respectively. For the six-month periods ended April 30, 2009 and 2008, the expenses recorded in the consolidated statements of income (loss) were \$0.2 million and \$0.8 million, respectively.

Share unit plan for directors

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

The following table provides details of this plan:

Number of units	Three months ended		Six months ended	
	April 30		April 30	
	2009	2008	2009	2008
Balance, beginning of period	124,593	90,175	108,621	79,938
Directors compensation	15,106	5,480	30,095	15,328
Units paid	-	(9,627)	-	(9,627)
Dividends paid in units	1,361	349	2,344	738
Balance, end of period	141,060	86,377	141,060	86,377

The expense reversal recorded in the consolidated statements of income (loss) for the three-month periods ended April 30, 2009 and 2008 were \$0.1 million for both periods. The expense reversal recorded in the consolidated statements of income (loss) for the six-month period ended April 30, 2009 were \$0.3 million. A negligible expense reversal was recorded in the same period in 2008. No amount has been paid under the plan for the three-month and six-month periods ended April 30, 2009 and 2008.



13. Contributed surplus

(in millions of dollars)	Six months ended April 30	
	2009	2008
Balance, beginning of period	\$ 11.3	\$ 9.2
Compensation costs relating to stock option plan	0.9	1.0
Balance, end of period	\$ 12.2	\$ 10.2

14. Accumulated other comprehensive loss

(in millions of dollars)	Foreign Currency Translation Adjustment	Cash Flow Hedges	Accumulated Other Com- prehensive Loss
	Balance as at November 1, 2008, as previously reported	\$ (24.9)	\$ (15.8)
Change in accounting policies - Goodwill and intangible assets (Note 2)	(0.6)	-	(0.6)
Change in accounting policies - Credit risk and fair value of financial assets and financial liabilities (Note 2)	(25.5)	(15.8)	(41.3)
Balance as at November 1, 2008, restated	-	0.6	0.6
Net change in unrealized gains/losses, net of income taxes	(25.5)	(15.2)	(40.7)
Balance as at April 30, 2009	(1.8)	2.9	1.1
	\$ (27.3)	\$ (12.3)	\$ (39.6)
Balance as at November 1, 2007, as previously reported	\$ (42.3)	\$ 9.2	\$ (33.1)
Net change in unrealized gains/losses, net of income taxes	7.5	(5.2)	2.3
Balance as at April 30, 2008	\$ (34.8)	\$ 4.0	\$ (30.8)

As at April 30, 2009, the amounts expected to be reclassified to net income are as follows:

(in millions of dollars)	2009	2010	2011	2012	Total
Losses on derivatives designated as cash flow hedges	\$ (5.1)	\$ (7.6)	\$ (2.9)	\$ (1.6)	\$ (17.2)
Income taxes recovered	1.5	2.1	0.8	0.5	4.9
	\$ (3.6)	\$ (5.5)	\$ (2.1)	\$ (1.1)	\$ (12.3)

15. Business acquisitions

During the six-month period ended April 30, 2009, the Corporation made the following acquisitions:

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

(in millions of dollars)	Total
Assets acquired	
Working capital, net	\$ 2.5
Property, plant and equipment	2.0
Goodwill (no tax value)	6.0
Amortizable intangible assets	0.9
Future income taxes	0.3
	\$ 11.7
Liabilities assumed	
Long-term debt	\$ 0.5
Other liabilities	0.3
Future income tax liabilities	0.6
	1.4
	\$ 10.3
Consideration	
Cash paid	\$ 10.7
Cash in acquired operations	(0.5)
	10.2
Short-term liabilities	0.1
	\$ 10.3

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

Thindata

During the second quarter of 2009, adjustments were made to the purchase price allocation of Thindata, acquired on March 11, 2008, to reflect the final valuation of the acquired assets and the final determination of the costs related to this acquisition.

PLM Group Ltd.

For the three-month and six-month periods ended April 30, 2009, the Corporation has paid \$1.2 million and \$2.8 million, respectively. These amounts were included in the short term liabilities as at October 31, 2008.

16. Commitments

Building and machinery and equipment

The Corporation is committed to acquire machinery and equipment and to complete the construction of a building. As at April 30, 2009, these commitments represented \$125.8 million, including US\$40.3 million, €45.2 million and C\$4.5 million. Minimum payments required in 2009 and 2010 are equivalent to \$91.4 million and \$34.4 million, respectively.



17. Segmented information

In November 2008, the Corporation announced the implementation of a new operating structure to support its growth strategy by creating the Marketing Communications sector. The operating sectors were modified to reflect the implementation of this new operating structure. The comparative figures have been reclassified in order to present the information in accordance with the new sectors. During the second quarter of 2009, an amount of \$138 million of future income tax assets has been transferred from the Marketing Communications sector to the Printing sector as of October 31, 2008, in order for this asset to be allocated to the operations that will use it.

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

(in millions of dollars)	Three months ended		Six months ended	
	April 30		April 30	
	2009	2008	2009	2008
Revenues				
Printing sector	\$ 347.9	\$ 375.5	\$ 725.8	\$ 760.0
Marketing Communications sector	89.0	85.2	197.2	169.5
Media sector	151.2	158.0	291.1	304.9
Other activities and unallocated amounts	2.6	4.1	4.3	8.2
Inter-segment sales				
Printing sector	(22.6)	(20.7)	(38.6)	(37.3)
Marketing Communications sector	(2.5)	(2.1)	(5.2)	(4.6)
Media sector	(2.2)	(4.9)	(7.1)	(9.6)
Total inter-segment sales	(27.3)	(27.7)	(50.9)	(51.5)
	\$ 563.4	\$ 595.1	\$ 1,167.5	\$ 1,191.1
Operating income before amortization, impairment of assets and restructuring costs and impairment of goodwill and intangible assets				
Printing sector	\$ 51.6	\$ 57.8	\$ 92.4	\$ 118.0
Marketing Communications sector	5.7	7.5	14.4	15.8
Media sector	25.5	30.0	37.3	50.2
Other activities and unallocated amounts	(2.3)	(6.3)	(5.3)	(12.6)
	\$ 80.5	\$ 89.0	\$ 138.8	\$ 171.4
Operating income (loss)				
Printing sector	\$ 23.0	\$ 36.4	\$ 14.1	\$ 75.6
Marketing Communications sector	(182.2)	1.9	(181.5)	4.3
Media sector	13.1	24.1	19.8	38.5
Other activities and unallocated amounts	(3.6)	(7.7)	(8.1)	(15.3)
	\$ (149.7)	\$ 54.7	\$ (155.7)	\$ 103.1
Acquisitions of property, plant and equipment ⁽¹⁾				
Printing sector	\$ 65.5	\$ 58.5	\$ 119.2	\$ 85.3
Marketing Communications sector	0.9	5.2	4.1	10.3
Media sector	1.8	(0.4)	4.1	1.0
Other activities and unallocated amounts	2.2	1.1	3.4	1.5
	\$ 70.4	\$ 64.4	\$ 130.8	\$ 98.1
Amortization of property, plant and equipment and intangible assets				
Printing sector	\$ 20.9	\$ 20.9	\$ 41.7	\$ 42.1
Marketing Communications sector	6.9	5.6	13.7	11.3
Media sector	4.2	4.0	8.3	7.9
Other activities and unallocated amounts	1.4	1.4	2.7	2.7
	\$ 33.4	\$ 31.9	\$ 66.4	\$ 64.0

⁽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 April 30, 2009	As at October 31, 2008
Assets		
Printing sector	\$ 1,352.8	\$ 1,277.3
Marketing Communications sector	325.4	479.2
Media sector	771.4	774.1
Other activities and unallocated amounts	29.6	84.4
	\$ 2,479.2	\$ 2,615.0
Goodwill		
Printing sector	\$ 131.5	\$ 131.5
Marketing Communications sector	41.9	202.8
Media sector	507.8	507.4
Other activities and unallocated amounts	0.9	0.9
	\$ 682.1	\$ 842.6

18. Subsequent events

Renewal of credit facilities

On May 5, 2009, the Corporation reached an agreement with members of its bank syndicate to renew credit facilities of \$125.3 million for one year.

Financing from Caisse de dépôt et placement du Québec

On May 15, 2009, the Corporation concluded a five-year loan agreement for \$100 million from Caisse de dépôt et placement du Québec (CDPQ). The loan bears interest at bankers' acceptance rate +6.375%. The Corporation has subsequently put in place an interest rate swap to fix the rate for five years at 8.394%.

19. Comparative figures

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