TC • TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. completes two acquisitions and increases its profitability in the second quarter

(in millions of dollars, except per share data)	Q2-14	Q2-13[1]	%	YTD 2014	YTD 2013[1]	%
Revenues	**498.2**	**517.8**	**(3.8)**	**997.5**	**1,043.4**	**(4.4)**
Adjusted operating earnings before amortization (Adjusted EBITDA)	**82.8**	**80.4**	**3.0**	**151.4**	**149.8**	**1.1**
Adjusted operating earnings (Adjusted EBIT)	**58.5**	**54.2**	**7.9**	**102.0**	**97.7**	**4.4**
Adjusted net earnings applicable to participating shares	**36.8**	**32.6**	**12.9**	**63.2**	**59.0**	**7.1**
Per share	**0.47**	**0.42**	**11.9**	**0.81**	**0.76**	**6.6**
Net earnings applicable to participating shares	**34.7**	**25.3**	**37.2**	**51.9**	**41.0**	**26.6**
Per share	**0.45**	**0.32**	**40.6**	**0.67**	**0.52**	**28.8**

Please refer to the table "Reconciliation of Non-IFRS financial measures" in this press release.

[1] 2013 figures have been restated to take into account the effects of amended IAS 19 - Employee Benefits, IFRS 11 - Joint Arrangements and other elements.

Highlights

- Revenues decreased 3.8%, primarily due to the soft advertising market.
- Adjusted net earnings applicable to participating shares grew 12.9%, from $32.6 million to $36.8 million. On a per share basis, they rose from $0.42 to $0.47.
- Completed the acquisition of the assets of Capri Packaging, a producer of flexible packaging.
- Completed the acquisition of the weekly newspapers owned by Sun Media Corporation in Quebec and their related Web properties. Under the terms of the agreement with the Competition Bureau, the Corporation must put some weekly newspapers up for sale.
- Closed a private financing agreement of $250 million in senior unsecured notes.
- Signed a multi-year agreement with Postmedia Network Inc. to print *The Gazette* newspaper.

Montreal, June 5, 2014 - Transcontinental Inc.'s (TSX: TCL.A, TCL.B, TCL.PR.D) revenues decreased by 3.8% in the second quarter, from $517.8 million to $498.2 million, primarily due to the soft advertising market, which continues to influence our marketing products printing as well as our newspaper and magazine publishing operations. This decrease was partially offset by the sustained performance of our flyer printing operations and by new contracts in both operating sectors.

Adjusted operating earnings rose from $54.2 million to $58.5 million. This performance is due to the company-wide optimization of our cost structure and our highly efficient printing platform. It was partially offset by the soft advertising market as mentioned above. Net earnings applicable to participating shares increased from $25.3 million, or $0.32 per share, to $34.7 million, or $0.45 per share. This improvement is due to lower restructuring and other costs, an increase in adjusted operating earnings and lower financial expenses, partially offset by an increase in income taxes. Adjusted net earnings applicable to participating shares grew 12.9%, from $32.6 million, or $0.42 per share, to $36.8 million, or $0.47 per share.

“We are proud to have completed two major transactions that position TC Transcontinental strategically for the future. With the acquisition of the Capri Packaging assets, we have taken a first step into the flexible packaging market, which is a new promising growth area for the Corporation. In addition, the acquisition of the Sun Media weekly newspapers in Quebec strengthens our assets in this market, while ensuring our ability to evolve our local solutions offering in Quebec. Furthermore, our second quarter results were satisfactory. Despite the pressure we are experiencing in the advertising market, the increase in our profitability demonstrates the effectiveness of our strategy, namely strengthening existing assets and developing new revenue sources," said François Olivier, President and Chief Executive Officer.

"For coming quarters, our excellent financial position combined with our ability to generate significant cash flows gives us the flexibility we need to integrate our recent acquisitions, continue our transformation and invest in the future of the Corporation," Mr. Olivier added.

Supplementary Information

- On April 10, 2014, the Corporation announced the renewal of its normal course issuer bid from April 15, 2014 to April 14, 2015.
- On May 3, 2014, the Corporation completed the acquisition of the assets of Capri Packaging, a producer of flexible packaging, operating two facilities located in Clinton, Missouri. The acquisition will add about US$72 million to TC Transcontinental's revenues. As part of the transaction, the seller, Schreiber Foods, Inc. has signed a 10-year agreement to secure Capri Packaging as a strategic supplier of flexible packaging, which represents about 75% of Capri's total revenues.
- On May 5, 2014, TC Transcontinental Printing signed a multi-year agreement with Postmedia Network Inc. to print *The Gazette*, published primarily for the Montreal market. This agreement builds on our recent announcement to print the *Vancouver Sun* and the *Calgary Herald*. The contract with Postmedia Network will take effect in August 2014.
- On May 8, 2014, the Corporation completed a private financing agreement for an amount of $250 million of 3.897% senior unsecured notes due in 2019. Transcontinental Inc. intends to use the net proceeds to repay outstanding indebtedness under its revolving credit facility and for general corporate purposes.
- On June 1, 2014, Transcontinental Inc. completed the acquisition of the weekly newspapers owned by Sun Media Corporation in Quebec and their related Web properties. Under the terms of the agreement with the Competition Bureau, the Corporation must put some weekly newspapers up for sale. Despite this requirement, the transaction will add about $20 million to the operating earnings before amortization of Transcontinental Inc. and further advance the local multiplatform offering for businesses and communities.

Highlights of the First Half

In the first half of 2014, TC Transcontinental's revenues decreased 4.4%, from $1,043.4 million to $997.5 million. This decrease stems primarily from the soft advertising market in our two operating sectors. Adjusted operating earnings grew 4.4%, from $97.7 million to $102.0 million, due to the optimization of our cost structure. This increase was partially offset by the factors mentioned above. Net earnings applicable to participating shares rose from $41.0 million, or $0.52 per share, to $51.9 million, or $0.67 per share. This improvement is due to lower financial expenses, a decrease in restructuring and other costs, as well as an increase in adjusted operating earnings, partially offset by an increase in income taxes. Excluding unusual items, adjusted net earnings applicable to participating shares grew 7.1%, from $59.0 million, or $0.76 per share, to $63.2 million, or $0.81 per share.

For more detailed financial information, please see *Management's Discussion and Analysis for the second quarter ended April 30th, 2014* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook

New agreements to print magazines, newspapers and marketing products signed since the start of the fiscal year will reduce the impact of difficult market conditions in these niches. We believe that our printing offering to major retail chains will remain relatively stable and we are continuing to improve our point-of-purchase marketing services. The Printing Sector will also continue to optimize its cost structure and operations in order to maintain its longer-term profitability.

The Media Sector should continue to benefit from cost-structure optimization initiatives and the new flyer-distribution agreements that will help stabilize our operating margin and reduce the impact of difficult conditions in the advertising market. We will also continue to invest in the development and commercialization of new digital products. The acquisition of the Sun Media Corporation weekly papers in Quebec should also enable us to strengthen our media assets and improve our offering in local markets.

The Corporation completed the transaction to acquire the assets of Capri Packaging in order to start a new growth vector in flexible packaging. We have initiated the operational integration process, modifying our organizational structure and creating a packaging division headed by a team of senior executives with outstanding capabilities in manufacturing. The long-term agreement with the seller, Schreiber Foods, Inc., will secure most of the revenues for this division. In the coming months we will be implementing a plan to build the loyalty of our existing customers and attract new ones to ensure our success in this promising niche.

We have secured additional long-term financing to give us the financial flexibility required to pursue our transformation and execute our growth strategy. Given our excellent financial position, we will continue our balanced approach to capital management, which allows us to reduce our debt, pay dividends and invest in our transformation focused on our core competencies. We will also keep on developing internal projects and evaluating strategic acquisitions to maintain our position in our niches, while developing our new packaging growth vector to ensure the long-term success and profitability of the business.

Reconciliation of Non-IFRS Financial Measures

Financial data have been prepared in conformity with IFRS. However, certain measures used in this press release do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many readers analyze our results based on certain non-IFRS financial measures because such measures are more appropriate for evaluating the Corporation's operating performance. Internally, management uses such non-IFRS 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 IFRS.

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

Reconciliation of Non-IFRS Financial Measures

(unaudited)

	Three months ended April 30		Six months ended April 30	
(in millions of dollars, except per share amounts)	**2014**	2013 (1)	**2014**	2013 (1)
Net earnings applicable to participating shares	**$ 34.7**	$ 25.3	**$ 51.9**	$ 41.0
Dividends on preferred shares, net of related taxes	**1.7**	1.7	**3.4**	3.4
Non-controlling interests	**0.4**	0.4	**0.1**	0.1
Income tax	**14.9**	10.7	**23.6**	13.7
Share of earnings in interests in joint ventures, net of related taxes	**(0.2)**	(0.3)	**(0.5)**	(0.4)
Net financial expenses	**4.0**	6.5	**8.6**	15.2
Impairment of assets	**0.1**	0.7	**0.5**	2.8
Restructuring and other costs	**2.9**	9.2	**14.4**	21.9
Adjusted operating earnings	**$ 58.5**	$ 54.2	**$ 102.0**	$ 97.7
Amortization	**24.3**	26.2	**49.4**	52.1
Adjusted operating earnings before amortization	**$ 82.8**	$ 80.4	**$ 151.4**	$ 149.8
Net earnings applicable to participating shares	**$ 34.7**	$ 25.3	**$ 51.9**	$ 41.0
Impairment of assets (after tax)	**0.1**	0.6	**0.4**	2.1
Restructuring and other costs (after tax)	**2.0**	6.7	**10.9**	15.9
Adjusted net earnings applicable to participating shares	**$ 36.8**	$ 32.6	**$ 63.2**	$ 59.0
Weighted Average number of participating shares outstanding	**78.0**	77.9	**78.0**	78.0
Adjusted net earnings applicable to participating shares per share	**$ 0.47**	$ 0.42	**$ 0.81**	$ 0.76

	As at April 30, 2014	As at October 31, 2013 (1)
Long-term debt	**$ 119.7**	$ 128.9
Current portion of long-term debt	**161.9**	218.3
Cash	**(29.9)**	(26.4)
Net indebtedness	**$ 251.7**	$ 320.8
Adjusted operating earnings before amortization (last 12 months)	**$ 340.2**	$ 338.6
Net indebtedness ratio	**0.74 x**	0.95 x

(1) 2013 figures have been restated to take into account the effects of IAS 19 amended - Employee Benefits, IFRS 11 - Joint Arrangements and other elements.

Dividends

Dividend on Participating Shares

The Corporation's Board of Directors declared a quarterly dividend of $0.16 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on July 17, 2014 to shareholders of record at the close of business on June 30, 2014.

Dividend on Preferred shares

The Corporation's Board of Directors declared a quarterly dividend of $0.4207 per share on Cumulative 5-Year Rate Reset First Preferred Shares, Series D. This dividend is payable on July 15, 2014. On an annual basis, this represents a dividend of $1.6875 per preferred share.

Additional Information

Conference Call

Upon releasing its second quarter 2014 results, the Corporation will hold a conference call for the financial community today at 4:15 p.m. The dial-in numbers are 1 647-788-4922 or 1 877-223-4471. Media may hear the call in listen-in only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporation Communications of TC Transcontinental, at 514-954-3581.

Profile

Largest printer and a leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, interactive and mobile applications, door-to-door distribution, and also manufactures a range of flexible packaging products in the United States.

Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), including TC Transcontinental, TC Media, TC Transcontinental Printing and TC Transcontinental Packaging, has over 9,000 employees in Canada and the United States, and revenues of C$2.1 billion in 2013. Website www.tc.tc.

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world and particularly in Canada and the United States, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, energy costs, competition, the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities, the regulatory environment, the safety of our packaging products used in the food industry, innovation of our offering and concentration of our sales in certain segments. The main risks, uncertainties and factors that could influence actual results are described in *Management's Discussion and Analysis (MD&A) for the fiscal year ended on October 31st, 2013,* in the latest *Annual Information Form* and have been updated in the *MD&A for the second quarter ended April 30th, 2014.*

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of June 5, 2014.

The forward-looking statements in this press release are made pursuant to the “safe harbour” provisions of applicable Canadian securities legislation.

The forward-looking statements in this release are based on current expectations and information available as at June 5, 2014. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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For information:

Media	Financial Community
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the quarter ended April 30, 2014

The purpose of this Management's Discussion and Analysis is to explain management's point of view on the past performance and future outlook of Transcontinental Inc. More specifically, it is designed to give the reader a better understanding of our development strategy, performance in relation to objectives, future expectations and how Management addresses risk and manages financial resources. This report also provides information to improve the reader's understanding of the condensed interim consolidated financial statements and related notes.

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term "dollar," as well as the symbol "$" designate Canadian dollars, unless otherwise indicated. In this Management's Discussion and Analysis we also use non-IFRS financial measures. Please refer to table 6 in the section of this report entitled "Reconciliation of Non-IFRS Financial Measures" for a complete description of these measures. This report should also be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended April 30, 2014. Additional information about the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS
Our public communications often contain oral or written forward-looking statements which are based on the expectations of Management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Such forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlooks. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world and particularly in Canada and the United States, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, energy costs, competition, the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities, the regulatory environment, the safety of our packaging products used in the food industry, innovation of our offering and concentration of our sales in certain segments. The main risks, uncertainties and factors that could influence actual results are described in the Management's Discussion and Analysis for the fiscal year ended October 31, 2013 as well as in the 2013 Annual Information Form and have been updated in this report. We caution that the table appearing on the following page regarding the Corporation's forward-looking statements is not exhaustive, and investors relying on it to make decisions with respect to Transcontinental Inc. should consider the related assumptions and risk factors.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced or concluded after the date of June 5, 2014.

The forward-looking statements in this release are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation.

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at June 5, 2014. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

SUMMARY OF FORWARD-LOOKING STATEMENTS

Forward-looking Statements	Assumptions	Risk Factors
Continuing ability to generate excess cash.	- A declining local and national advertising market. - Ability to control our costs. - Volume with most of our major customers will be maintained. - Stable level of competition in the markets in which we operate. - Low but stable growth rate of the Canadian economy.	- The effects of new media and the corresponding shift of advertising revenues to new platforms. - Our ability to develop new growth opportunities in line with our strategy. - The Corporation must continually improve its operational efficiency in order to maintain or improve profitability. There is no guarantee that the Corporation will be able to do so in the future.
Expected impact of commercial agreements signed with customers.	- Level of demand expected upon signature of agreements will not fluctuate significantly.	- Significant increase in the price of our input costs. - A quick and significant shift of product demand from print to digital. - Renegotiation of printing contracts with some of our major clients could lead to lower operating earnings despite long-term agreements.
Estimated increase in adjusted operating earnings before amortization related to the acquisition of all the Quebec weekly newspapers of Sun Media Corporation, a subsidiary of Quebecor Media	- A smooth and efficient integration with our operations. - We will be capable of ensuring the retention of key employees throughout the transition.	- The identified increase in adjusted operating earnings before amortization could take longer to realize than anticipated.
Internal and external investments aimed at achieving our operating strategies.	- Our investments in the development of new products and services will generate additional revenues and increase profitability. - Our internal projects will generate savings and efficiencies that will improve our profitability. - A declining local and national advertising market. - Low but stable growth rate of the Canadian economy.	- Inappropriate selection of priority investments and an inability to create value. - Well-established digital competitors entering our various markets could force us to change our investment strategies.
Estimated increase in adjusted operating earnings before amortization related to the acquisition of Capri Packaging.	- We will be able to retain key employees in order to ensure a smooth transition and customer satisfaction. - The accuracy of our financial forecasts and the fact that there will be no significant decrease in volume with respect to existing clients. - We will be able to apply our manufacturing expertise to maintain operational efficiency and to properly integrate this new growth area.	- The identified increase in adjusted operating earnings before amortization could take longer to realize than anticipated.

DEFINITION OF TERMS USED IN THIS REPORT

To make it easier to read this report, some terms have been shortened. The following are the full definitions of the shortened terms used in this report:

Terms Used	Definitions
Net indebtedness	Total of long-term debt plus current portion of long-term debt plus bank overdraft less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before amortization
Net earnings applicable to participating shares	Net earnings less dividends on preferred shares
Adjusted net earnings applicable to participating shares	Net earnings applicable to participating shares, before restructuring and other costs, as well as asset impairments (net of related income taxes)
Adjusted operating earnings	Operating earnings before restructuring and other costs, as well as asset impairments
Adjusted operating earnings before amortization	Operating earnings before amortization, restructuring and other costs, as well as asset impairments

PROFILE OF TC TRANSCONTINENTAL

Largest printer and a leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, interactive and mobile applications, door-to-door distribution and also manufactures a range of flexible packaging products in the United States.

Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), including TC Transcontinental, TC Media, TC Transcontinental Printing and TC Transcontinental Packaging, has over 9,000 employees in Canada and the United States, and revenues of C$2.1 billion in 2013. Website www.tc.tc.

HIGHLIGHTS

- Revenues decreased by $19.6 million, or 3.8%, from $517.8 million in the second quarter of 2013 to $498.2 million in the second quarter of 2014
- Adjusted operating earnings increased by $4.3 million, or 7.9%, from $54.2 million in the second quarter of 2013 to $58.5 million in the second quarter of 2014.
- Adjusted net earnings applicable to participating shares increased by $4.2 million, or 12.9%, from $32.6 million in the second quarter of 2013 to $36.8 million in the second quarter of 2014.
- On May 3, 2014, the Corporation completed the acquisition of the assets of Capri Packaging, a producer of flexible packaging.
- On June 1, 2014, after receiving clearance from regulators under the *Canadian Competition Act*, the Corporation completed the acquisition of all the weekly papers in Quebec and their related Web properties owned by Sun Media Corporation, a subsidiary of Quebecor Media. Under the terms of the agreement with the Competition Bureau, the Corporation must put up for sale, for a period of 60 days, 34 of the 154 weekly papers in its portfolio, including some that are part of the transaction with Sun Media Corporation. Most of the newspapers to be sold were launched over the past few years.
- On February 17, 2014, the Corporation reached an agreement with Gesca Ltd to amend the terms and conditions of the contract to print *La Presse* newspaper. TC Transcontinental received a single cash payment of $31.0 million to compensate for price reductions on future services and greater flexibility.
- On May 5, 2014, the Corporation announced that it had signed a multi-year agreement with Postmedia Network Inc. to print *The Gazette* newspaper.
- On May 8, 2014, the Corporation completed a private financing agreement for an amount of $250 million of 3.897% senior unsecured notes due in 2019.

ANALYSIS OF CONSOLIDATED RESULTS - SECOND QUARTER
(unaudited)

Table #1:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
Second quarter of 2013	**$ 517.8**		**$ 54.2**		**$ 25.3**
Acquisitions/Disposals and closures	(4.1)	(0.8) %	1.3	2.4 %	0.9
Existing operations	(15.5)	(3.0) %	3.0	5.5 %	3.3
Restructuring and other costs					4.7
Impairment of assets					0.5
Second quarter of 2014	**$ 498.2**	**(3.8) %**	**$ 58.5**	**7.9 %**	**$ 34.7**

Revenues
Revenues decreased by $19.6 million, or 3.8%, from $517.8 million in the second quarter of 2013 to $498.2 million in the second quarter of 2014. This change is due to the following factors:

- Revenues from existing operations were down $15.5 million due to the difficult market conditions in local and national advertising spending, which affected our two operating sectors. The decrease in our Printing Sector revenues stems mainly from a decline in the printing of marketing products. The decrease in the Media Sector stems primarily from lower advertising revenues in our magazine and weekly newspaper-publishing operations, partially offset by new distribution agreements.

- The majority of the $4.1 million decrease under disposals is due to the sale of the assets of Rastar, our subsidiary which specialized in personalized print products.

Adjusted Operating Earnings
Adjusted operating earnings increased $4.3 million, or 7.9%, from $54.2 million in the second quarter of 2013 to $58.5 million for the second quarter of 2014. This increase stems from:

- Printing Sector earnings continued to improve due to cost-saving initiatives, partially offset by lower print volumes in our marketing products. Adjusted operating earnings in the Media Sector stabilized due to new distribution contracts and cost-structure optimization in the second quarter of 2014. These elements offset the soft local and national advertising markets which continue to negatively impact our magazine and newspaper-publishing operations. Costs related to head office activities increased $1.0 million, primarily due to the stock-based compensation expense.

- The majority of the $1.3 million increase in disposal-related adjusted operating earnings is due to the impact of the sale of Rastar's assets.

Restructuring and Other Costs
In the second quarter of 2014, an amount of $2.9 million ($2.0 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs, of which $1.8 million is related to optimization and cost saving initiatives, mainly in the Media Sector. In the second quarter of 2014, an amount of $0.8 million was also recognized for expenses related to our recent acquisition projects.

In the second quarter of 2013, an amount of $9.2 million ($6.7 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs, primarily due to workforce reductions related to integration of the printing operations of Quad/Graphics Canada, Inc.

Asset Impairment
In the second quarter of 2014, an asset impairment charge of $0.1 million ($0.1 million after tax) was recorded, compared to $0.7 million ($0.6 million after tax) in the second quarter of 2013.

Net Financial Expenses

Net financial expenses decreased $2.5 million, from $6.5 million in the second quarter of 2013 to $4.0 million in the second quarter of 2014. The decrease stems mainly from lower expenses related to pension plans, a decrease in the level of net debt and a lower weighted average interest rate than in the second quarter of 2013.

Income taxes

Income taxes rose from $10.7 million in the second quarter of 2013 to $14.9 million in the second quarter of 2014. Excluding income taxes on restructuring and other costs and asset impairment charges, income taxes would have amounted to $15.8 million in the second quarter of 2014, for a tax rate of 29.0%, compared to $13.3 million, or 27.9%, in the second quarter of 2013. The increase is attributable to certain items, including permanent differences and the geographic distribution of revenues.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares rose from $25.3 million in the second quarter of 2013 to $34.7 million in the second quarter of 2014. This improvement is due to lower restructuring and other costs, an increase in adjusted operating earnings and lower financial expenses, partially offset by the increase in income taxes. On a per share basis, net earnings applicable to participating shares rose from $0.32 to $0.45.

Adjusted net earnings applicable to participating shares rose by $4.2 million, or 12.9%, from $32.6 million in the second quarter of 2013 to $36.8 million in the second quarter of 2014. On a per share basis, the figures went from $0.42 to 0.47.

ANALYSIS OF SECTOR RESULTS - SECOND QUARTER
(unaudited)

Table #2:

(in millions of dollars)	Printing Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues - Second quarter of 2013	**$ 367.6**	**$ 174.0**	**$ (23.8)**	**$ 517.8**
Acquisitions/Disposals and closures	(3.6)	(0.5)	—	(4.1)
Existing operations	(12.5)	(7.4)	4.4	(15.5)
Revenues - Second quarter of 2014	**$ 351.5**	**$ 166.1**	**$ (19.4)**	**$ 498.2**
Adjusted operating earnings - Second quarter of 2013	**$ 55.0**	**$ 6.5**	**$ (7.3)**	**$ 54.2**
Acquisitions/Disposals and closures	0.8	0.5	—	1.3
Existing operations	3.9	0.1	(1.0)	3.0
Adjusted operating earnings - Second quarter of 2014	**$ 59.7**	**$ 7.1**	**$ (8.3)**	**$ 58.5**

In this section, Management uses adjusted operating earnings to evaluate the financial performance of its operating sectors and deems this measure is appropriate.

Printing Sector
Printing Sector revenues were down $16.1 million, or 4.4%, from $367.6 million in the second quarter of 2013 to $351.5 million in the second quarter of 2014. The decrease is mostly due to the difficult market conditions which affected our marketing printing operations. Lower volume in magazine and newspaper printing, partially offset by new agreements in these niches, also contributed to the decline in sector revenues. However, our flyer printing operations remained stable compared to last year. With respect to disposals, the sale of the assets of Rastar, our U.S. subsidiary which specialized in personalized print products, also had a negative impact of $3.6 million.

Adjusted operating earnings were up 8.5%, or $4.7 million, from $55.0 million in the second quarter of 2013 to $59.7 million in the second quarter of 2014. The increase is largely due to cost-structure optimization, which offset the loss of volume from our marketing products stemming from difficult market conditions. The sale of Rastar's assets also had a positive impact of $0.8 million in the second quarter of 2014. The adjusted operating earnings margin rose from 15.0% in the second quarter of 2013 to 17.0% in the second quarter of 2014.

Media Sector
Media Sector revenues were lower by $7.9 million, or 4.5%, from $174.0 million in the second quarter of 2013 to $166.1 million in the second quarter of 2014. The decrease is largely due to lower advertising revenues in our magazine publishing and weekly newspaper operations. However, the lower revenues were partially offset by new distribution agreements with several retailers.

Adjusted operating earnings were higher by $0.6 million, or 9.2%, from $6.5 million in the second quarter of 2013 to $7.1 million in the second quarter of 2014. The adjusted operating margin increased from 3.7% in the second quarter of 2013 to 4.3% in the second quarter of 2014. Within our existing operations, the cost-structure optimization and new distribution contracts more than offset the above-mentioned decrease in revenues. In addition, the sale of some of our operations in Eastern Canada had a positive impact on our results for the second quarter of 2014.

Head office and Inter-Segment Eliminations
Eliminations of inter-segment revenues and other activities went from -$23.8 million in the second quarter of 2013 to -$19.4 million in the second quarter of 2014. Adjusted operating earnings decreased by $1.0 million, from -$7.3 million in the second quarter of 2013 to -$8.3 million in 2014. This change is mainly due an increase in the stock-based compensation expense.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE
(unaudited)

Table #3:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
Six months ended April 30, 2013	**$ 1,043.4**		**$ 97.7**		**$ 41.0**
Acquisitions/Disposals and closures	(2.6)	(0.2) %	2.0	2.0 %	1.3
Existing operations	(43.3)	(4.2) %	2.3	2.4 %	2.9
Restructuring and other costs					5.0
Impairment of assets					1.7
Six months ended April 30, 2014	**$ 997.5**	**(4.4) %**	**$ 102.0**	**4.4 %**	**$ 51.9**

Revenues
Revenues decreased by $45.9 million, or 4.4%, from $1,043.4 million in the first six months of 2013 to $997.5 million in the first six months of 2014. This change is due to the following factors:

- Revenues from existing operations were down $43.3 million due to the difficult market conditions in both local and national advertising spending, which affected our two operating sectors. The decrease in Printing Sector revenues stems mainly from a decline in the printing of marketing products, while the decrease in the Media Sector stems primarily from our magazine and weekly newspaper-publishing operations.

- The net effect of acquisitions and disposals decreased revenues by $2.6 million. The decrease stemming from the sale of Rastar's assets in the second quarter of 2014 was partially offset by the positive impact of the Groupe Modulo acquisition in the first quarter of 2013.

Adjusted Operating Earnings
Adjusted operating earnings increased from $97.7 million in the first six months of 2013, to $102.0 million in the first six months of 2014. The increase stems from the following:

- Adjusted operating earnings in the Printing Sector were positively affected by cost-saving initiatives and the positive impact of $2.0 million due to the appreciation of the U.S. dollar versus the Canadian dollar. The Media Sector continued to be affected by the soft local and national advertising market, which primarily affected our magazine and newspaper-publishing operations. However, costs related to other head office activities were lower by $1.7 million, principally as a result of the stock-based compensation expense due to the change in share-price during the first six months compared to the previous year.

- The net effect of acquisitions and closures resulted in a $2.0 million improvement in adjusted operating earnings due to the acquisition of Groupe Modulo and the sale of the assets of our affiliate Rastar.

Restructuring and Other Costs
In the first six months of 2014, an amount of $14.4 million ($10.9 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs, of which $10.2 million is related to optimization and cost-saving initiatives due to the ongoing integration of the operations of Quad/Graphics Canada, Inc., and, to a lesser extent, other cost-structure reductions within the Media Sector.

In the first six months of 2013, an amount of $21.9 million before tax ($15.9 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs, primarily due to workforce reductions related to the integration of the printing operations of Quad/Graphics Canada, Inc., and an onerous contract.

TRANSCONTINENTAL

Asset Impairment

In the first six months of 2014, an asset impairment charge of $0.5 million ($0.4 million after tax) was recorded, compared to $2.8 million ($2.1 million after tax) in the first six months of 2013. These amounts are primarily related to Printing Sector assets.

Net Financial Expenses

Net financial expenses decreased $6.6 million, from $15.2 million in the first six months of 2013 to $8.6 million in the first six months of 2014. The decrease stems mainly from lower expenses related to pension plans, a decrease in the level of net debt and a lower weighted average interest rate than in the first six months of 2013.

Income taxes

Income taxes rose from $13.7 million in the first six months of 2013 to $23.6 million in the first six months of 2014. Excluding income taxes on restructuring and other costs and asset impairment charges, income taxes would have amounted to $27.2 million in the first six months of 2014, for a tax rate of 29.1%, compared to $20.4 million, or 24.7%, in the first six months of 2013. The increase is mostly attributable to favourable non-recurring items related to the geographic distribution of revenues in 2013.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares rose from $41.0 million in the first six months of 2013 to $51.9 million in the first six months of 2014. This improvement is due to lower financial expenses, a decrease in restructuring and other costs, as well as an increase in adjusted operating earnings, partially offset by the increase in income taxes. On a per share basis, net earnings applicable to participating shares rose from $0.52 to $0.67.

Adjusted net earnings applicable to participating shares rose $4.2 million, or 7.1%, from $59.0 million for the first six months of 2013 to $63.2 million for the first six months of 2014. On a per share basis, the figure went from $0.76 to $0.81.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE
(unaudited)

Table #4:

(in millions of dollars)	Printing Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues - Six months ended April 30, 2013	**$ 748.8**	**$ 338.0**	**$ (43.4)**	**$ 1,043.4**
Acquisitions/Disposals and closures	(3.6)	1.0	—	(2.6)
Existing operations	(30.6)	(19.3)	6.6	(43.3)
Revenues - Six months ended April 30, 2014	**$ 714.6**	**$ 319.7**	**$ (36.8)**	**$ 997.5**
Adjusted operating earnings - Six months ended April 30, 2013	**$ 100.8**	**$ 8.2**	**$ (11.3)**	**$ 97.7**
Acquisitions/Disposals and closures	0.8	1.2	—	2.0
Existing operations	6.7	(6.1)	1.7	2.3
Adjusted operating earnings - Six months ended April 30, 2014	**$ 108.3**	**$ 3.3**	**$ (9.6)**	**$ 102.0**

In this section, Management uses adjusted operating earnings to evaluate the financial performance of its operating sectors and deems this measure is appropriate.

Printing Sector
Printing Sector revenues were down $34.2 million, or 4.6%, from $748.8 million in the first six months of 2013 to $714.6 million in the first six months of 2014. This decrease in existing operations is principally attributable to the difficult market conditions which affected our marketing printing operations.

Adjusted operating earnings were up 7.4%, or $7.5 million, from $100.8 million in the first six months of 2013 to $108.3 million in the first six months of 2014. The increase is largely due to the cost-structure optimization and the positive impact of $2.1 million due to the appreciation of the U.S. dollar versus the Canadian dollar, which offset the loss of volume due to difficult market conditions which continue to affect our marketing product operations. As a result, the adjusted operating earnings margin rose from 13.5% in the first six months of 2013 to 15.2%% in the first six months of 2014.

Media Sector
Media Sector revenues were lower by $18.3 million, or 5.4%, from $338.0 million in the first six months of 2013 to $319.7 million in the first six months of 2014. The decrease is largely due to a reduction in advertising revenues in our magazine and weekly newspaper-publishing operations as well as a lower volume related to our interactive marketing solutions offering.

Adjusted operating earnings were lower by $4.9 million, from $8.2 million in the first six months of 2013 to $3.3 million in the first six months of 2014. The adjusted operating margin declined from 2.4% in the first six months of 2013 to 1.0% in the first six months ended April 30, 2014. Within our existing operations, the above-mentioned lower revenues had a significant unfavourable impact on adjusted operating earnings, mostly as a result of the soft local and national advertising market. The net effect of acquisitions and disposals resulted in a $1.2 million improvement in adjusted operating earnings.

Head office and Inter-Segment Eliminations
Eliminations of inter-segment revenues went from -43.4 million in the first six months of 2013 to -36.8 million in the first six months of 2014. Adjusted operating earnings improved by $1.7 million, from -11.3 million in the first six months of 2013 to -9.6 million in the first six months of 2014. This improvement is mainly due to a significant expense for stock-based compensation in the first six months of 2013 due to an increase in share-price.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

(in millions of dollars, except per share amounts)	**2014** Q2	**2014** Q1	2013 (1) Q4	2013 (1) Q3	2013 (1) Q2	2013 (1) Q1	2012 Q4	2012 Q3
Revenues	**$ 498.2**	**$ 499.3**	$ 562.6	$ 490.7	$ 517.8	$ 525.6	$ 585.1	$ 517.0
Adjusted operating earnings before amortization	**82.8**	**68.6**	110.0	78.8	80.4	69.4	123.8	78.6
Adjusted operating earnings margin before amortization	**16.6 %**	**13.7 %**	19.6 %	16.1 %	15.5 %	13.2 %	21.2 %	15.2 %
Adjusted operating earnings	**58.5**	**43.5**	83.4	52.5	54.2	43.5	96.4	49.9
Adjusted operating earnings margin	**11.7 %**	**8.7 %**	14.8 %	10.7 %	10.5 %	8.3 %	16.5 %	9.7 %
Net earnings applicable to participating shares	**$ 34.7**	**$ 17.2**	$ (94.5)	$ 30.1	$ 25.3	$ 15.7	$ (51.9)	$ 8.1
Per share	**0.45**	**0.22**	(1.21)	0.39	0.32	0.20	(0.65)	0.10
Adjusted net earnings applicable to participating shares	**36.8**	**26.4**	55.9	33.4	32.6	26.4	61.9	24.9
Per share	**0.47**	**0.34**	0.71	0.43	0.42	0.34	0.77	0.31
% of fiscal year	**— %**	**— %**	37 %	23 %	22 %	18 %	41 %	17 %

[1] 2013 figures have been restated to take into account the effects of IAS 19 amended - Employee Benefits, IFRS 11 - Joint Arrangements and other elements.

The above table shows changes in our results over the past eight quarters. The acquisition of Quad/Graphics Canada, Inc., effective March 1, 2012, had a positive effect on our revenues and impacted our adjusted operating earnings as of the fourth quarter of 2012 due to the synergies generated from the integration of these operations with our more productive equipment. However, in 2013 this acquisition was offset by incentives granted for early renewal of several major long-term contracts, by the volume decrease from the closing of Zellers stores, and by difficult market conditions, particularly with respect to advertising spending in our local and national markets that affected the Media Sector. The first two quarters of 2014 were still affected by soft advertising markets, but our cost-structure optimization has allowed us to maintain and even improve our operating earnings. Lastly, our volume of activity is cyclical, since it is mainly influenced by our customers' marketing spending, which is higher in the fall.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

Financial data has been prepared in conformity with IFRS. However, certain measures used in this report do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many readers analyze our results based on certain non-IFRS financial measures because such measures are normalized for evaluating the Corporation's operating performance. Management uses such non-IFRS financial information to evaluate the performance of its operations and managers. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS. The following table reconciles IFRS financial measures to non-IFRS financial measures.

Table #6:

	Three months ended April 30			Six months ended April 30		
(in millions of dollars, except per share amounts)	**2014**	2013 (1)		**2014**		2013 (1)
Net earnings applicable to participating shares	**34.7**	25.3	**$**	**51.9**	$	41.0
Dividends on preferred shares, net of related taxes	**1.7**	1.7		**3.4**		3.4
Non-controlling interests	**0.4**	0.4		**0.1**		0.1
Income tax	**14.9**	10.7		**23.6**		13.7
Share of earnings in interests in joint ventures, net of related taxes	**(0.2)**	(0.3)		**(0.5)**		(0.4)
Net financial expenses	**4.0**	6.5		**8.6**		15.2
Impairment of assets	**0.1**	0.7		**0.5**		2.8
Restructuring and other costs	**2.9**	9.2		**14.4**		21.9
Adjusted operating earnings	**58.5**	54.2	**$**	**102.0**	$	97.7
Amortization	**24.3**	26.2		**49.4**		52.1
Adjusted operating earnings before amortization	**82.8**	80.4	**$**	**151.4**	$	149.8
Net earnings applicable to participating shares	**34.7**	25.3	**$**	**51.9**	$	41.0
Impairment of assets (after tax)	**0.1**	0.6		**0.4**		2.1
Restructuring and other costs (after tax)	**2.0**	6.7		**10.9**		15.9
Adjusted net earnings applicable to participating shares	**36.8**	32.6	**$**	**63.2**	$	59.0
Weighted Average number of participating shares outstanding	**78.0**	77.9		**78.0**		78.0
Adjusted net earnings applicable to participating shares per share	**0.47**	0.42	**$**	**0.81**	$	0.76

		As at April 30, 2014		As at October 31, 2013 (1)
Long-term debt	**$**	**119.7**	$	128.9
Current portion of long-term debt		**161.9**		218.3
Cash		**(29.9)**		(26.4)
Net indebtedness	**$**	**251.7**	$	320.8
Adjusted operating earnings before amortization (last 12 months)	**$**	**340.2**	$	338.6
Net indebtedness ratio		**0.74**	**x**	0.95

1 2013 figures have been restated to take into account the effects of amended IAS 19 - Employee Benefits, IFRS 11 - Joint Arrangements and other elements.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES – SECOND QUARTER ENDED APRIL 30
(unaudited)

Table #7:

(in millions of dollars)		2014		2013 (1)
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	$	86.5	$	75.1
Changes in non-cash operating items		(14.7)		(1.5)
Income taxes paid		(4.1)		(3.1)
Cash flows from operating activities	$	67.7	$	70.5
Investing activities				
Business acquisitions	$	—	$	(1.7)
Business dispositions		1.5		—
Acquisitions of property, plant and equipment, net of disposals		(9.8)		(7.3)
Increase in intangible assets		(4.9)		(7.8)
Cash flows from investing activities	$	(13.2)	$	(16.8)
Financing activities				
Reimbursement of long-term debt	$	(16.9)	$	(0.6)
Net increase (decrease) in revolving term credit facility		(18.0)		44.0
Financial expenses on long-term debt		(4.5)		(4.8)
Dividends on participating shares		(12.5)		(89.2)
Dividends on preferred shares		(1.7)		(1.7)
Cash flows from financing activities	$	(53.6)	$	(52.3)

Financial position		**As at April 30, 2014**		As at October 31, 2013 (1)
Net indebtedness	$	251.7	$	320.8
Net indebtedness ratio		0.74 x		0.95 x
Credit rating				
DBRS		BBB-		BBB
Outlook		Stable		Negative
Standard and Poor's		BBB-		BBB-
Outlook		Stable		Stable

Consolidated Statement of Financial Position		**As at April 30, 2014**		As at October 31, 2013 (1)
Current assets	$	523.5	$	553.6
Current liabilities		477.6		563.6
Total assets		1,817.7		1,850.8
Total liabilities		965.1		1,035.4

[1] 2013 figures have been restated to take into account the effects of amended IAS 19 - Employee Benefits, IFRS 11 - Joint Arrangements and other elements

Cash Flows from Operating Activities

Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid increased from $75.1 million in the second quarter of 2013 to $86.5 million in the second quarter of 2014, primarily due to higher operating earnings. However, changes in non-cash operating items used $14.7 million in the second quarter of 2014, compared to the $1.5 million used in the second quarter of 2013. This variance is explained mainly by higher accounts receivable in the second quarter of 2014, primarily from strong end-of-quarter sales. On the other hand, amounts recognized as deferred revenues in relation to the agreement with Gesca Ltd. amending the terms of the contract to print *La Presse* partially offset the above-mentioned increase in accounts receivable. Income taxes paid amounted to $4.1 million in the second quarter of 2014, compared to $3.1 million in the second quarter of 2013. As a result, cash flows from operations fell to $67.7 million in the second quarter of 2014, compared to $70.5 million in the second quarter of 2013.

Cash Flows from Investing Activities

Our cash flows from investing activities went from an outflow of $16.8 million in the second quarter of 2013 to an outlfow of $13.2 million in the second quarter of 2014. This variance stems mainly from the cash generated by the sale of the assets of our Rastar subsidiary in February 2014 compared to the disbursements for acquisitions in the second quarter of 2013. Investments in capital expenditures were stable compared to the previous year.

Cash Flows from Financing Activities

In the second quarter of 2013, we paid $89.2 million in dividends on participating shares, compared to $12.5 million in the second quarter of 2014. The decrease in the dividend is due to the payment of a special dividend of $1.00 per participating share, for a total amount of $77.9 million at the end of April 2013.

Cash flows generated by operating earnings in the second quarter of 2014 were used to pay down $18.0 million on our term revolving credit facility. In the second quarter of 2013, we used $44.0 million from our revolving credit facility to pay a special dividend. In the second quarter of 2014, the Corporation also repaid its Series D senior notes valued at US$15.0 million (C$16.6 million).

Debt Instruments

As at April 30, 2014, our net indebtedness ratio stood at 0.74x (0.95x as at October 31, 2012), and net indebtedness declined from $320.8 million as at October 31, 2013 to $251.7 million as at April 30, 2014. Cash flows from operations helped improve our net indebtedness ratio due to a decrease in our term revolving credit. As at April 30, 2014, we had drawn C$91.0 million on our unsecured credit facility of $400 million. The applicable interest rate on this credit facility is based on the credit rating assigned by Standard & Poor's and DBRS. According to the current credit rating, which was lowered one level by DBRS on February 5, 2014, it is either the banker's acceptance rate or LIBOR, plus 1.675%, or the Canadian or U.S. prime rate, plus 0.675%. It should also be noted that on February 6, 2014 the Corporation amended the terms of its $50.0 million unsecured debenture with the Solidarity Fund QFL, which had matured. The maturity of this debenture is now February 6, 2020, bearing interest at the rate of 4.011% payable every six months, and the other terms have not changed.

Share Capital

Under its normal course issuer bid which ended in April 2014, the Corporation did not repurchase any Class A Subordinate Voting Shares or Class B shares. This program was renewed for one year as of April 15, 2004, permitting the purchase for cancellation on the open market of up to 4,742,369 of its Class A Subordinate Voting Shares and up to 741,640 of its Class B Shares. No purchases were made in the second quarter of 2014 following renewal of the normal course issuer bid.

Table #8:

Shares Issued and Outstanding	As at April 30, 2014	As at May 31, 2014
Class A (Subordinate Voting Shares)	63,188,951	63,188,951
Class B (Multiple Voting Shares)	14,832,816	14,832,816
Series D Preferred (Cumulative dividend with rate reset)	4,000,000	4,000,000

RISKS AND UNCERTAINTIES

On May 3, 2014, the Corporation acquired the assets of Capri Packaging. The main risks and uncertainties with respect to this acquisition are described below.

Innovation in our packaging offering

There can be no assurance that the Corporation will be able to successfully compete with more mature industry players that possess more experience and resources within this new growth vector. The consumer packaging markets continue to develop alternative forms of packaging. There is thus a risk that the competition will be able to adapt more quickly to customer demand, which would affect our ability to generate growth within this vector. This risk is partially mitigated through long-term contracts and positive relationships with our key customers; however, the Corporation's success may depend on our ability to respond to technological changes and to appropriately invest in research and development in order to create new products that meet customer demand.

Security of our packaging products used in the food industry

Certain of the finished products within our flexible packaging operations may eventually be used for food packaging which creates a liability risk with respect to product recalls or fines as our products are subject to United States governmental legislation and regulations. The Food and Drug Administration (FDA) is responsible for protecting the public health by assuring the safety, efficacy and security of food supplies. The Consumer Product Safety Commission (CPSC) also regulates certain packaging products through various laws including the Consumer Product Safety Act and the Poison Prevention Packaging Act. Although we use materials deemed acceptable for the intended food-contact use in our finished products and have rigorous controls in place, we remain subject to fines and consumer product liability claims that could have a material adverse effect. Capri Packaging is in the process of obtaining third-party certification for a scheme recognized by the Global Food Safety Initiative (GFSI), a worldwide initiative for the continuous improvement of food safety management systems with the objective of ensuring consumer confidence.

A complete list of the other risks, uncertainties and factors that could influence actual results are described in the Management's Discussion and Analysis for the fiscal year ended October 31, 2013 as well as in the 2013 Annual Information Form available on SEDAR, www.sedar.com

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for implementing and maintaining adequate internal control. The purpose of internal control with respect to financial information is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

In the quarter ended April 30, 2014, no change that has materially affected or is reasonably likely to materially affect internal control over financial reporting was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

SUBSEQUENT EVENTS

Acquisition of the Sun Media Corporation weekly newspapers in Quebec

On June 1, 2014, the Corporation completed the acquisition of the Sun Media Corporation weekly newspapers in Quebec after receiving clearance from regulators under the *Canadian Competition Act*. This acquisition will allow the Corporation to strengthen its Media Sector assets, pursue the development of a local media offering for businesses and communities, and continue to build multiplatform services throughout Quebec. Under the terms of the agreement with the Competition Bureau, the Corporation must put up for sale, for a period of 60 days, 34 of the 154 weekly papers in its portfolio, including some that are part of the transaction with Sun Media Corporation. Most of the newspapers to be sold were launched over the past few years.

Conclusion of a $250 million private financing agreement

On May 8, 2014, the Corporation concluded a $250 million private financing agreement of senior unsecured notes bearing interest at 3.897%, payable in equal semi-annual installments, and maturing in 2019. The Corporation used the proceeds to repay outstanding indebtedness under its revolving credit facility and for general corporate purposes. The notes are direct unsecured obligations of the Corporation and will rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Corporation.

Completion of Capri Packaging acquisition

On May 3, 2014, following clearance from U.S. regulators, the Corporation completed the transaction to acquire the assets of Capri Packaging, a flexible packaging producer in Clinton, Missouri, for a purchase price of US$133.0 million (C$146.1 million). Furthermore, the Corporation signed a 10-year packaging supply contract with Schreiber Foods, Inc., representing about 75% of the annual revenues of Capri Packaging, which will assure Capri Packaging's position as a strategic supplier of flexible packaging.

OUTLOOK

New agreements to print magazines, newspapers and marketing products signed since the start of the fiscal year will reduce the impact of difficult market conditions in these niches. We believe that our printing offering to major retail chains will remain relatively stable and we are continuing to improve our point-of-purchase marketing services. The Printing Sector will also continue to optimize its cost structure and operations in order to maintain its longer-term profitability.

The Media Sector should continue to benefit from cost-structure optimization initiatives and the new flyer-distribution agreements that will help stabilize our operating margin and reduce the impact of difficult conditions in the advertising market. We will also continue to invest in the development and commercialization of new digital products. The acquisition of the Sun Media Corporation weekly papers in Quebec should also enable us to strengthen our media assets and improve our offering in local markets.

The Corporation completed the transaction to acquire the assets of Capri Packaging in order to start a new growth vector in flexible packaging. We have initiated the operational integration process, modifying our organizational structure and creating a packaging division headed by a team of senior executives with outstanding capabilities in manufacturing. The long-term agreement with the seller, Schreiber Foods, Inc., will secure most of the revenues for this division. In the coming months we will be implementing a plan to build the loyalty of our existing customers and attract new ones to ensure our success in this promising niche.

We have secured additional long-term financing to give us the financial flexibility required to pursue our transformation and execute our growth strategy. Given our excellent financial position, we will continue our balanced approach to capital management, which allows us to reduce our debt, pay dividends and invest in our transformation focused on our core competencies. We will also keep on developing internal projects and evaluating strategic acquisitions to maintain our position in our niches, while developing our new packaging growth vector to ensure the long-term success and profitability of the business.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

June 5, 2014

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended April 30 2014	Three months ended April 30 2013 Restated (Note 3)	Six months ended April 30 2014	Six months ended April 30 2013 Restated (Note 3)
Revenues		**$ 498.2**	$ 517.8	**$ 997.5**	$ 1,043.4
Operating expenses	4	**415.4**	437.4	**846.1**	893.6
Restructuring and other costs	5	**2.9**	9.2	**14.4**	21.9
Impairment of assets	6	**0.1**	0.7	**0.5**	2.8
Operating earnings before amortization		**79.8**	70.5	**136.5**	125.1
Amortization	7	**24.3**	26.2	**49.4**	52.1
Operating earnings		**55.5**	44.3	**87.1**	73.0
Net financial expenses	8	**4.0**	6.5	**8.6**	15.2
Earnings before share of net earnings in interests in joint ventures and income taxes		**51.5**	37.8	**78.5**	57.8
Share of net earnings in interests in joint ventures, net of related taxes		**0.2**	0.3	**0.5**	0.4
Income taxes	9	**14.9**	10.7	**23.6**	13.7
Net earnings		**36.8**	27.4	**55.4**	44.5
Non-controlling interests		**0.4**	0.4	**0.1**	0.1
Net earnings attributable to shareholders of the Corporation		**36.4**	27.0	**55.3**	44.4
Dividends on preferred shares, net of related taxes	13	**1.7**	1.7	**3.4**	3.4
Net earnings attributable to participating shares		**$ 34.7**	$ 25.3	**$ 51.9**	$ 41.0
Net earnings per participating share - basic	14	**$ 0.45**	$ 0.32	**$ 0.67**	$ 0.52
Net earnings per participating share - diluted	14	**$ 0.44**	$ 0.32	**$ 0.66**	$ 0.52
Weighted average number of participating shares outstanding - basic (in millions)		**78.0**	77.9	**78.0**	78.0
Weighted average number of participating shares - diluted (in millions)	14	**78.2**	77.9	**78.2**	78.0

The notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended April 30 2014	Three months ended April 30 2013 Restated (Note 3)	Six months ended April 30 2014	Six months ended April 30 2013 Restated (Note 3)
Net earnings		**$ 36.8**	$ 27.4	**$ 55.4**	$ 44.5
Other comprehensive income (loss)					
Items that will be reclassified to net earnings:					
Net change related to cash flow hedges					
Net change in the fair value of derivatives designated as cash flow hedges		**0.8**	(1.1)	**0.2**	1.0
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**0.8**	1.4	**—**	(0.1)
Related income taxes		**0.3**	0.1	**0.1**	0.3
		1.3	0.2	**0.1**	0.6
Cumulative translation differences					
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**(0.1)**	0.6	**2.8**	0.3
Unrealized exchange gains (losses) on the translation of a debt designated as a hedge of a net investment in foreign operations		**0.1**	(0.2)	**(2.4)**	(0.6)
		—	0.4	**0.4**	(0.3)
Items that will not be reclassified to net earnings:					
Changes in actuarial gains and losses in respect of defined benefit plans					
Actuarial gains (losses) in respect of defined benefit plans		**17.2**	(8.6)	**11.2**	3.4
Related income taxes		**4.6**	(2.2)	**3.0**	0.8
		12.6	(6.4)	**8.2**	2.6
Other comprehensive income (loss)	16	**13.9**	(5.8)	**8.7**	2.9
Comprehensive income		**$ 50.7**	$ 21.6	**$ 64.1**	$ 47.4
Attributable to:					
Shareholders of the Corporation		**$ 50.3**	$ 21.2	**$ 64.0**	$ 47.3
Non-controlling interests		**0.4**	0.4	**0.1**	0.1
		$ 50.7	$ 21.6	**$ 64.1**	$ 47.4

The notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Non-controlling interests	Total equity
Balance as at October 31, 2013 (Restated, Note 3)	**$ 462.8**	**$ 2.9**	**$ 362.5**	**$ (13.2)**	**$ 815.0**	**$ 0.4**	**$ 815.4**
Net earnings	**—**	**—**	**55.3**	**—**	**55.3**	**0.1**	**55.4**
Other comprehensive income	**—**	**—**	**—**	**8.7**	**8.7**	**—**	**8.7**
Shareholders' contributions and distributions to shareholders							
Dividends (Note 13)	**—**	**—**	**(27.2)**	**—**	**(27.2)**	**—**	**(27.2)**
Stock-option based compensation (Note 15)	**—**	**0.3**	**—**	**—**	**0.3**	**—**	**0.3**
Balance as at April 30, 2014	**$ 462.8**	**$ 3.2**	**$ 390.6**	**$ (4.5)**	**$ 852.1**	**$ 0.5**	**$ 852.6**
Balance as at November 1, 2012 (Note 3)	$ 467.7	$ 2.5	$ 514.2	$ (84.4)	$ 900.0	$ 1.4	$ 901.4
Net earnings	—	—	44.4	—	44.4	0.1	44.5
Other comprehensive income	—	—	—	2.9	2.9	—	2.9
Shareholders' contributions and distributions to shareholders							
Participating share redemptions (Note 13)	(6.4)	—	(5.2)	—	(11.6)	—	(11.6)
Dividends (Note 13)	—	—	(103.9)	—	(103.9)	(1.4)	(105.3)
Stock-option based compensation (Note 15)	—	0.4	—	—	0.4	—	0.4
Balance as at April 30, 2013 (Restated, Note 3)	$ 461.3	$ 2.9	$ 449.5	$ (81.5)	$ 832.2	$ 0.1	$ 832.3

The notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	**As at April 30, 2014**	As at October 31, 2013 Restated (Note 3)
Current assets			
Cash		**$ 29.9**	$ 26.4
Accounts receivable		**381.8**	419.2
Income taxes receivable		**16.5**	12.1
Inventories		**80.2**	82.0
Prepaid expenses and other current assets		**15.1**	13.9
		523.5	553.6
Property, plant and equipment		**577.2**	596.0
Intangible assets		**191.3**	194.1
Goodwill		**324.0**	324.0
Investments in joint ventures		**1.3**	0.8
Deferred income taxes		**143.6**	147.7
Other assets		**56.8**	34.6
		$ 1,817.7	$ 1,850.8
Current liabilities			
Accounts payable and accrued liabilities		**$ 237.8**	$ 272.8
Provisions	11	**5.6**	10.3
Income taxes payable		**11.1**	6.3
Deferred revenues and deposits	12	**61.2**	55.9
Current portion of long-term debt	10	**161.9**	218.3
		477.6	563.6
Long-term debt	10	**119.7**	128.9
Deferred income taxes		**83.0**	67.1
Provisions	11	**39.8**	40.2
Other liabilities	12	**245.0**	235.6
		965.1	1,035.4
Equity			
Share capital	13	**462.8**	462.8
Contributed surplus		**3.2**	2.9
Retained earnings		**390.6**	362.5
Accumulated other comprehensive loss	16	**(4.5)**	(13.2)
Attributable to shareholders of the Corporation		**852.1**	815.0
Non-controlling interests		**0.5**	0.4
		852.6	815.4
		$ 1,817.7	$ 1,850.8

The notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended April 30 **2014**	Three months ended April 30 2013 Restated (Note 3)	Six months ended April 30 **2014**	Six months ended April 30 2013 Restated (Note 3)
Operating activities					
Net earnings		**$ 36.8**	$ 27.4	**$ 55.4**	$ 44.5
Adjustments to reconcile net earnings and cash flows from operating activities:					
Amortization	7	**31.4**	32.1	**63.4**	64.3
Impairment of assets	6	**0.1**	0.7	**0.5**	2.8
Financial expenses on long-term debt	8	**3.8**	4.5	**8.4**	10.4
Net losses (gains) on disposal of assets		**0.2**	0.1	**0.1**	(0.1)
Income taxes	9	**14.9**	10.7	**23.6**	13.7
Stock-option based compensation	15	**0.1**	0.2	**0.3**	0.4
Other		**(0.8)**	(0.6)	**0.4**	1.5
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**86.5**	75.1	**152.1**	137.5
Changes in non-cash operating items		**(14.7)**	(1.5)	**(13.1)**	156.8
Income taxes paid		**(4.1)**	(3.1)	**(1.3)**	(13.9)
Cash flows from operating activities		**67.7**	70.5	**137.7**	280.4
Investing activities					
Business combinations		**—**	(1.7)	**(1.0)**	(25.0)
Disposals of subsidiaries		**1.5**	—	**1.5**	—
Acquisitions of property, plant and equipment		**(9.9)**	(9.2)	**(18.7)**	(20.3)
Disposals of property, plant and equipment		**0.1**	1.9	**0.8**	2.2
Increase in intangible assets		**(4.9)**	(7.8)	**(11.2)**	(12.0)
Cash flows from investing activities		**(13.2)**	(16.8)	**(28.6)**	(55.1)
Financing activities					
Reimbursement of long-term debt	10	**(16.9)**	(0.6)	**(25.5)**	(81.2)
Net increase (decrease) in revolving term credit facility		**(18.0)**	44.0	**(46.0)**	(2.5)
Financial expenses on long-term debt		**(4.5)**	(4.8)	**(8.0)**	(11.4)
Dividends on participating shares	13	**(12.5)**	(89.2)	**(23.8)**	(100.5)
Dividends on preferred shares	13	**(1.7)**	(1.7)	**(3.4)**	(3.4)
Dividends paid to non-controlling interests		**—**	—	**—**	(1.4)
Participating share redemptions	13	**—**	—	**—**	(12.1)
Cash flows from financing activities		**(53.6)**	(52.3)	**(106.7)**	(212.5)
Effect of exchange rate changes on cash denominated in foreign currencies		**0.1**	0.1	**1.1**	—
Net change in cash		**1.0**	1.5	**3.5**	12.8
Cash at beginning of period		**28.9**	24.1	**26.4**	12.8
Cash at end of period		**$ 29.9**	$ 25.6	**$ 29.9**	$ 25.6
Non-cash investing and financing activities					
Net change in capital asset acquisitions financed by accounts payable		**$ 1.4**	$ 0.2	**$ —**	$ (4.6)

The notes are an integral part of these interim condensed consolidated financial statements.

1 GENERAL INFORMATION

Transcontinental Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. Its Class A Subordinate Voting Shares, Class B Shares and Cumulative Rate Reset First Preferred Shares, Series D, are traded on the Toronto Stock Exchange. The Corporation's head office is located at 1 Place Ville Marie, Suite 3315, Montreal, Quebec, Canada H3B 3N2.

The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, mobile and interactive applications, and door-to-door distribution. The Corporation conducts business in Canada and the United States in two separate sectors: the Printing Sector and the Media Sector. The Corporation's main activities are described in Note 18 "Segment Reporting".

The operating results for interim periods are not necessarily indicative of expected full-year results due to the seasonal nature of certain activities of the Corporation. Operating results are significantly influenced by the advertising market, which is stronger in the fourth quarter.

The Corporation's Board of Directors approved these interim condensed consolidated financial statements on June 5, 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and, therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2013, including the significant accounting policies used by the Corporation.

The accounting policies adopted in these interim condensed consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at April 30, 2014. Any subsequent changes to the accounting policies, that are taking effect in the Corporation's annual consolidated financial statements for the year ending October 31, 2014 or after, could result in a retrospective restatement of these interim condensed consolidated financial statements.

(in millions of Canadian dollars, except per share data)

3 CHANGES IN ACCOUNTING POLICIES

Accounting standards impacting the consolidated financial statements of the Corporation

The following tables present the effect of the adoption of standards that came into effect as at November 1, 2013 and the reclassification of certain figures. Explanations regarding the restatements are provided in the section that follows the tables.

Retroactive restatements of the Consolidated Statements of Earnings and Comprehensive Income of the Corporation for the three-month period ended April 30, 2013 are as follows:

		Restatements			
	As reported	IFRS 11 (a)	Amended IAS 19 (b)	Other (c)	**Restated**
Revenues	**$ 521.3**	$ (3.5)	$ —	$ —	**$ 517.8**
Operating expenses	**438.0**	(2.9)	1.5	0.8	**437.4**
Restructuring and other costs	**9.2**	—	—	—	**9.2**
Impairment of assets	**0.7**	—	—	—	**0.7**
Operating earnings before amortization	**73.4**	(0.6)	(1.5)	(0.8)	**70.5**
Amortization	**26.4**	(0.2)	—	—	**26.2**
Operating earnings	**47.0**	(0.4)	(1.5)	(0.8)	**44.3**
Net financial expenses	**5.7**	—	1.6	(0.8)	**6.5**
Earnings before share of net earnings in interests in joint ventures and income taxes	**41.3**	(0.4)	(3.1)	—	**37.8**
Share of net earnings in interests in joint ventures, net of related taxes	**—**	0.3	—	—	**0.3**
Income taxes	**11.7**	(0.1)	(0.9)	—	**10.7**
Net earnings	**29.6**	—	(2.2)	—	**27.4**
Non-controlling interests	**0.4**	—	—	—	**0.4**
Net earnings attributable to shareholders of the Corporation	**29.2**	—	(2.2)	—	**27.0**
Dividends on preferred shares, net of related taxes	**1.7**	—	—	—	**1.7**
Net earnings attributable to participating shares	**$ 27.5**	$ —	$ (2.2)	$ —	**$ 25.3**
Net earnings per participating share - basic and diluted	**$ 0.35**	$ —	$ (0.03)	$ —	**$ 0.32**
Other comprehensive loss	**(8.0)**	—	2.2	—	**(5.8)**
Comprehensive income	**$ 21.6**	$ —	$ —	$ —	**$ 21.6**

(in millions of Canadian dollars, except per share data)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statements of Earnings and Comprehensive Income of the Corporation for the six-month period ended April 30, 2013 are as follows:

	As reported	Restatements IFRS 11 (a)	Amended IAS 19 (b)	Other (c)	Restated
Revenues	**$ 1,050.0**	$ (6.6)	$ —	$ —	**$ 1,043.4**
Operating expenses	**895.1**	(5.9)	2.8	1.6	**893.6**
Restructuring and other costs	**21.9**	—	—	—	**21.9**
Impairment of assets	**2.8**	—	—	—	**2.8**
Operating earnings before amortization	**130.2**	(0.7)	(2.8)	(1.6)	**125.1**
Amortization	**52.3**	(0.2)	—	—	**52.1**
Operating earnings	**77.9**	(0.5)	(2.8)	(1.6)	**73.0**
Net financial expenses	**13.6**	—	3.2	(1.6)	**15.2**
Earnings before share of net earnings in interests in joint ventures and income taxes	**64.3**	(0.5)	(6.0)	—	**57.8**
Share of net earnings in interests in joint ventures, net of related taxes	**—**	0.4	—	—	**0.4**
Income taxes	**15.5**	(0.1)	(1.7)	—	**13.7**
Net earnings	**48.8**	—	(4.3)	—	**44.5**
Non-controlling interests	**0.1**	—	—	—	**0.1**
Net earnings attributable to shareholders of the Corporation	**48.7**	—	(4.3)	—	**44.4**
Dividends on preferred shares, net of related taxes	**3.4**	—	—	—	**3.4**
Net earnings attributable to participating shares	**$ 45.3**	$ —	$ (4.3)	$ —	**$ 41.0**
Net earnings per participating share - basic and diluted	**$ 0.58**	$ —	$ (0.06)	$ —	**$ 0.52**
Other comprehensive (income) loss	**(1.4)**	—	4.3	—	**2.9**
Comprehensive income	**$ 47.4**	$ —	$ —	$ —	**$ 47.4**

Retroactive restatements of the Consolidated Statement of Changes in Equity of the Corporation as at April 30, 2013 are as follows:

	As reported	Restatements Amended IAS 19 (b)	Restated
Equity			
Share capital	**$ 461.3**	$ —	**$ 461.3**
Contributed surplus	**2.9**	—	**2.9**
Retained earnings	**453.8**	(4.3)	**449.5**
Accumulated other comprehensive loss	**(85.8)**	4.3	**(81.5)**
Attributable to shareholders of the Corporation	**832.2**	—	**832.2**
Non-controlling interests	**0.1**	—	**0.1**
	$ 832.3	$ —	**$ 832.3**

(in millions of Canadian dollars, except per share data)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Financial Position of the Corporation as at October 31, 2013 are as follows:

		Restatements		
	As reported	IFRS 11 (a)	Amended IAS 19 (b)	**Restated**
Current assets				
Cash	**$ 30.3**	$ (3.9)	$ —	**$ 26.4**
Accounts receivable	**421.2**	(2.0)	—	**419.2**
Income taxes receivable	**12.5**	(0.4)	—	**12.1**
Inventories	**82.0**	—	—	**82.0**
Prepaid expenses and other current assets	**14.1**	(0.2)	—	**13.9**
	560.1	(6.5)	—	**553.6**
Property, plant and equipment	**596.6**	(0.6)	—	**596.0**
Intangible assets	**194.2**	(0.1)	—	**194.1**
Goodwill	**325.7**	(1.7)	—	**324.0**
Investments in joint ventures	**—**	0.8	—	**0.8**
Deferred income taxes	**148.0**	(0.3)	—	**147.7**
Other assets	**34.7**	(0.1)	—	**34.6**
	$ 1,859.3	$ (8.5)	$ —	**$ 1,850.8**
Current liabilities				
Accounts payable and accrued liabilities	**$ 275.8**	$ (3.0)	$ —	**$ 272.8**
Provisions	**10.3**	—	—	**10.3**
Income taxes payable	**6.4**	(0.1)	—	**6.3**
Deferred revenues and deposits	**61.1**	(5.2)	—	**55.9**
Current portion of long-term debt	**218.3**	—	—	**218.3**
	571.9	(8.3)	—	**563.6**
Long-term debt	**128.9**	—	—	**128.9**
Deferred income taxes	**67.1**	—	—	**67.1**
Provisions	**40.2**	—	—	**40.2**
Other liabilities	**235.8**	(0.2)	—	**235.6**
	1,043.9	(8.5)	—	**1,035.4**
Equity				
Share capital	**462.8**	—	—	**462.8**
Contributed surplus	**2.9**	—	—	**2.9**
Retained earnings	**371.4**	—	(8.9)	**362.5**
Accumulated other comprehensive loss	**(22.1)**	—	8.9	**(13.2)**
Attributable to shareholders of the Corporation	**815.0**	—	—	**815.0**
Non-controlling interests	**0.4**	—	—	**0.4**
	815.4	—	—	**815.4**
	$ 1,859.3	$ (8.5)	$ —	**$ 1,850.8**

(in millions of Canadian dollars, except per share data)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Financial Position of the Corporation as at November 1, 2012 are as follows:

	As reported	Restatements IFRS 11 (a)	Restated
Current assets			
Cash	$ 16.8	$ (4.0)	$ 12.8
Accounts receivable	449.8	(2.0)	447.8
Income taxes receivable	38.9	(0.2)	38.7
Inventories	82.5	—	82.5
Prepaid expenses and other current assets	14.7	(0.2)	14.5
	602.7	(6.4)	596.3
Property, plant and equipment	651.2	(0.5)	650.7
Intangible assets	171.5	(0.1)	171.4
Goodwill	487.0	(1.7)	485.3
Deferred income taxes	192.6	(0.2)	192.4
Other assets	31.2	0.3	31.5
	$ 2,136.2	$ (8.6)	$ 2,127.6
Current liabilities			
Accounts payable and accrued liabilities	$ 336.8	$ (3.3)	$ 333.5
Provisions	15.5	—	15.5
Income taxes payable	50.3	(0.1)	50.2
Deferred revenues and deposits	39.3	(5.0)	34.3
Current portion of long-term debt	283.5	—	283.5
	725.4	(8.4)	717.0
Long-term debt	204.1	—	204.1
Investments in joint ventures	—	0.1	0.1
Deferred income taxes	68.4	—	68.4
Provisions	45.3	—	45.3
Other liabilities	191.6	(0.3)	191.3
	1,234.8	(8.6)	1,226.2
Equity			
Share capital	467.7	—	467.7
Contributed surplus	2.5	—	2.5
Retained earnings	514.2	—	514.2
Accumulated other comprehensive loss	(84.4)	—	(84.4)
Attributable to shareholders of the Corporation	900.0	—	900.0
Non-controlling interests	1.4	—	1.4
	901.4	—	901.4
	$ 2,136.2	$ (8.6)	$ 2,127.6

(in millions of Canadian dollars, except per share data)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Cash Flows of the Corporation for the six-month period ended April 30, 2013 are as follows:

	As reported	Restatements IFRS 11 (a)	Restated
Cash flows from operating activities	**$ 279.5**	$ 0.9	**$ 280.4**
Cash flows from investing activities	**(55.3)**	0.2	**(55.1)**
Cash flows from financing activities	**(212.5)**	—	**(212.5)**
Effect of exchange rate changes on cash denominated in foreign currencies	**—**	—	**—**
Net change in cash	**11.7**	1.1	**12.8**
Cash at beginning of period	**16.8**	(4.0)	**12.8**
Cash at end of period	**$ 28.5**	$ (2.9)	**$ 25.6**

a) Joint arrangements
On November 1st 2013, the Corporation adopted IFRS 11, "Joint Arrangements", intended to replace IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". IFRS 11 deals with the contractual rights and obligations inherent in a joint arrangement, rather than the legal form of the arrangement. IFRS 11 eliminates the election to use the proportionate consolidation method when recognizing interests in jointly controlled entities, and requires the use of the equity method.

In accordance with the standards previously in force, the Corporation used the proportionate consolidation method to recognize interests in joint ventures, but now applies the equity method under IFRS 11. Under this method, the Corporation's share of the net assets, net earnings and other comprehensive income (loss) in the joint ventures will be presented in a single line item in the Consolidated Statement of Financial Position, the Consolidated Statement of Earnings and the Consolidated Statement of Comprehensive Income, respectively.

b) Employee benefits
On November 1st 2013, the Corporation adopted an amended version of IAS 19, "Employee Benefits", in order to reflect significant changes in the recognition and measurement of the defined benefit pension expense. Amended IAS 19 introduces a new approach to calculate the net interest expense on defined benefit liabilities (assets), under which the rate of return on the asset will be identical to the rate used to discount the obligation. The presentation has also been changed such that current and past service costs and plan administration costs are presented under “Operating expenses” and the net interest expense is presented under “Net financial expenses”.

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

Accounting standards not impacting the consolidated financial statements of the Corporation

d) Consolidated financial statements
On November 1st 2013, the Corporation adopted IFRS 10, "Consolidated Financial Statements", intended to replace IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidation - Special Purpose Entities". IFRS 10 defines the concept of control as the determining factor in whether an entity should be included in the basis of consolidation in another entity's consolidated financial statements and provides additional guidance to assist in determining control. The Corporation has completed its analysis, and the adoption of this standard has no impact on its consolidated financial statements.

e) Disclosure of interests in other entities
On November 1st 2013, the Corporation adopted IFRS 12, "Disclosure of Interests in Other Entities". IFRS 12 complements the disclosure requirements concerning interests that an entity holds in subsidiaries, joint ventures, associates and consolidated structured entities. IFRS 12 requires an entity to disclose information regarding the nature and risks associated with all its interests in other entities and the effect of those interests on its financial position, financial performance and cash flows.These new annual reporting requirements have no effect on the financial position or operating results of the Corporation and will be included in the annual consolidated financial statements for the year ending October 31, 2014.

f) Fair value measurement
On November 1st 2013, the Corporation adopted IFRS 13, "Fair Value Measurement". IFRS 13 improves consistency and reduces complexity by providing a specific definition of fair value. IFRS 13 therefore replaces the guidance on measurement of fair value contained in individual IFRS with a single source of guidance on all measurements of fair value. The Corporation has completed its analysis, and the adoption of this standard has no impact on its consolidated financial statements, except for the presentation of additional informations as presented in Note 17 "Fair Value of Financial Instruments".

(in millions of Canadian dollars, except per share data)

4 OPERATING EXPENSES

Operating expenses by major heading are as follows:

	Three months ended April 30		Six months ended April 30	
	2014	2013 Restated (Note 3)	**2014**	2013 Restated (Note 3)
Employee-related costs	**$ 166.1**	$ 175.0	**$ 337.0**	$ 348.8
Supply chain and logistics [1]	**216.9**	227.2	**449.2**	477.6
Other goods and services [2]	**32.4**	35.2	**59.9**	67.2
	$ 415.4	$ 437.4	**$ 846.1**	$ 893.6

[1] "Supply chain and logistics" includes production and distribution costs related to external suppliers.

[2] "Other goods and services" includes mainly promotion, advertising and telecommunication costs, office supplies, real estate expenses and professional fees.

5 RESTRUCTURING AND OTHER COSTS

Restructuring and other costs by major heading are as follows:

	Three months ended April 30		Six months ended April 30	
	2014	2013	**2014**	2013
Workforce reductions	**$ 1.8**	$ 5.9	**$ 10.2**	$ 11.8
Other costs related to restructuring	**0.3**	1.6	**2.0**	2.1
Onerous contracts	**—**	0.9	**(0.1)**	6.8
Business acquisition costs [1]	**0.8**	—	**1.0**	0.3
Gain on defined benefit plans curtailment related to workforce reductions	**—**	—	**(0.2)**	(0.7)
Impact of settlement on defined benefit plans related to workforce reductions	**—**	0.8	**—**	1.6
Other costs	**—**	—	**1.5**	—
	$ 2.9	$ 9.2	**$ 14.4**	$ 21.9

[1] Business acquisition costs include transaction costs, primarily legal fees, related to the potential or realized business combinations.

6 IMPAIRMENT OF ASSETS

Impairment of assets by major heading is as follows:

	Three months ended April 30		Six months ended April 30	
	2014	2013	**2014**	2013
Property, plant and equipment [1]	**$ —**	$ 0.7	**$ 0.4**	$ 2.8
Intangible assets	**0.1**	—	**0.1**	—
	$ 0.1	$ 0.7	**$ 0.5**	$ 2.8

[1] Impairment charges of property, plant and equipment are primarily related to machinery and equipment which is no longer used.

(in millions of Canadian dollars, except per share data)

7 AMORTIZATION

Amortization by major heading is as follows:

	Three months ended April 30		Six months ended April 30	
	2014	2013 Restated (Note 3)	**2014**	2013 Restated (Note 3)
Property, plant and equipment	**$ 20.2**	$ 22.4	**$ 41.0**	$ 45.4
Intangible assets	**4.1**	3.8	**8.4**	6.7
	24.3	26.2	**49.4**	52.1
Intangible assets and other assets, recognized in revenues and operating expenses	**7.1**	5.9	**14.0**	12.2
	$ 31.4	$ 32.1	**$ 63.4**	$ 64.3

8 NET FINANCIAL EXPENSES

Net financial expenses by major heading are as follows:

	Three months ended April 30		Six months ended April 30	
	2014	2013 Restated (Note 3)	**2014**	2013 Restated (Note 3)
Financial expenses on long-term debt	**$ 3.8**	$ 4.5	**$ 8.4**	$ 10.4
Net interest on defined benefit plans liability	**0.2**	1.6	**0.4**	3.2
Other expenses	**0.1**	0.3	**0.2**	0.6
Foreign exchange net losses (net gains)	**(0.1)**	0.1	**(0.4)**	1.0
	$ 4.0	$ 6.5	**$ 8.6**	$ 15.2

(in millions of Canadian dollars, except per share data)

9 INCOME TAXES

The following table presents a reconciliation of income taxes at the Canadian statutory tax rate and income taxes at the effective tax rate:

	Three months ended April 30		Six months ended April 30	
	2014	2013 Restated (Note 3)	**2014**	2013 Restated (Note 3)
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 51.5**	$ 37.8	**$ 78.5**	$ 57.8
Canadian statutory tax rate	**26.90 %**	26.90 %	**26.90 %**	26.90 %
Income taxes at the statutory tax rate	**13.8**	10.2	**21.1**	15.6
Effect of differences in tax rates in other jurisdictions	**0.6**	0.5	**1.6**	(2.0)
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**0.3**	0.1	**0.7**	0.9
Change in deferred income tax assets on tax losses or temporary differences not previously recognized	**0.1**	0.1	**0.3**	(0.2)
Other	**0.1**	(0.2)	**(0.1)**	(0.6)
Income taxes at effective tax rate	**$ 14.9**	$ 10.7	**$ 23.6**	$ 13.7

Income taxes include the following items:

Income taxes before the following items:	**$ 15.8**	$ 13.3	**$ 27.2**	$ 20.4
Income taxes on restructuring and other costs	**(0.9)**	(2.5)	**(3.5)**	(6.0)
Income taxes on impairment of assets	**—**	(0.1)	**(0.1)**	(0.7)
Income taxes at effective tax rate	**$ 14.9**	$ 10.7	**$ 23.6**	$ 13.7

10 LONG-TERM DEBT

Amendment of the Solidarity Fund QFL financing terms
On February 6, 2014, the Corporation amended the terms of its $50.0 million unsecured debenture with the Solidarity Fund QFL which had matured. The debenture now matures on February 6, 2020, bears interest at 4.011% payable every six months, and the other terms remain unchanged.

Reimbursement of Senior Notes Series 2004 C
On February 28, 2014, the Corporation repaid its Senior Notes Series 2004 C which matured, amounting to US$15.0 million ($16.6 million). This financing was for a period of ten years, at LIBOR +0.80%.

New letter of credit facilities
On April 11, 2014, the Corporation concluded two renewable and uncommitted letter of credit facilities, amounting to $15.0 million each, which mature on April 11, 2015. The interest rate applicable to the portion issued on these letter of credit facilities is 1.00%. As at April 30, 2014, letters of credit amounting to $3.3 million were issued on these facilities as collateral for unpaid contributions, with respect to the solvency deficiency of the Corporation's defined benefit plans.

(in millions of Canadian dollars, except per share data)

11 PROVISIONS

The following table presents changes in provisions for the six-month period ended April 30, 2014:

	Restructuring costs	Onerous contracts	Multi-employer pension plans	Other (1)	Total
Balance as at October 31, 2013	$ 5.4	$ 10.6	$ 32.6	$ 1.9	$ 50.5
Provisions recorded	10.8	—	—	0.2	11.0
Amounts used	(13.0)	(2.1)	—	(0.3)	(15.4)
Provisions reversed	(0.6)	(0.1)	—	(0.3)	(1.0)
Exchange rate change	—	0.3	—	—	0.3
Balance as at April 30, 2014	$ 2.6	$ 8.7	$ 32.6	$ 1.5	$ 45.4
Current portion	2.6	2.2	—	0.8	5.6
Non-current portion	—	6.5	32.6	0.7	39.8
	$ 2.6	$ 8.7	$ 32.6	$ 1.5	$ 45.4

(1) Other provisions include provisions for asset retirement obligations, provisions related to claims and litigations and other obligations.

12 DEFERRED REVENUES

Renegotiation of agreement with Gesca Ltd

On February 17, 2014, the Corporation announced that it had renegotiated its agreement with Gesca Ltd to print *La Presse* newspaper. The Corporation received a one-time payment of $31.0 million to compensate for price reductions on future services and to give Gesca Ltd greater flexibility for the remaining term of the agreement. The amount received and recognized as deferred revenues will be transferred to revenues based on the remaining term of the agreement. For the three-month period ended April 30, 2014, an amount of $2.9 million was transferred to revenues, without effect on cash flows. As at April 30, 2014, amounts of $7.9 million and $20.2 million were classified as deferred revenues and deposits and as other liabilities, respectively, in the Consolidated Statement of Financial Position.

(in millions of Canadian dollars, except per share data)

13 SHARE CAPITAL

The following tables present changes in the Corporation's share capital:

	Three months ended April 30					
	2014			2013		
	Number of shares		**Amount**	Number of shares		Amount
Participating shares						
Class A Subordinate Voting Shares						
Balance, beginning of period	**63,188,951**	**$**	**345.9**	63,048,851	$	344.4
Conversion of Class B Shares into Class A Subordinate Voting Shares	**—**		**—**	4,900		—
Balance, end of period	**63,188,951**		**345.9**	63,053,751		344.4
Class B Shares						
Balance, beginning of period	**14,832,816**		**20.1**	14,851,816		20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**—**		**—**	(4,900)		—
Balance, end of period	**14,832,816**		**20.1**	14,846,916		20.1
	78,021,767	**$**	**366.0**	77,900,667	$	364.5
Preferred shares						
Cumulative Rate Reset First Preferred Shares, Series D						
Balance, beginning and end of period	**4,000,000**	**$**	**96.8**	4,000,000	$	96.8
		$	**462.8**		$	461.3

	Six months ended April 30					
	2014			2013		
	Number of shares		**Amount**	Number of shares		Amount
Participating shares						
Class A Subordinate Voting Shares						
Balance, beginning of period	**63,188,951**	**$**	**345.9**	64,056,651	$	350.6
Conversion of Class B Shares into Class A Subordinate Voting Shares	**—**		**—**	158,700		0.2
Participating shares redeemed and cancelled	**—**		**—**	(1,161,600)		(6.4)
Balance, end of period	**63,188,951**		**345.9**	63,053,751		344.4
Class B Shares						
Balance, beginning of period	**14,832,816**		**20.1**	15,005,616		20.3
Conversion of Class B Shares into Class A Subordinate Voting Shares	**—**		**—**	(158,700)		(0.2)
Balance, end of period	**14,832,816**		**20.1**	14,846,916		20.1
	78,021,767	**$**	**366.0**	77,900,667	$	364.5
Preferred shares						
Cumulative Rate Reset First Preferred Shares, Series D						
Balance, beginning and end of period	**4,000,000**	**$**	**96.8**	4,000,000	$	96.8
		$	**462.8**		$	461.3

13 SHARE CAPITAL (CONTINUED)

Participating share redemptions

The Corporation has been authorized to repurchase, for cancellation on the open market or, subject to the approval of any securities authority by private agreements, between April 15, 2014 and April 14, 2015, or at an earlier date if the Corporation concludes or cancels the offer, up to 4,742,369 Class A Subordinate Voting Shares, representing 7.5% of its 63,188,951 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2014, and up to 741 640 Class B Shares, representing 5.0% of its 14,832,816 Class B Shares issued and outstanding as at April 2, 2014. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

The Corporation has been authorized to repurchase, for cancellation on the open market or, subject to the approval of any securities authority by private agreements, between April 15, 2013 and April 14, 2014, or at an earlier date if the Corporation concludes or cancels the offer, up to 3,906,520 Class A Subordinate Voting Shares, representing 6.2% of its 63,051,851 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2013, and up to 742,440 Class B Shares, representing 5.0% of its 14,848,816 Class B Shares issued and outstanding as at April 2, 2013. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

The Corporation has been authorized to repurchase, for cancellation on the open market, between April 13, 2012 and April 12, 2013 up to 3,295,096 Class A Subordinate Voting Shares, representing 5.0% of its 65,901,932 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2012, and up to 757,561 Class B Shares, representing 5.0% of its 15,151,235 Class B Shares issued and outstanding as at April 2, 2012. The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange.

During the three-month and six-month periods ended April 30, 2014, the Corporation did not repurchase any of its Class A Subordinate Voting Shares and Class B Shares, and had no obligation as such at that date.

During the six-month period ended April 30, 2013, the Corporation repurchased 1,161,600 of its Class A Subordinate Voting Shares at a weighted average price of $9.98, for a total cash consideration of $11.6 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $5.2 million, was applied against retained earnings. During the same period, the Corporation also paid an amount of $0.5 million, which was in accounts payable and accrued liabilities as at October 31, 2012, for shares that were repurchased before October 31, 2012, but were still held by the Corporation at that date. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares as at April 30, 2013. For the three-month and six-month periods ended April 30, 2013, the Corporation did not repurchase any of its Class B shares and had no obligation as such at that date.

Preferred Shares

The Cumulative Rate Reset First Preferred Shares, Series D are redeemable at the option of the Corporation, and may be converted at the option of the holder, under certain conditions, to Series E Preferred Shares, starting October 15, 2014.

Dividends

Dividends of $0.16 and $0.145 per share were declared and paid to the holders of participating shares for the three-month periods ended April 30, 2014 and 2013, respectively. Dividends of $0.305 and $0.29 per share were declared and paid to the holders of participating shares for the six-month periods ended April 30, 2014 and 2013, respectively. Dividends of $0.4161 per share were declared and paid to the holders of preferred shares for the three-month periods ended April 30, 2014 and 2013. Dividends of $0.8322 per share were declared and paid to the holders of preferred shares for the six-month periods ended April 30, 2014 and 2013.

On March 12, 2013, the Corporation's Board of Directors declared a special dividend of $1.00 per share, totaling $77.9 million, on Class A Subordinate Voting Shares and Class B Shares. This dividend has been paid on April 26, 2013 to participating shareholders of record at the close of business on April 5, 2013.

14 NET EARNINGS PER PARTICIPATING SHARE

The following table presents a reconciliation of the components used in the calculation of basic and diluted net earnings per participating share:

	Three months ended April 30		Six months ended April 30	
	2014	2013 Restated (Note 3)	**2014**	2013 Restated (Note 3)
Numerator				
Net earnings	**$ 36.8**	$ 27.4	**$ 55.4**	$ 44.5
Non-controlling interests	**(0.4)**	(0.4)	**(0.1)**	(0.1)
Dividends on preferred shares, net of related taxes	**(1.7)**	(1.7)	**(3.4)**	(3.4)
Net earnings attributable to participating shares	**$ 34.7**	$ 25.3	**$ 51.9**	$ 41.0
Denominator (in millions)				
Weighted average number of participating shares outstanding - basic	**78.0**	77.9	**78.0**	78.0
Dilutive effect of stock options	**0.2**	—	**0.2**	—
Weighted average number of participating shares - diluted	**78.2**	77.9	**78.2**	78.0

In the calculation of the diluted net earnings per participating share, 324,344 stock options were considered anti-dilutive as at April 30, 2014 (852,136 options as at April 30, 2013), since their exercise price was greater than the average share price of Class A Subordinate Voting Shares during the period. Therefore, these stock options were excluded from the calculation of the diluted net earnings per participating share for those periods.

15 STOCK-BASED COMPENSATION

Stock option plan

The Corporation has a stock option plan for the benefit of certain officers and senior executives. Under the plan, each stock option entitles its holder to receive upon exercise one Class A Subordinate Voting Share. The exercise price of each option is determined using the weighted average price of all trades for the five days immediately preceding the grant of the stock option.

For the three-month and six-month periods ended April 30, 2014, stock-based compensation expenses of $0.1 million and $0.3 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity. For the three-month and six-month periods ended April 30, 2013, stock-based compensation expenses of $0.2 million and $0.4 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

The following tables present the changes in the plan's status:

	Three months ended April 30			
	2014		2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**1,177,720**	**$ 13.38**	1,516,576	$ 14.23
Expired	**(3,700)**	**22.41**	(24,000)	19.38
Options outstanding at end of period	**1,174,020**	**$ 13.35**	1,492,576	$ 14.14

(in millions of Canadian dollars, except per share data)

15 STOCK-BASED COMPENSATION (CONTINUED)

	Six months ended April 30			
	2014		2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**1,354,076**	**$ 14.44**	1,432,616	$ 16.11
Granted	**—**	**—**	386,940	11.33
Cancelled	**(1,376)**	**16.20**	—	—
Expired	**(178,680)**	**21.56**	(326,980)	19.43
Options outstanding at end of period	**1,174,020**	**$ 13.35**	1,492,576	$ 14.14
Options exercisable at end of period	**750,368**	**$ 14.16**	858,074	$ 15.62

Share unit plan for certain officers and senior executives

The Corporation offers a share unit plan for the benefit of certain officers and senior executives under which deferred share units ("DSU") and restricted share units ("RSU") are granted. Vested DSUs and RSUs will be paid, at the Corporation's discretion, in cash or with Class A Subordinate Voting Shares of the Corporation purchased on the open market.

The following tables present the changes in the plan's status:

	Three months ended April 30			
Number of units	**2014**	2013	**2014**	2013
	DSU		RSU	
Balance, beginning of period	**238,453**	202,693	**966,752**	751,192
Units cancelled	**—**	—	**—**	(19,821)
Units paid	**—**	(456)	**—**	—
Dividends paid in units	**2,342**	18,795	**4,139**	—
Balance, end of period	**240,795**	221,032	**970,891**	731,371

	Six months ended April 30			
Number of units	**2014**	2013	**2014**	2013
	DSU		RSU	
Balance, beginning of period	**225,051**	178,907	**713,704**	606,597
Units granted	**—**	—	**418,934**	321,725
Units cancelled	**—**	—	**(12,740)**	(26,737)
Units paid	**(4,086)**	(456)	**(138,130)**	(148,874)
Units converted	**15,016**	21,340	**(15,016)**	(21,340)
Dividends paid in units	**4,814**	21,241	**4,139**	—
Balance, end of period	**240,795**	221,032	**970,891**	731,371

As at April 30, 2014, the liability related to the share unit plan for certain officers and senior executives was $9.7 million ($9.7 million as at October 31, 2013). The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2014 were $2.6 million and $2.3 million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2013 were $1.3 million and $2.5 million, respectively. No amount was paid under this plan for the three-month period ended April 30, 2014. An amount of $2.3 million was paid under this plan for the six-month period ended April 30, 2014. A negligible amount and an amount of $1.5 million were paid under this plan for the three-month and six-month periods ended April 30, 2013, respectively.

(in millions of Canadian dollars, except per share data)

15 STOCK-BASED COMPENSATION (CONTINUED)

Share unit plan for directors

The Corporation offers a deferred share unit plan for its directors. Under this plan, directors may elect to receive as compensation either cash, deferred share units, or a combination of both.

The following table presents the changes in the plan's status:

	Three months ended April 30		Six months ended April 30	
Number of units	**2014**	2013	**2014**	2013
Balance, beginning of period	**332,361**	261,534	**318,875**	247,505
Directors' compensation	**8,505**	10,052	**18,648**	21,058
Dividends paid in units	**3,251**	24,466	**6,594**	27,489
Balance, end of period	**344,117**	296,052	**344,117**	296,052

As at April 30, 2014, the liability related to the share unit plan for directors was $5.5 million ($5.3 million as at October 31, 2013). The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2014 were $0.9 million and $0.2 million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2013 were $0.7 million and $1.4 million, respectively. No amount was paid under this plan for the three-month and six-month periods ended April 30, 2014 and 2013.

16 ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive loss
Balance as at October 31, 2013 (Restated, Note 3)	**$ (3.7)**	**$ (1.6)**	**$ (7.9)**	**$ (13.2)**
Net change in gains (losses), net of income taxes	**0.1**	**0.4**	**8.2**	**8.7**
Balance as at April 30, 2014	**$ (3.6)**	**$ (1.2)**	**$ 0.3**	**$ (4.5)**
Balance as at November 1, 2012 (Note 3)	$ (3.9)	$ (1.2)	$ (79.3)	$ (84.4)
Net change in gains (losses), net of income taxes	0.6	(0.3)	2.6	2.9
Balance as at April 30, 2013	$ (3.3)	$ (1.5)	$ (76.7)	$ (81.5)

As at April 30, 2014, the amounts expected to be reclassified to net earnings in future fiscal years are as follows:

	2014	2015	2016	2017	2018 and thereafter	Total
Losses on derivatives designated as cash flow hedges	$ (2.0)	$ (0.6)	$ (0.8)	$ (0.8)	$ (0.9)	$ (5.1)
Income taxes	(0.7)	(0.2)	(0.2)	(0.2)	(0.2)	(1.5)
	$ (1.3)	$ (0.4)	$ (0.6)	$ (0.6)	$ (0.7)	$ (3.6)

(in millions of Canadian dollars, except per share data)

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to their short term maturities. The table below indicates the fair value and the carrying amount of the other financial instruments as at April 30, 2014 and as at October 31, 2013.

The fair value of long-term debt is determined using market rates for the same or similar issues. The fair value of derivatives is determined using an estimated credit-adjusted market value. The fair value calculated approximates the amounts for which the financial instruments could be settled between consenting parties based on current market data for similar instruments. Accordingly, by virtue of its estimative nature, the fair value must not be interpreted as being realizable in the event of the immediate settlement of instruments.

The Corporation presents a fair value hierarchy with three levels that reflects the significance of inputs used in determining the fair value assessments. The fair value of financial assets and liabilities classified in these three levels is evaluated as follows:

Level 1 - Quoted prices (unadjusted) on active markets for identical assets or liabilities
Level 2 - Inputs other than the prices included within level 1, that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
Level 3 - Inputs for the asset or liability that are not based on observable market data

The following table presents the carrying amount and the fair value of other financial instruments:

	As at April 30, 2014		As at October 31, 2013	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Long-term debt	**$ 291.9**	**$ 281.6**	$ 354.2	$ 347.2
Foreign exchange forward contracts	**(0.7)**	**(0.7)**	(0.8)	(0.8)
Interest rate swaps	**—**	**—**	(0.4)	(0.4)
Cross currency interest rate swap	**(1.1)**	**(1.1)**	(3.6)	(3.6)
Bond Forward [(1)]	**(1.0)**	**(1.0)**	—	—

[(1)] During the three-month period ended April 30, 2014, the Corporation entered into a bond forward contract of $140.0 million, which matures on May 8, 2014, corresponding to the date on which the Corporation has negotiated the rate of the private financing agreement amounting to $250.0 million, as described in Note 20 "Subsequent events". The rate was set at 2.084%, based on the rate of Canadian bonds with a 7 years term.

Financial instruments of the Corporation are classified in Level 2 of the fair value hierarchy. For the three-month and six-month periods ended April 30, 2014, no financial instruments were transferred between levels 1, 2 and 3.

18 SEGMENT REPORTING

The operating segments are defined in terms of the types of products and services offered by the Corporation. The Printing Sector derives revenues from activities such as the printing of retail flyers, magazines, newspapers, color books and personalized and mass marketing products. The Media Sector generates revenues through the publishing of magazines, newspapers and books, a diversified digital platform and a door-to-door network for distributing advertising material that allows advertisers to reach consumers directly. The Media Sector also offers mass and personalized interactive marketing services and products that use new communication platforms supported by marketing strategy and planning services, database analytics, premedia, e-flyers, email marketing, custom communications and mobile solutions. Inter-segment sales of the Corporation are recognized at fair value. Transactions other than sales are recognized at carrying amount.

(in millions of Canadian dollars, except per share data)

18 SEGMENT REPORTING (CONTINUED)

The following tables present the various segment components of the Consolidated Statements of Earnings:

For the three-month period ended April 30, 2014	Printing Sector	Media Sector	Head office and inter-segment eliminations	Total
Revenues	$ **351.5**	$ **166.1**	$ **(19.4)**	$ **498.2**
Operating expenses	**273.5**	**154.6**	**(12.7)**	**415.4**
Adjusted operating earnings before amortization (1)	**78.0**	**11.5**	**(6.7)**	**82.8**
Restructuring and other costs	**0.6**	**1.6**	**0.7**	**2.9**
Impairment of assets	**—**	**0.1**	**—**	**0.1**
Operating earnings before amortization	**77.4**	**9.8**	**(7.4)**	**79.8**
Amortization	**18.3**	**4.4**	**1.6**	**24.3**
Operating earnings	$ **59.1**	$ **5.4**	$ **(9.0)**	$ **55.5**
Adjusted operating earnings (1)	$ **59.7**	$ **7.1**	$ **(8.3)**	$ **58.5**
Acquisitions of non-current assets (2)	$ **8.2**	$ **6.6**	$ **1.4**	$ **16.2**

For the six-month period ended April 30, 2014	Printing Sector	Media Sector	Head office and inter-segment eliminations	Total
Revenues	$ **714.6**	$ **319.7**	$ **(36.8)**	$ **997.5**
Operating expenses	**569.3**	**307.0**	**(30.2)**	**846.1**
Adjusted operating earnings before amortization (1)	**145.3**	**12.7**	**(6.6)**	**151.4**
Restructuring and other costs	**8.1**	**5.6**	**0.7**	**14.4**
Impairment of assets	**0.4**	**0.1**	**—**	**0.5**
Operating earnings before amortization	**136.8**	**7.0**	**(7.3)**	**136.5**
Amortization	**37.0**	**9.4**	**3.0**	**49.4**
Operating earnings	$ **99.8**	$ **(2.4)**	$ **(10.3)**	$ **87.1**
Adjusted operating earnings (1)	$ **108.3**	$ **3.3**	$ **(9.6)**	$ **102.0**
Acquisitions of non-current assets (2)	$ **12.1**	$ **14.1**	$ **3.7**	$ **29.9**

(in millions of Canadian dollars, except per share data)

18 SEGMENT REPORTING (CONTINUED)

For the three-month period ended April 30, 2013 (Restated, Note 3)	Printing Sector	Media Sector	Head office and inter-segment eliminations	Total
Revenues	$ 367.6	$ 174.0	$ (23.8)	$ 517.8
Operating expenses	292.9	162.2	(17.7)	437.4
Adjusted operating earnings before amortization (1)	74.7	11.8	(6.1)	80.4
Restructuring and other costs	6.1	2.4	0.7	9.2
Impairment of assets	0.7	—	—	0.7
Operating earnings before amortization	67.9	9.4	(6.8)	70.5
Amortization	19.7	5.3	1.2	26.2
Operating earnings	$ 48.2	$ 4.1	$ (8.0)	$ 44.3
Adjusted operating earnings (1)	$ 55.0	$ 6.5	$ (7.3)	$ 54.2
Acquisitions of non-current assets (2)	$ 8.3	$ 7.0	$ 3.0	$ 18.3

For the six-month period ended April 30, 2013 (Restated, Note 3)	Printing Sector	Media Sector	Head office and inter-segment eliminations	Total
Revenues	$ 748.8	$ 338.0	$ (43.4)	$ 1,043.4
Operating expenses	608.3	320.0	(34.7)	893.6
Adjusted operating earnings before amortization (1)	140.5	18.0	(8.7)	149.8
Restructuring and other costs	16.9	4.4	0.6	21.9
Impairment of assets	2.3	—	0.5	2.8
Operating earnings before amortization	121.3	13.6	(9.8)	125.1
Amortization	39.7	9.8	2.6	52.1
Operating earnings	$ 81.6	$ 3.8	$ (12.4)	$ 73.0
Adjusted operating earnings (1)	$ 100.8	$ 8.2	$ (11.3)	$ 97.7
Acquisitions of non-current assets (2)	$ 12.4	$ 13.1	$ 3.3	$ 28.8

(1) The Corporation's officers mainly make decisions and assess segment performance based on adjusted operating earnings. Adjusted operating earnings before amortization and the adjusted operating earnings exclude restructuring and other costs and impairment of assets.

(2) These amounts include acquisitions of property, plant and equipment and intangible assets, excluding those acquired as part of business combinations, whether they were paid or not.

(in millions of Canadian dollars, except per share data)

18 SEGMENT REPORTING (CONTINUED)

The Corporation's revenues by main products and services are as follows:

	Three months ended April 30		Six months ended April 30	
	2014	2013 Restated (Note 3)	**2014**	2013 Restated (Note 3)
Main products and services				
Printed products	**$ 332.4**	$ 343.7	**$ 678.6**	$ 706.6
Publishing products	**88.4**	98.5	**175.2**	193.8
Digital and interactive products	**39.0**	40.4	**71.7**	77.4
Other products and services	**38.4**	35.2	**72.0**	65.6
	$ 498.2	$ 517.8	**$ 997.5**	$ 1,043.4

The Corporation's total assets by segment are as follows:

	As at April 30, 2014	As at October 31, 2013 Restated (Note 3)
Operating segments		
Printing Sector	**$ 1,086.5**	$ 1,145.4
Media sector	**601.2**	602.6
Head office and inter-segment eliminations (1)	**130.0**	102.8
	$ 1,817.7	$ 1,850.8

(1) This heading includes mainly cash, property, plant and equipment, intangible assets, deferred income taxes and defined benefit asset not allocated to segments.

19 BUSINESS COMBINATIONS AND DISPOSALS OF SUBSIDIARIES

Business combinations completed after the reporting date but before the publication date of the financial statements

Acquisition of the Sun Media Corporation weekly newspapers in Quebec
On December 5, 2013, the Corporation announced the completion of a definitive agreement pursuant to which it has agreed to acquire all Quebec weekly newspapers and associated Web properties from Sun Media Corporation, a subsidiary of Quebecor Media Inc., for a purchase price of $75.0 million, subject to adjustments. On June 1, 2014, the Corporation completed the acquisition after receiving clearance from regulators under the Canadian *Competition Act*. This acquisition will allow the Corporation to strengthen its Media Sector assets, pursue the development of a local media offering for businesses and communities, and continue to build multiplatform services throughout Quebec. Under the terms of the agreement with the Competition Bureau, the Corporation must put up for sale, and for a period of 60 days, 34 of the 154 weekly newspapers of its portfolio, including some that are part of the transaction with Sun Media Corporation. Most of the newspapers to be sold were launched over the past few years.

Given the short period between the completion of the acquisition and the publication of these interim condensed consolidated financial statements, the Corporation was unable to obtain the information necessary to present a preliminary summary of the fair value of assets acquired and liabilities assumed in that business combination. However, the Corporation believes that the consideration transferred will mainly be attributed to intangible assets and goodwill. The Corporation expects to finalize the accounting of this business combination in the coming quarters.

(in millions of Canadian dollars, except per share data)

19 BUSINESS COMBINATIONS AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Acquisition of Capri Packaging

On March 10, 2014, the Corporation signed a definitive agreement to acquire the assets of Capri Packaging, a flexible packaging manufacturer located in Clinton, Missouri, for a purchase price of US$133.0 million ($146.1 million). In addition, the Corporation signed a 10-year packaging supply contract with Schreiber Foods, Inc., which guarantees the position of Capri Packaging as a strategic supplier of flexible packaging, which represents about 75% of the current annual revenues of Capri Packaging. On May 3, 2014, the Corporation completed the transaction after approval by regulatory authorities in the United States. This acquisition will enable the Corporation to pursue its transformation focused on its core competencies in manufacturing, in developing a new area of growth in the field of flexible packaging. The Corporation expects to finalize the accounting of this business combination in the coming quarters.

The following table summarizes the preliminary estimated fair value of assets acquired and liabilities assumed related to the business combination at the acquisition date :

Assets acquired		
Current assets	$	11.4
Property, plant and equipment		16.7
Intangible assets		52.0
Goodwill (tax basis of 69.6)		69.6
	$	149.7
Liabilities assumed		
Current liabilities		3.6
	$	146.1
Consideration		
Cash paid	$	146.1

If the Corporation had acquired this business on November 1, 2013, its operating results for the six-month period ended April 30, 2014 would have been as follows: additional revenues of approximately US$36.0 million ($39.0 million) and additional operating earnings before amortization of approximately US$8.5 million ($9.2 million).

Disposals of subsidiaries

Sale of printing assets in the United States

On February 11, 2014, the Corporation completed the sale of assets of its subsidiary, Rastar, Inc., which specializes in personalized printed products, in the United States. The effect of this transaction on the Consolidated Financial Statements of the Corporation is not significant.

20 SUBSEQUENT EVENTS

Conclusion of a $250 million private financing agreement

On May 8, 2014, the Corporation concluded a $250 million private financing agreement of senior unsecured notes bearing interest at 3.897%, payable in equal semi-annual instalments, and coming to maturity in 2019. The Corporation used the proceeds to repay outstanding indebtedness under its revolving credit facility and for general corporate purposes. The notes are direct unsecured obligations of the Corporation and will rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Corporation.

The event described above is in addition to subsequent events described in Note 19 "Business combinations and disposals of subsidiaries."