

Transcontinental Inc. announces its results for the third quarter of Fiscal 2015

Highlights

- Revenues were stable at \$481.9 million.
- Adjusted operating earnings before depreciation and amortization grew 14.9%.
- Adjusted net earnings applicable to participating shares increased 30.5%.
- Maintained a solid financial position, with a net indebtedness ratio of 0.8x.
- Obtained new contracts in the packaging and printing divisions valued at over \$30 million, on an annualized basis, which will progressively come into effect starting in the fourth quarter of 2015.
- Entered into a definitive agreement to acquire Ultra Flex Packaging, a supplier of flexible packaging, located in Brooklyn, New York.

Montreal, September 10, 2015 - Transcontinental inc. (TSX: TCL.A TCL.B) announces its results for the third quarter of Fiscal 2015, which ended July 31, 2015.

“Our results for the third quarter reflect, once again, our ability to implement our strategy that aims at, on the one hand, continuously improving the performance of our core assets and, on the other hand, diversifying in a rational and measured approach our operations into flexible packaging,” said François Olivier, President and Chief Executive Officer of TC Transcontinental. “In fact, the changes made to our portfolio of publications, combined with the efforts to optimize our cost structure across the Corporation, contributed to the growth in our profitability despite an advertising market in transformation.”

“I am also especially satisfied with the results of our packaging division. In addition to achieving solid growth since the acquisition of Capri Packaging, we have also signed a multi-year agreement with a leader in the North American dairy industry. Furthermore, following our recently announced acquisition of Ultra Flex Packaging, we will continue developing our network in the United States, access new markets and expand our manufacturing capabilities.”

“Lastly, we have a sound financial position and keep generating significant cash flows that will allow us to continue our transformation.”

(in millions of dollars, except per share data)	Q3-2015	Q3-2014	%	YTD 2015	YTD 2014	%
Revenues	481.9	483.0	(0.2)	1,462.1	1,442.2	1.4
Adjusted operating earnings before depreciation and amortization (Adjusted EBITDA)	96.4	83.9	14.9	264.4	235.0	12.5
Adjusted operating earnings (Adjusted EBIT)	71.6	58.0	23.4	188.9	160.8	17.5
Adjusted net earnings applicable to participating shares	48.8	37.4	30.5	126.1	101.1	24.7
Per share	0.62	0.48	29.2	1.61	1.30	23.8
Net earnings applicable to participating shares	43.3	44.2	(2.0)	162.4	96.1	69.0
Per share	0.55	0.56	(1.8)	2.08	1.23	69.1

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

2015 Third Quarter Results

Revenues for the third quarter of 2015 went from \$483.0 million to \$481.9 million. The increase in volume in the packaging division, the printing contracts signed in 2014 and the appreciation of the US dollar against the Canadian dollar had a favourable impact on revenues. These contributions were however offset mainly by the impact of the transformation of the advertising market on the results of certain of the Corporation's niches, in particular on the operations of the Media Sector, which saw a decline in revenues from local and national advertisers. In addition, the loss of certain customers early in the fiscal year continues to have a negative impact on the flyer printing operations.

Adjusted operating earnings went from \$58.0 million to \$71.6 million in the third quarter of 2015, an increase of 23.4%. This performance is attributable to the increase in volume in the packaging division, the optimization of the cost structure across the Corporation, the favourable impact of the exchange rate and the impact of the decrease in the stock price on the stock-based compensation. It was however mitigated by the above-mentioned factors.

Adjusted net earnings applicable to participating shares grew 30.5%, from \$37.4 million, or \$0.48 per share, to \$48.8 million, or \$0.62 per share. This performance is attributable to an increase in adjusted operating earnings before depreciation and amortization and a decrease in net financial expenses. Net earnings applicable to participating shares decreased 2.0%, from \$44.2 million, or \$0.56 per share, to \$43.3 million, or \$0.55 per share. This slight decrease results mainly from a favourable adjustment to deferred income tax assets in 2014, partly offset by the improvement in operating earnings.

Other Highlights

- TC Transcontinental obtained several contracts valued at over \$30 million, on an annualized basis, which will progressively come into effect starting in the fourth quarter of fiscal 2015:
 - Many multi-year contracts for flyer printing, mostly for clients located in Quebec.
 - A contract to print Canada's census forms in 2016.
 - A multi-year contract in the flexible packaging niche with a leader in the North American dairy industry.
- On September 1, 2015, the Corporation announced that it entered into a definitive agreement to acquire Ultra Flex Packaging Corp., a supplier of flexible packaging, located in Brooklyn, New York, for US\$80 million to be paid in cash at closing plus an additional consideration payable subject to attaining pre-established financial targets. Ultra Flex Packaging employs close to 300 people and generated US\$72 million in annual revenues and US\$12 million in operating income before amortization in its last fiscal year. The transaction is subject to regulatory approval in the United States and is expected to close before the end of our fiscal year.

Highlights for the First Nine Months

For the first nine months of 2015, TC Transcontinental's revenues increased 1.4%, from \$1,442.2 million to \$1,462.1 million. This increase stems primarily from the contribution of acquisitions, more specifically the acquisition of Capri Packaging and the Quebec weekly newspapers (net of disposals and closures). The signing of new printing agreements in 2014 and the appreciation of the US dollar against the Canadian dollar also had a favourable impact. This increase in revenues was however mitigated mainly by the impact of the transformation of the advertising market on the results of certain of the Corporation's niches, in particular on the weekly newspapers' advertising revenues. Furthermore, the loss of certain customers early in the fiscal year affected the flyer printing operations.

Adjusted operating earnings went from \$160.8 million to \$188.9 million, an increase of 17.5%. This increase is attributable to the contribution from acquisitions, disposals and closures, the optimization of the cost structure across the Corporation and the favourable impact of the exchange rate. It was however mitigated by the above-mentioned factors and the increase in stock-based compensation expense.

Adjusted net earnings applicable to participating shares grew 24.7%, from \$101.1 million, or \$1.30 per share, to \$126.1 million, or \$1.61 per share. Net earnings attributable to participating shares increased from \$96.1 million, or \$1.23 per share, to \$162.4 million, or \$2.08 per share. This increase results mainly from the gain on the sale of consumer magazines produced in Montreal and Toronto, the reversal of the provision related to multi-employer pension plans and the increase in operating earnings.

For more detailed financial information, please see *Management's Discussion and Analysis for the third quarter ended July 31st, 2015* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook

Flyer printing volume should remain relatively stable and will benefit from new agreements signed with certain retailers that will mitigate the effect of the loss of customers early in the fiscal year. In addition, we will continue to successfully develop our point-of-purchase marketing product offering for retailers. Furthermore, we will continue with our optimization initiatives, which should offset the effect of the transformation of the printing industry that is expected to have an ongoing negative impact, especially on our newspaper, magazine and marketing product printing activities.

The definitive agreement to acquire the shares of Ultra Flex Packaging will allow us to pursue the development of our growth vector in the flexible packaging industry. During its most recent fiscal year, Ultra Flex Packaging generated annual revenues of US\$72 million and operating earnings before depreciation and amortization of approximately US\$12 million. In addition, the current results of our packaging operations continue to exceed our expectations and the announcement of the signing of a multi-year agreement should enable us to improve our operating earnings in 2016.

Within the Media Sector, the positive impacts of the integration of the weekly newspapers in Quebec should dissipate. Furthermore, we expect that the difficult advertising market conditions will persist and continue to negatively impact our results in the fourth quarter. However, we will continue to review our cost structure to limit the impact on our profit margin and will pursue the development of our digital media offering. Lastly, the sector will also continue to be affected by the exit from the Canadian market by a retailer, which will have a negative effect on our distribution activities.

We will continue to generate significant cash flows in the upcoming quarters, and our excellent financial position should permit us to continue investing in our growth. We will also begin integrating Ultra Flex Packaging into our packaging division, and we will take steps to organically grow our existing operations. In addition, we will maintain our disciplined acquisition approach in this promising market to ensure a sustained long-term growth for the Corporation.

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)

(in millions of dollars, except per share amounts)	Three months ended July 31		Nine months ended July 31	
	2015	2014	2015	2014
Net earnings applicable to participating shares	\$ 43.3	\$ 44.2	\$ 162.4	\$ 96.1
Dividends on preferred shares, net of related taxes	—	1.7	—	5.1
Non-controlling interests	0.1	—	(0.3)	0.1
Net earnings from discontinued operations	(0.7)	—	(29.2)	1.2
Income taxes	17.0	2.2	49.8	26.3
Share of earnings in interests in joint ventures, net of related taxes	(0.1)	(0.2)	(0.3)	(0.6)
Net financial expenses	3.6	5.7	13.8	14.3
Impairment of assets	0.2	0.2	1.6	0.7
Restructuring and other costs (revenues)	8.2	4.2	(8.9)	17.6
Adjusted operating earnings	\$ 71.6	\$ 58.0	\$ 188.9	\$ 160.8
Depreciation and amortization	24.8	25.9	75.5	74.2
Adjusted operating earnings before depreciation and amortization	\$ 96.4	\$ 83.9	\$ 264.4	\$ 235.0
Net earnings applicable to participating shares	\$ 43.3	\$ 44.2	\$ 162.4	\$ 96.1
Adjustment to deferred income tax assets	—	(10.0)	—	(10.0)
Net earnings from discontinued operations	(0.7)	—	(29.2)	1.2
Impairment of assets after tax	0.2	0.1	1.2	0.5
Restructuring and other costs (revenues) after tax	6.0	3.1	(8.3)	13.3
Adjusted net earnings applicable to participating shares	\$ 48.8	\$ 37.4	\$ 126.1	\$ 101.1
Weighted average number of participating shares outstanding	78.1	78.0	78.1	78.0
Adjusted net earnings applicable to participating shares per share	\$ 0.62	\$ 0.48	\$ 1.61	\$ 1.30

	As at July 31, 2015	As at October 31, 2014
Long-term debt	\$ 347.6	\$ 358.7
Current portion of long-term debt	13.3	118.1
Cash	(54.3)	(35.2)
Net indebtedness	\$ 306.6	\$ 441.6
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$ 383.5	\$ 354.1
Net indebtedness ratio	0.8 x	1.2 x

Dividend on Participating Shares

The Corporation's Board of Directors declared a quarterly dividend of \$0.17 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on October 21, 2015 to shareholders of record at the close of business on October 5, 2015.

Conference Call

Upon releasing its third quarter 2015 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, Corporate Communications of TC Transcontinental, at 514-954-3581.

Profile

Canada's largest printer, with operations in print and digital media, flexible packaging and publishing, TC Transcontinental's mission is to create products and services that allow businesses to attract, reach and retain their target customers.

Respect, teamwork, performance and innovation are strong values held by the Corporation and its commitment to all stakeholders is to pursue its business and philanthropic activities in a responsible manner.

Transcontinental Inc. (TSX: TCL.ATCL.B), known as TC Transcontinental, has over 8,000 employees in Canada and the United States, and revenues of C\$2.1 billion in 2014. 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 its packaging products used in the food industry, innovation of its offering and concentration of its 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, 2014*, in the latest *Annual Information Form* and have been updated in the *MD&A for the third quarter ended July 31st, 2015*.

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 September 10, 2015.

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 September 10, 2015. 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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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter ended July 31, 2015

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 with respect 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 July 31, 2015. 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. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. 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. 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, 2014 and in the 2014 Annual Information Form. 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 September 10, 2015.

These forward-looking statements 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 September 10, 2015. 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 cash.	<ul style="list-style-type: none"> - Lower spending on print media advertising will continue to affect both our sectors. - Ability to control our costs. - The impact of our commercial agreements will be as expected. - Stable level of competition in the markets in which we operate. - Moderate growth rate of the Canadian economy. 	<ul style="list-style-type: none"> - The impact of new media and the corresponding shift of advertising revenues to new platforms. - Our ability to execute our strategy. - Our ability to continually improve our operational efficiency to maintain or improve our profitability. - Significant increase in the price of our raw materials and inputs. - The renegotiation of commercial printing agreements with some of our major customers could lead to lower operating earnings despite long-term agreements.
Estimated increase in adjusted operating earnings before depreciation and amortization following the acquisition of Ultra Flex Packaging.	<ul style="list-style-type: none"> - We will be able to retain key employees in order to facilitate the integration of this acquisition. - Ability to apply our manufacturing expertise to maintain operational efficiency. - Ability to develop new business opportunities to ensure the growth of our investment. 	<ul style="list-style-type: none"> - The expected increase in sales and adjusted operating earnings before depreciation and 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 less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization
Net earnings applicable to participating shares	Net earnings attributable to shareholders of the Corporation less dividends on preferred shares
Adjusted net earnings applicable to participating shares	Net earnings applicable to participating shares, before restructuring and other costs (revenues) (net of related income taxes), impairment of assets (net of related income taxes), adjustment to deferred income tax assets and net earnings from discontinued operations
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues) and the impairment of assets
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization, restructuring and other costs (revenues), as well as impairment of assets

PROFILE OF TC TRANSCONTINENTAL

Canada's largest printer, with operations in print and digital media, flexible packaging and publishing, TC Transcontinental's mission is to create products and services that allow businesses to attract, reach and retain their target customers.

Respect, teamwork, performance and innovation are strong values held by the Corporation and its commitment to all stakeholders is to pursue its business and philanthropic activities in a responsible manner.

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PREAMBLE

This Management's Discussion and Analysis addresses the evolution of our activities and results excluding our consumer magazine publishing activities, which were sold in the second quarter of 2015 and are now presented as discontinued operations in the Corporation's financial statements, with the exception of the net earnings applicable to participating shares and net assets as at October 31, 2014.

HIGHLIGHTS

- Revenues decreased by \$1.1 million, or 0.2%, from \$483.0 million in the third quarter of 2014 to \$481.9 million in the third quarter of 2015.
- Adjusted operating earnings increased by \$13.6 million, or 23.4%, from \$58.0 million in the third quarter of 2014 to \$71.6 million in the same quarter of 2015.
- Adjusted net earnings applicable to participating shares increased by \$11.4 million, or 30.5%, from \$37.4 million in the third quarter of 2014 to \$48.8 million in the same quarter of 2015.
- On August 31, 2015, the Corporation entered into a definitive agreement to acquire the shares of Ultra Flex Packaging, a supplier of flexible packaging located in Brooklyn, New York, for US\$80 million to be paid in cash at closing plus an additional consideration payable subject to attaining pre-established financial targets.
- The Corporation obtained new contracts in the packaging and printing divisions valued at over \$30 million, on an annualized basis, which will progressively impact the coming quarters.

ANALYSIS OF CONSOLIDATED RESULTS - THIRD QUARTER

(unaudited)

Table #1:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
Third quarter of 2014	\$ 483.0		\$ 58.0		\$ 44.2
Acquisitions/disposals and closures	1.5	0.3 %	1.5	2.6 %	1.2
Existing operations					
Exchange rate effect	7.5	1.6 %	2.8	4.8 %	2.2
Organic growth (negative)	(10.1)	(2.1) %	9.3	16.0 %	6.7
Restructuring and other costs (revenues)					(2.9)
Impairment of assets					(0.1)
Adjustment to deferred income tax assets					(10.0)
Redemption of preferred shares					1.3
Discontinued operations					0.7
Third quarter of 2015	\$ 481.9	(0.2) %	\$ 71.6	23.4 %	\$ 43.3

Revenues

Revenues decreased by \$1.1 million, or 0.2%, from \$483.0 million in the third quarter of 2014 to \$481.9 million in the third quarter of 2015. This decrease is due to the following factors:

- Revenues from existing operations, excluding the exchange rate effect, were down \$10.1 million, in particular due to the transformation of the printing and media industries that affected both our operating sectors. The Media Sector was principally impacted by the decline in revenues from local and national advertisers. Furthermore, the loss of certain customers earlier in the year continues to have a negative impact on our flyer printing operations. However, certain other printing niches have performed relatively better, partly due to the impact of contracts signed in 2014. Lastly, an increase in volume in our flexible packaging operations also mitigated the decrease in our organic revenues.
- The effect of the acquisition, in June 2014, of the weekly newspapers in Quebec (net of closures and disposals) explains the majority of the increase of \$1.5 million related to our acquisitions, disposals and closures.

Adjusted Operating Earnings

Adjusted operating earnings increased by \$13.6 million, or 23.4%, from \$58.0 million in the third quarter of 2014 to \$71.6 million in the third quarter of 2015. This increase stems from the following factors:

- Organic growth, excluding the exchange rate effect, improved by \$9.3 million mostly as a result of the continuation of cost reduction initiatives in both our operating sectors, partially offset by the above-mentioned decrease in revenues. Furthermore, the increased volume in our flexible packaging operations improved adjusted operating earnings compared to the same period in 2015. This variation is also attributable to the decrease in our share price, which had a favourable impact on stock-based compensation.
- The effect of the acquisition, in June 2014, of the weekly newspapers in Quebec (net of closures and disposals) explains the majority of the increase of \$1.5 million related to our acquisitions, disposals and closures.

Restructuring and Other Costs (Revenues)

In the third quarter of 2015, an amount of \$8.2 million (\$6.0 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs (revenues), of which \$4.1 million was related to workforce reductions, mainly in the Media Sector. A non-recurring expense of \$2.6 million was also recorded with respect to the past service cost of certain pension plans as a result of amendments made by the Corporation to these plans.

In the third quarter of 2014, an amount of \$4.2 million (\$3.1 million after tax) had been accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs (revenues), of which \$1.4 million was related to workforce reductions, mainly in the Media sector. The Corporation had also recorded expenses of \$2.4 million related to acquisitions completed in the third quarter of 2014.

Impairment of assets

In the third quarter of 2015, an asset impairment charge of \$0.2 million (\$0.2 million after tax) was recorded, compared to \$0.2 million (\$0.1 million after tax) in the third quarter of 2014.

Net Financial Expenses

Net financial expenses decreased by \$2.1 million, from \$5.7 million in the third quarter of 2014 to \$3.6 million in the third quarter of 2015. This decrease is mostly attributable to operating cash flows, which allowed the Corporation to reduce its indebtedness level, and to a lower weighted average interest rate in 2015.

Income taxes

Income taxes increased from \$2.2 million in the third quarter of 2014 to \$17.0 million in the third quarter of 2015. This increase stems mainly from a favourable adjustment to deferred income tax assets in the United States in 2014. Excluding income taxes on restructuring and other costs (revenues) and asset impairment charges as well as the adjustment to deferred income tax assets, income taxes would have amounted to \$19.2 million in the third quarter of 2015, for a tax rate of 28.4%, compared to \$13.4 million, or 25.3%, in the third quarter of 2014. This increase in the tax rate is mostly due to the reconciliation of the estimated accounting provision and the tax expense, which had a positive impact on our third quarter of 2014.

Redemption of Preferred Shares

The redemption of 4.0 million preferred shares bearing a quarterly dividend of \$0.4253 during the fourth quarter of 2014 explains an increase in net earnings applicable to participating shares of \$1.3 million, net of taxes and financial expenses.

Discontinued Operations

Net earnings from discontinued operations of \$0.7 million were recorded in the third quarter of 2015 as a result of a gain on the sale of certain other consumer magazines that were not included in the transaction with TVA Group Inc.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares went from \$44.2 million in the third quarter of 2014 to \$43.3 million in the third quarter of 2015. This slight decrease results mainly from the favourable adjustment to deferred income tax assets in 2014, partially offset by the improvement in operating earnings this year. On a per share basis, net earnings applicable to participating shares decreased from \$0.56 to \$0.55.

Adjusted net earnings applicable to participating shares rose by \$11.4 million, or 30.5%, from \$37.4 million in the third quarter of 2014 to \$48.8 million in the third quarter of 2015 as a result of an increase in adjusted operating earnings before depreciation and amortization. On a per share basis, it increased from \$0.48 to \$0.62.

ANALYSIS OF SECTOR RESULTS - THIRD QUARTER

(unaudited)

Table #2:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated results
Revenues - Third quarter of 2014	\$ 344.2	\$ 153.1	\$ (14.3)	\$ 483.0
Acquisitions/disposals and closures	—	1.5	—	1.5
Existing operations				
Exchange rate effect	7.5	—	—	7.5
Organic growth (negative)	(1.3)	(10.2)	1.4	(10.1)
Revenues - Third quarter of 2015	\$ 350.4	\$ 144.4	\$ (12.9)	\$ 481.9
Adjusted operating earnings - Third quarter of 2014	\$ 49.6	\$ 12.4	\$ (4.0)	\$ 58.0
Acquisitions/disposals and closures	—	1.5	—	1.5
Existing operations				
Exchange rate effect	2.8	—	—	2.8
Organic growth (negative)	6.5	0.6	2.2	9.3
Adjusted operating earnings - Third quarter of 2015	\$ 58.9	\$ 14.5	\$ (1.8)	\$ 71.6

The Corporation made changes to its organizational structure. The impact of these changes on segmented reporting is minor. Accordingly, certain comparative figures were reclassified to reflect these changes.

In this section, Management deems it appropriate to use adjusted operating earnings to evaluate the financial performance of its operating sectors.

Printing & Packaging Sector

Printing & Packaging Sector revenues were up \$6.2 million, or 1.8%, from \$344.2 million in the third quarter of 2014 to \$350.4 million in the third quarter of 2015. Within existing operations, excluding the exchange rate effect, the loss of certain customers early in the year continues to have a negative impact on our flyer printing operations. However, the other operating niches within the sector have performed relatively better, especially as a result of new contracts signed in 2014. In addition, the flexible packaging operations explain an increase of \$5.1 million attributable to an increase in volume.

Adjusted operating earnings were up 18.8%, or \$9.3 million, from \$49.6 million in the third quarter of 2014 to \$58.9 million in the third quarter of 2015. Within existing operations, excluding the exchange rate effect, the continued optimization of our cost structure and our printing platform more than compensated for the loss of revenues from the transformation of the industry. In addition, the flexible packaging operations contributed \$1.1 million more than in the corresponding period in 2014. The adjusted operating earnings margin increased from 14.4% in the third quarter of 2014 to 16.8% in the third quarter of 2015.

Media Sector

Media Sector revenues decreased by \$8.7 million, or 5.7%, from \$153.1 million in the third quarter of 2014 to \$144.4 million in the third quarter of 2015. Revenues from existing operations were down mainly due to lower advertising revenues, despite an increase in our digital revenues in the impacted niches. The exit from the Canadian market by one retailer also continued to impact our distribution activities. The decrease was partially mitigated by new contracts for the creation of promotional content and by the effect of the acquisition of weekly newspapers in Quebec (net of closures and disposals).

Adjusted operating earnings were up \$2.1 million, or 16.9%, from \$12.4 million in the third quarter of 2014 to \$14.5 million in the third quarter of 2015. The adjusted operating margin increased from 8.1% in the third quarter of 2014 to 10.0% in the third quarter of 2015. The effect of the acquisition of weekly newspapers in Quebec (net of closures and disposals) contributed \$1.5 million to operating earnings. In addition, within our existing operations, the reduction in our cost structure and new agreements for the creation of promotional content more than offset the above-mentioned decrease in revenues.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -\$14.3 million in the third quarter of 2014 to -\$12.9 million in the third quarter of 2015. Adjusted operating earnings increased by \$2.2 million, from -\$4.0 million in the third quarter of 2014 to -\$1.8 million in the third quarter of 2015. This improvement is mainly attributable to the decrease in the share price, which had a favourable impact on stock-based compensation within the other head office activities.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

(unaudited)

Table #3:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
Nine months ended July 31, 2014	\$ 1,442.2		\$ 160.8		\$ 96.1
Acquisitions/disposals and closures	58.7	4.1 %	15.2	9.5 %	8.1
Existing operations					
Exchange rate effect	17.6	1.2 %	7.7	4.8 %	6.2
Organic growth (negative)	(56.4)	(3.9) %	5.2	3.2 %	6.8
Restructuring and other costs (revenues)					21.6
Impairment of assets					(0.7)
Adjustment to deferred income tax assets					(10.0)
Redemption of preferred shares					3.9
Discontinued operations					30.4
Nine months ended July 31, 2015	\$ 1,462.1	1.4 %	\$ 188.9	17.5 %	\$ 162.4

Revenues

Revenues increased by \$19.9 million, or 1.4%, from \$1,442.2 million in the first nine months of 2014 to \$1,462.1 million in the corresponding period of 2015. This change is due to the following factors:

- The net effect of acquisitions, disposals and closures resulted in an increase in revenues of \$58.7 million, mostly attributable to the acquisitions of Capri Packaging and the weekly newspapers in Quebec, partially offset by the sale of Rastar's assets and the closures/disposals of weekly newspapers.
- Revenues from existing operations, net of the exchange rate effect, were down \$56.4 million, in particular due to the impact of the transformation of the printing and media industries on both our operating sectors. The flyer printing operations were affected by the loss of certain customers early in the year, while the other niches were affected by volume reductions, which were partially offset by the signing of new agreements in 2014. Furthermore, the Media Sector was weakened by the decline in advertising revenues, especially within the weekly newspapers segment.

Adjusted Operating Earnings

Adjusted operating earnings rose \$28.1 million, or 17.5%, from \$160.8 million in the first nine months of 2014 to \$188.9 million in the corresponding period of 2015. This increase is explained by the following factors:

- The net effect of acquisitions, disposals and closures resulted in an increase in adjusted operating earnings of \$15.2 million, mostly attributable to the contribution from the acquisition of Capri Packaging and the weekly newspapers in Quebec (net of closures and disposals).
- Within existing operations, the exchange rate had a positive effect of \$7.7 million. The continuation of cost reduction initiatives in both our operating sectors, partially offset by the decrease in revenues and the increase in our stock-based compensation expense explain most of the organic growth in adjusted operating earnings.

Restructuring and Other Costs (Revenues)

In the first nine months of 2015, a revenue of \$8.9 million (\$8.3 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs (revenues). This revenue is explained by a \$22.6 million reversal of the provision for multi-employer pension plans and a gain of \$7.6 million on the sale of buildings. However, expenses related to optimization and cost reduction initiatives in both our sectors partially mitigated the impact of these items.

In the first nine months of 2014, an amount of \$17.6 million before tax (\$13.3 million after tax) had been accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs. This amount was primarily related to cost structure optimization initiatives in both our sectors. The Corporation had also recorded expenses of \$3.4 million related to acquisitions.

Asset Impairment

In the first nine months of 2015, an asset impairment charge of \$1.6 million (\$1.2 million after tax) was recorded, compared to \$0.7 million (\$0.5 million after tax) in the corresponding period of 2014. The charge for the first nine months of 2015 is mainly attributable to the write-off of intangible assets in our Media Sector, while the charge for 2014 is mostly related to certain assets of the printing operations.

Net Financial Expenses

Net financial expenses decreased \$0.5 million, from \$14.3 million in the first nine months of 2014 to \$13.8 million in the corresponding period of 2015. This decrease is mostly attributable to excess operating cash flows and to a lower weighted average interest rate in 2015. These items offset the impact of disbursements related to acquisitions and the redemption of preferred shares.

Income taxes

Income taxes rose from \$26.3 million in the first nine months of 2014 to \$49.8 million in the corresponding period of 2015. This increase stems mainly from a favourable adjustment to deferred income tax assets in the United States in 2014. Excluding income taxes on restructuring and other costs (revenues) and asset impairment charges as well as the adjustment to deferred income tax assets, income taxes would have amounted to \$49.6 million in the first nine months of 2015, for a tax rate of 28.4%, compared to \$40.8 million, or 27.8%, in the first nine months of 2014. This slight increase in the tax rate is mainly due to the favourable impact of the reconciliation of the estimated accounting provision and the tax expense from 2014.

Redemption of Preferred Shares

The redemption of 4.0 million preferred shares bearing a quarterly dividend of \$0.4253 during the fourth quarter of 2014 explains an increase in net earnings applicable to participating shares of \$3.9 million, net of taxes and financial expenses, compared to the first nine months of 2014.

Discontinued Operations

Net earnings from discontinued operations of \$29.2 million were recorded in the first nine months of 2015, compared to a net loss of \$1.2 million in the first nine months of 2014. The magazine publishing activities generated a net loss of \$1.2 million in 2014 compared to a net loss of \$1.8 million in 2015. In addition, a gain on the sale of the magazine publishing activities of \$31.0 million, net of related taxes, was recorded in the second quarter of 2015, which explains most of the variation compared to 2014.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares increased from \$96.1 million in the first nine months of 2014 to \$162.4 million in the corresponding period of 2015. This improvement is mostly explained by a gain on the sale of consumer magazines, a reversal of the provision related to multi-employer pension plans as well as an improvement in operating earnings. On a per share basis, net earnings applicable to participating shares rose from \$1.23 to \$2.08.

Adjusted net earnings applicable to participating shares were up \$25.0 million, or 24.7 %, from \$101.1 million for the first nine months of 2014 to \$126.1 million for the corresponding period of 2015, mostly as a result of an increase in adjusted operating earnings before depreciation and amortization. On a per share basis, it increased from \$1.30 to \$1.61.

ANALYSIS OF SECTOR RESULTS

(unaudited)

Table #4:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated results
Revenues - Nine months ended July 31, 2014	\$ 1,055.4	\$ 425.5	\$ (38.7)	\$ 1,442.2
Acquisitions/disposals and closures	40.0	18.7	—	58.7
Existing operations				
Exchange rate effect	17.1	0.5	—	17.6
Organic growth (negative)	(35.4)	(22.0)	1.0	(56.4)
Revenues - Nine months ended July 31, 2015	\$ 1,077.1	\$ 422.7	\$ (37.7)	\$ 1,462.1
Adjusted operating earnings - Nine months ended July 31, 2014	\$ 157.5	\$ 18.7	\$ (15.4)	\$ 160.8
Acquisition/disposals and closures	7.8	7.4	—	15.2
Existing operations				
Exchange rate effect	7.7	—	—	7.7
Organic growth (negative)	7.2	1.2	(3.2)	5.2
Adjusted operating earnings - Nine months ended July 31, 2015	\$ 180.2	\$ 27.3	\$ (18.6)	\$ 188.9

The Corporation made changes to its organizational structure. The impact of these changes on segmented reporting is minor. Accordingly, certain comparative figures were reclassified to reflect these changes.

In this section, Management deems it appropriate to use adjusted operating earnings to evaluate the financial performance of its operating sectors.

Printing & Packaging Sector

Printing & Packaging Sector revenues increased by \$21.7 million, or 2.1%, from \$1,055.4 million in the first nine months of 2014 to \$1,077.1 million in the corresponding period of 2015. Within acquisitions/disposals and closures, the impact of \$40.0 million is mostly attributable to the additional revenues generated in the first two quarters by the acquisition of Capri Packaging, partially offset by the sale of Rastar's assets. The decrease in existing operations, net of the exchange rate effect, is mainly due to the flyer printing operations, which were affected by the loss of certain customers early in the year. Furthermore, the printing operations in the other niches are still affected by a reduction in advertising spending and by the transformation of printed media, partially offset by the new agreements signed in 2014. Lastly, the increase in volume at Capri Packaging has had a positive effect of \$5.1 million on our organic growth since May 2015.

Adjusted operating earnings were up \$22.7 million, or 14.4%, from \$157.5 million in the first nine months of 2014 to \$180.2 million in the corresponding period of 2015. The impact of \$7.8 million related to our acquisitions/disposals and closures is mostly attributable to the acquisition of Capri Packaging in the flexible packaging industry. Within existing operations, the increase of \$7.2 million, net of the exchange rate effect, primarily results from the optimization of our cost structure, which largely offset the impact of the loss of revenues from the transformation of the printing industry. Capri Packaging has also had a positive effect of \$1.1 million on organic growth since May 2015. As a result, the adjusted operating earnings margin rose from 14.9% in the first nine months of 2014 to 16.7% in the corresponding period of 2015.

Media Sector

Media Sector revenues were down \$2.8 million, or 0.7%, from \$425.5 million in the first nine months of 2014 to \$422.7 million in the corresponding period of 2015. The acquisition of weekly newspapers in Quebec (net of disposals and closures) partially offset the decline in advertising revenues that continues to affect our activities.

Adjusted operating earnings increased by \$8.6 million, from \$18.7 million in the first nine months of 2014 to \$27.3 million in the corresponding period of 2015, and the adjusted operating margin went up from 4.4% in the first nine months of 2014 to 6.5% in the first nine months of 2015. The acquisition of weekly newspapers in Quebec (net of disposals and closures) explains most of the increase compared to the first nine months of 2014. Within existing operations, the above-mentioned decrease in revenues was offset by cost reduction initiatives.

Head Office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -\$38.7 million in the first nine months of 2014 to -\$37.7 million in the corresponding period of 2015. Adjusted operating earnings decreased by \$3.2 million, from -\$15.4 million in the first nine months of 2014 to -\$18.6 million in the nine months ended July 31, 2015. This variance is mainly due to stock-based compensation as a result of the change in the share price in the first nine months compared to the previous year.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

(in millions of dollars, except per share amounts)	2015			2014				2013 ⁽¹⁾
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$ 481.9	\$ 490.5	\$ 489.7	\$ 548.2	\$ 483.0	\$ 477.5	\$ 481.7	\$ 532.6
Adjusted operating earnings before depreciation and amortization	96.4	87.2	80.8	119.1	83.9	79.3	71.8	105.3
Adjusted operating earnings margin before depreciation and amortization	20.0 %	17.8 %	16.5 %	21.7 %	17.4 %	16.6 %	14.9 %	19.8 %
Adjusted operating earnings	71.6	61.6	55.7	92.4	58.0	55.5	47.3	79.4
Adjusted operating earnings margin	14.9 %	12.6 %	11.4 %	16.9 %	12.0 %	11.6 %	9.8 %	14.9 %
Net earnings applicable to participating shares	\$ 43.3	\$ 81.2	\$ 37.9	\$ 9.0	\$ 44.2	\$ 34.7	\$ 17.2	\$ (94.4)
Per share	0.55	1.04	0.49	0.12	0.56	0.45	0.22	(1.21)
Adjusted net earnings applicable to participating shares	48.8	39.1	38.2	63.5	37.4	34.4	29.3	52.8
Per share	0.62	0.50	0.49	0.81	0.48	0.44	0.38	0.68
% of fiscal year	— %	— %	— %	38 %	23 %	21 %	18 %	37 %

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 recent acquisitions of Capri Packaging, in May 2014, and the weekly newspapers in Quebec, in June 2014, offset the decrease in our existing revenues related to the transformation of the printing and publishing industries. The Corporation continually strives to optimize its cost structure and its printing platform, which allows it to improve operating earnings despite the market in which it operates. Lastly, it should be noted that our volume of activity is cyclical, since it is mainly influenced by our customers' marketing spending, which is higher in the fourth quarter.

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:

(in millions of dollars, except per share amounts)	Three months ended July 31		Nine months ended July 31	
	2015	2,014	2015	2014
Net earnings applicable to participating shares	\$ 43.3	\$ 44.2	\$ 162.4	\$ 96.1
Dividends on preferred shares, net of related taxes	—	1.7	—	5.1
Non-controlling interests	0.1	—	(0.3)	0.1
Net earnings from discontinued operations	(0.7)	—	(29.2)	1.2
Income taxes	17.0	2.2	49.8	26.3
Share of earnings in interests in joint ventures, net of related taxes	(0.1)	(0.2)	(0.3)	(0.6)
Net financial expenses	3.6	5.7	13.8	14.3
Impairment of assets	0.2	0.2	1.6	0.7
Restructuring and other costs (revenues)	8.2	4.2	(8.9)	17.6
Adjusted operating earnings	\$ 71.6	\$ 58.0	\$ 188.9	\$ 160.8
Depreciation and amortization	24.8	25.9	75.5	74.2
Adjusted operating earnings before depreciation and amortization	\$ 96.4	\$ 83.9	\$ 264.4	\$ 235.0
Net earnings applicable to participating shares	\$ 43.3	\$ 44.2	\$ 162.4	\$ 96.1
Adjustment to deferred income tax assets	—	(10.0)	—	(10.0)
Net earnings from discontinued operations	(0.7)	—	(29.2)	1.2
Impairment of assets after tax	0.2	0.1	1.2	0.5
Restructuring and other costs (revenues) after tax	6.0	3.1	(8.3)	13.3
Adjusted net earnings applicable to participating shares	\$ 48.8	\$ 37.4	\$ 126.1	\$ 101.1
Weighted average number of participating shares outstanding	78.1	78.0	78.1	78.2
Adjusted net earnings applicable to participating shares per share	\$ 0.62	\$ 0.48	\$ 1.61	\$ 1.30
			As at July 31, 2015	As at October 31, 2014
Long-term debt			\$ 347.6	\$ 358.7
Current portion of long-term debt			13.3	118.1
Cash			(54.3)	(35.2)
Net indebtedness			\$ 306.6	\$ 441.6
Adjusted operating earnings before depreciation and amortization (last 12 months)			\$ 383.5	\$ 354.1
Net indebtedness ratio			0.8 x	1.2 x

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

(unaudited)

Table #7:

(in millions of dollars)	Three months ended 31 July 2015		Three months ended 31 July 2014	
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items				
and income taxes paid	\$	93.5	\$	84.9
Changes in non-cash operating items		13.2		(28.0)
Income taxes paid		(5.3)		(1.3)
Cash flows from operating activities of continuing operations	\$	101.4	\$	55.6
Investing activities				
Business combinations	\$	(1.0)	\$	(219.8)
Business dispositions		—		0.6
Acquisitions of property, plant and equipment		(14.2)		(8.9)
Disposals of property, plant and equipment		16.9		1.3
Increase in intangible assets		(6.6)		(12.8)
Cash flows from investing activities of continuing operations	\$	(4.9)	\$	(239.6)
Financing activities				
Increase in long-term debt	\$	—	\$	250.0
Reimbursement of long-term debt		(7.0)		(7.3)
Net decrease in credit facility		(54.1)		(36.8)
Financial expenses on long-term debt		(5.4)		(2.8)
Issuance costs on long-term debt		—		(1.8)
Bond forward contract		—		(1.5)
Dividends on participating shares		(13.2)		(12.5)
Dividends on preferred shares		—		(1.7)
Participating share redemptions		(0.7)		—
Cash flows from financing activities of continuing operations	\$	(80.4)	\$	185.6
Financial position				
		As at July 31, 2015		As at October 31, 2014
Net indebtedness	\$	306.6	\$	441.6
Net indebtedness ratio		0.8 x		1.2 x
Credit rating				
DBRS		BBB (low)		BBB (low)
Outlook		Stable		Stable
Standard and Poor's		BBB-		BBB-
Outlook		Stable		Stable
Consolidated Statement of Financial Position				
		As at July 31, 2015		As at October 31, 2014
Current assets	\$	494.1	\$	574.4
Current liabilities		330.8		532.1
Total assets		1,927.7		2,027.7
Total liabilities		991.7		1,234.6

Cash Flows from Operating Activities

Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid increased from \$84.9 million in the third quarter of 2014 to \$93.5 million in the third quarter of 2015, primarily due to higher operating earnings before depreciation and amortization. In addition, changes in non-cash operating items resulted in a cash inflow of \$13.2 million in the third quarter of 2015, compared to a cash outflow of \$28.0 million in the third quarter of 2014. This increase is mostly attributable to an increase in accounts receivable collections in the third quarter of 2015 as well as significant payments to suppliers in the third quarter of 2014. Income taxes paid amounted to \$5.3 million in the third quarter of 2015, compared to \$1.3 million in the third quarter of 2014. As a result, cash flows from operations rose to \$101.4 million in the third quarter of 2015, compared to \$55.6 million in the third quarter of 2014.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of \$239.6 million in the third quarter of 2014 to a cash outflow of \$4.9 million in the third quarter of 2015. This change stems mostly from payments of \$146.1 million (US\$133.0 million) for the Capri Packaging acquisition in May 2014 and \$73.7 million for the purchase of the Quebec weekly newspapers in June 2014. In addition, in the third quarter of 2015, we received \$16.5 million for the sale of a building.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash inflow of \$185.6 million in the third quarter of 2014 to a cash outflow of \$80.4 million in the third quarter of 2015. This change is mainly due to our private financing in senior unsecured notes completed in May 2014, which generated proceeds of \$250 million before issuance costs. The Corporation also repaid \$54.1 million on the credit facility during the quarter, compared to a cash outflow of \$36.8 million in the third quarter of 2014. In addition, the redemption of our preferred shares allowed us to reduce our cash outflows by \$1.7 million compared to the previous year.

Debt Instruments

As at July 31, 2015, our net indebtedness ratio stood at 0.8x (1.2x as at October 31, 2014), and net indebtedness decreased from \$441.6 million as at October 31, 2014 to \$306.6 million as at July 31, 2015. The decrease in our net indebtedness ratio is mostly attributable to excess operating cash flows and the receipt of \$55.5 million as a result of the sale of our consumer magazines. As at July 31, 2015, an amount of C\$2.1 million, including letters of credit, was used on our \$400 million unsecured credit facility.

Share Capital

Under the normal course issuer bid that expired in April 2015, the Corporation did not repurchase any Class A Subordinate Voting Shares or Class B Shares. This normal course issuer bid had allowed the Corporation to purchase on the open market up to 4,742,369 of its Class A Subordinate Voting Shares and up to 741,640 of its Class B Shares.

This program was renewed for one year as of April 15, 2015, allowing the Corporation to purchase on the open market up to 1,000,000 of its Class A Subordinate Voting Shares and up to 237,250 of its Class B Shares. During the third quarter ended July 31, 2015, the Corporation repurchased 42,300 of its Class A Subordinate Voting Shares, or 4.2% of the maximum allowed under the normal course issue bid. The change in Class B Shares during the quarter is entirely explained by the conversion of 5,500 Class B Shares into Class A Shares.

Table #8:

Shares Issued and Outstanding	As at July 31, 2015	As at August 31, 2015
Class A (Subordinate Voting Shares)	63,209,408	63,209,608
Class B (Multiple Voting Shares)	14,820,416	14,820,216

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for implementing and maintaining adequate internal control. The purpose of internal control over financial reporting 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. Management certifies disclosures in annual and interim filings under Regulation 52-109 using the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

In the quarter ended July 31, 2015, 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 EVENT

Definitive agreement to acquire UltraFlex Packaging

On August 31, 2015, the Corporation has entered into a definitive agreement to acquire the shares of Ultra Flex Packaging, a supplier of flexible packaging located in Brooklyn, New York, for US\$80 million to be paid in cash at closing plus additional cash consideration to be paid upon attaining pre-established financial targets. This acquisition will be financed through the credit facility and will allow the Corporation to pursue its development within the flexible packaging industry, while diversifying its market offering. This agreement has been approved by the board of directors of Transcontinental Inc., however, the transaction is subject to approval by regulators in the United States and is expected to close no later than October 31, 2015.

OUTLOOK

Flyer printing volume should remain relatively stable and will benefit from new agreements signed with certain retailers that will mitigate the effect of the loss of customers early in the fiscal year. In addition, we will continue to successfully develop our point-of-purchase marketing product offering for retailers. Furthermore, we will continue with our optimization initiatives, which should offset the effect of the transformation of the printing industry that is expected to have an ongoing negative impact, especially on our newspaper, magazine and marketing product printing activities.

The definitive agreement to acquire the shares of Ultra Flex Packaging will allow us to pursue the development of our growth vector in the flexible packaging industry. During its most recent fiscal year, Ultra Flex Packaging generated annual revenues of US\$72 million and operating earnings before depreciation and amortization of approximately US\$12 million. In addition, the current results of our packaging operations continue to exceed our expectations and the announcement of the signing of a multi-year agreement should enable us to improve our operating earnings in 2016.

Within the Media Sector, the positive impacts of the integration of the weekly newspapers in Quebec should dissipate. Furthermore, we expect that the difficult advertising market conditions will persist and continue to negatively impact our results in the fourth quarter. However, we will continue to review our cost structure to limit the impact on our profit margin and will pursue the development of our digital media offering. Lastly, the sector will also continue to be affected by the exit from the Canadian market by a retailer, which will have a negative effect on our distribution activities.

We will continue to generate significant cash flows in the upcoming quarters, and our excellent financial position should permit us to continue investing in our growth. We will also begin integrating Ultra Flex Packaging into our packaging division, and we will take steps to organically grow our existing operations. In addition, we will maintain our disciplined acquisition approach in this promising market to ensure a sustained long-term growth for the Corporation.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

September 10, 2015

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended		Nine months ended	
		July 31		July 31	
		2015	2014	2015	2014
Revenues		\$ 481.9	\$ 483.0	\$ 1,462.1	\$ 1,442.2
Operating expenses	4	385.5	399.1	1,197.7	1,207.2
Restructuring and other costs (revenues)	5	8.2	4.2	(8.9)	17.6
Impairment of assets	6	0.2	0.2	1.6	0.7
Operating earnings before depreciation and amortization		88.0	79.5	271.7	216.7
Depreciation and amortization	7	24.8	25.9	75.5	74.2
Operating earnings		63.2	53.6	196.2	142.5
Net financial expenses	8	3.6	5.7	13.8	14.3
Earnings before share of net earnings in interests in joint ventures and income taxes		59.6	47.9	182.4	128.2
Share of net earnings in interests in joint ventures, net of related taxes		0.1	0.2	0.3	0.6
Income taxes	9	17.0	2.2	49.8	26.3
Net earnings from continuing operations		42.7	45.9	132.9	102.5
Net earnings from discontinued operations	10	0.7	—	29.2	(1.2)
Net earnings		43.4	45.9	162.1	101.3
Non-controlling interests	10	0.1	—	(0.3)	0.1
Net earnings attributable to shareholders of the Corporation		43.3	45.9	162.4	101.2
Dividends on preferred shares, net of related taxes	13	—	1.7	—	5.1
Net earnings attributable to participating shares		\$ 43.3	\$ 44.2	\$ 162.4	\$ 96.1
Net earnings per participating share - basic					
Continuing operations	14	\$ 0.55	\$ 0.56	\$ 1.70	\$ 1.24
Discontinued operations		—	—	0.38	(0.01)
		\$ 0.55	\$ 0.56	\$ 2.08	\$ 1.23
Net earnings per participating share - diluted					
Continuing operations	14	\$ 0.55	\$ 0.56	\$ 1.70	\$ 1.24
Discontinued operations		—	—	0.37	(0.02)
		\$ 0.55	\$ 0.56	\$ 2.07	\$ 1.22
Weighted average number of participating shares outstanding - basic (in millions)		78.1	78.0	78.1	78.0
Weighted average number of participating shares - diluted (in millions)	14	78.3	78.2	78.3	78.2

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended		Nine months ended	
		July 31		July 31	
		2015	2014	2015	2014
Net earnings		\$ 43.4	\$ 45.9	\$ 162.1	\$ 101.3
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		(6.9)	(0.8)	(9.6)	(0.6)
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		(0.3)	2.3	1.2	2.3
Related income taxes		(1.8)	0.2	(2.1)	0.3
		(5.4)	1.3	(6.3)	1.4
Cumulative translation differences					
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		12.9	(2.3)	23.5	0.5
Unrealized exchange losses on the translation of a debt designated as a hedge of a net investment in foreign operations		—	—	—	(2.4)
		12.9	(2.3)	23.5	(1.9)
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		3.8	(3.0)	4.4	8.2
Related income taxes		1.0	(0.8)	1.2	2.2
		2.8	(2.2)	3.2	6.0
Other comprehensive income (loss) ⁽¹⁾	16	10.3	(3.2)	20.4	5.5
Comprehensive income		\$ 53.7	\$ 42.7	\$ 182.5	\$ 106.8
Attributable to:					
Shareholders of the Corporation		\$ 53.6	\$ 42.7	\$ 182.8	\$ 106.7
Non-controlling interests	10	0.1	—	(0.3)	0.1
		\$ 53.7	\$ 42.7	\$ 182.5	\$ 106.8

⁽¹⁾ Other comprehensive income (loss) is attributable to continuing operations.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)

	Attributable to shareholders of the Corporation				Total	Non-controlling interests	Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			
Balance as at October 31, 2014	\$ 366.0	\$ 3.4	\$ 415.6	\$ 7.1	\$ 792.1	\$ 1.0	\$ 793.1
Net earnings	—	—	162.4	—	162.4	(0.3)	162.1
Other comprehensive income	—	—	—	20.4	20.4	—	20.4
Shareholders' contributions and distributions to shareholders							
Participating share redemptions (Note 13)	(0.3)	—	(0.4)	—	(0.7)	—	(0.7)
Exercise of stock options (Note 15)	0.8	(0.1)	—	—	0.7	—	0.7
Dividends (Note 13)	—	—	(39.0)	—	(39.0)	—	(39.0)
Stock-option based compensation (Note 15)	—	0.1	—	—	0.1	—	0.1
Business disposal (Note 10)	—	—	—	—	—	(0.7)	(0.7)
Balance as at July 31, 2015	\$ 366.5	\$ 3.4	\$ 538.6	\$ 27.5	\$ 936.0	\$ —	\$ 936.0
Balance as at October 31, 2013	\$ 462.8	\$ 2.9	\$ 362.5	\$ (13.2)	\$ 815.0	\$ 0.4	\$ 815.4
Net earnings	—	—	101.2	—	101.2	0.1	101.3
Other comprehensive income	—	—	—	5.5	5.5	—	5.5
Shareholders' contributions and distributions to shareholders							
Dividends (Note 13)	—	—	(41.4)	—	(41.4)	—	(41.4)
Stock-option based compensation (Note 15)	—	0.4	—	—	0.4	—	0.4
Balance as at July 31, 2014	\$ 462.8	\$ 3.3	\$ 422.3	\$ (7.7)	\$ 880.7	\$ 0.5	\$ 881.2

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at July 31, 2015	As at October 31, 2014
Current assets			
Cash		\$ 54.3	\$ 35.2
Accounts receivable		321.1	415.1
Income taxes receivable		11.4	15.2
Inventories		90.2	94.2
Prepaid expenses		17.1	14.7
		494.1	574.4
Property, plant and equipment		549.8	565.9
Intangible assets		250.4	252.9
Goodwill		409.8	419.5
Investments in joint ventures		2.5	1.7
Deferred taxes		156.7	152.2
Other assets		64.4	61.1
		\$ 1,927.7	\$ 2,027.7
Current liabilities			
Accounts payable and accrued liabilities		\$ 245.4	\$ 301.8
Provisions	12	10.9	20.0
Income taxes payable		10.4	30.8
Deferred revenues and deposits		50.8	61.4
Current portion of long-term debt		13.3	118.1
		330.8	532.1
Long-term debt		347.6	358.7
Deferred taxes		88.0	84.7
Provisions	12	6.8	30.3
Other liabilities		218.5	228.8
		991.7	1,234.6
Equity			
Share capital		366.5	366.0
Contributed surplus		3.4	3.4
Retained earnings		538.6	415.6
Accumulated other comprehensive income	16	27.5	7.1
Attributable to shareholders of the Corporation		936.0	792.1
Non-controlling interests	10	—	1.0
		936.0	793.1
		\$ 1,927.7	\$ 2,027.7

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended		Nine months ended	
		July 31		July 31	
		2015	2014	2015	2014
Operating activities					
Net earnings		\$ 43.4	\$ 45.9	\$ 162.1	\$ 101.3
Less: Net earnings from discontinued operations	10	0.7	—	29.2	(1.2)
Net earnings from continuing operations		42.7	45.9	132.9	102.5
Adjustments to reconcile net earnings from continuing operations and cash flows from operating activities:					
Depreciation and amortization	7	31.1	32.4	94.9	94.7
Impairment of assets	6	0.2	0.2	1.6	0.7
Financial expenses on long-term debt	8	4.1	5.7	14.6	14.1
Net losses (gains) on disposal of assets		(0.4)	—	(7.1)	0.1
Income taxes	9	17.0	2.2	49.8	26.3
Stock-option based compensation	15	—	0.1	0.1	0.4
Other		(1.2)	(1.6)	(2.3)	(1.0)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		93.5	84.9	284.5	237.8
Changes in non-cash operating items		13.2	(28.0)	(52.1)	(50.1)
Income taxes paid		(5.3)	(1.3)	(52.3)	(2.4)
Cash flows from continuing operating activities		101.4	55.6	180.1	185.3
Investing activities					
Business combinations		(1.0)	(219.8)	(1.0)	(220.8)
Business dispositions		—	0.6	1.2	2.1
Acquisitions of property, plant and equipment		(14.2)	(8.9)	(43.8)	(27.5)
Disposals of property, plant and equipment		16.9	1.3	21.4	2.1
Increase in intangible assets		(6.6)	(12.8)	(18.0)	(23.9)
Cash flows from investments in continuing operations		(4.9)	(239.6)	(40.2)	(268.0)
Financing activities					
Increase in long-term debt		—	250.0	—	250.0
Reimbursement of long-term debt	11	(7.0)	(7.3)	(72.1)	(32.8)
Net decrease in credit facility		(54.1)	(36.8)	(54.4)	(82.8)
Financial expenses on long-term debt		(5.4)	(2.8)	(16.4)	(10.8)
Issuance costs on long-term debt		—	(1.8)	—	(1.8)
Bond forward contract		—	(1.5)	—	(1.5)
Issuance of participating shares	15	—	—	0.7	—
Dividends on participating shares	13	(13.2)	(12.5)	(39.0)	(36.3)
Dividends on preferred shares	13	—	(1.7)	—	(5.1)
Participating share redemptions	13	(0.7)	—	(0.7)	—
Cash flows from the financing of continuing operations		(80.4)	185.6	(181.9)	78.9
Effect of exchange rate changes on cash denominated in foreign currencies		2.2	(0.2)	4.3	0.9
Net change in cash from continuing operations		18.3	1.4	(37.7)	(2.9)
Net change in cash from discontinued operations	10	0.6	(1.7)	56.8	6.1
Cash at beginning of period		35.4	29.9	35.2	26.4
Cash at end of period		\$ 54.3	\$ 29.6	\$ 54.3	\$ 29.6
Non-cash investing and financing activities					
Net change in capital asset acquisitions financed by accounts payable		\$ (0.6)	\$ (1.7)	\$ 0.1	\$ (1.7)

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2015 and 2014

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

1 GENERAL INFORMATION

Transcontinental Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. Its Class A Subordinate Voting Shares and Class B Shares 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 is the largest printer in Canada and operates in the print and digital media, flexible packaging and publishing industries. The Corporation conducts business in Canada and the United States in two separate sectors: the Printing and Packaging Sector and the Media Sector. The Corporation's main activities are described in Note 3 "Segmented Information".

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 condensed interim consolidated financial statements on September 10, 2015.

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 condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2014, which include the significant accounting policies used by the Corporation.

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at July 31, 2015. Any subsequent changes to the accounting policies, that will take effect in the Corporation's annual consolidated financial statements for the year ending October 31, 2015 or after, could result in a retrospective restatement of these condensed interim consolidated financial statements.

New or amended accounting standards adopted

Levies

On November 1st, 2014, the Corporation adopted retrospectively IFRIC 21 "Levies", an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", regarding the recognition of a liability for levies imposed by a government. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of a levy, as identified by the legislation. The adoption of this interpretation had no material impact on the condensed interim consolidated financial statements of the Corporation.

3 SEGMENTED INFORMATION

The operating segments are defined in terms of the types of products and services offered by the Corporation. The Printing and Packaging Sector generates revenues from activities such as the printing of retail flyers, magazines, newspapers, color books, personalized and mass marketing products, and the production of flexible packaging solutions in the United States. The Media Sector generates revenues through print and digital publishing products, in French and English, of the following type: newspapers, educational books, specialized publications for professionals, retail promotional content, mass and personalized marketing, mobile and interactive applications, and geotargeted door-to-door and digital distribution services. The Media Sector's consumer magazine publishing activities were reclassified as discontinued operations, as described in Note 10 "Discontinued Operations", and therefore the segmented information excludes these activities. Inter-segment sales of the Corporation are recognized at fair value. Transactions other than sales are recognized at carrying amount.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2015 and 2014

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

3 SEGMENTED INFORMATION (CONTINUED)

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

	Printing and Packaging Sector	Media Sector	Head office and inter- segment eliminations	Consolidated Results
For the three-month period ended July 31, 2015				
Revenues	\$ 350.4	\$ 144.4	\$ (12.9)	\$ 481.9
Operating expenses	272.5	126.0	(13.0)	385.5
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	77.9	18.4	0.1	96.4
Restructuring and other costs	1.1	4.8	2.3	8.2
Impairment of assets	0.1	0.1	—	0.2
Operating earnings before depreciation and amortization	76.7	13.5	(2.2)	88.0
Depreciation and amortization	19.0	3.9	1.9	24.8
Operating earnings	\$ 57.7	\$ 9.6	\$ (4.1)	\$ 63.2
Adjusted operating earnings ⁽¹⁾	\$ 58.9	\$ 14.5	\$ (1.8)	\$ 71.6
Acquisitions of non-current assets ⁽²⁾	\$ 10.5	\$ 7.2	\$ 2.5	\$ 20.2
For the three-month period ended July 31, 2014 ⁽³⁾				
Revenues	\$ 344.2	\$ 153.1	\$ (14.3)	\$ 483.0
Operating expenses	274.8	136.3	(12.0)	399.1
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	69.4	16.8	(2.3)	83.9
Restructuring and other costs	1.8	1.9	0.5	4.2
Impairment of assets	0.1	0.1	—	0.2
Operating earnings before depreciation and amortization	67.5	14.8	(2.8)	79.5
Depreciation and amortization	19.8	4.4	1.7	25.9
Operating earnings	\$ 47.7	\$ 10.4	\$ (4.5)	\$ 53.6
Adjusted operating earnings ⁽¹⁾	\$ 49.6	\$ 12.4	\$ (4.0)	\$ 58.0
Acquisitions of non-current assets ⁽²⁾	\$ 6.3	\$ 12.1	\$ 1.6	\$ 20.0

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2015 and 2014

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

3 SEGMENTED INFORMATION (CONTINUED)

	Printing and Packaging Sector	Media Sector	Head office and inter- segment eliminations	Consolidated Results
For the nine-month period ended July 31, 2015				
Revenues	\$ 1,077.1	\$ 422.7	\$ (37.7)	\$ 1,462.1
Operating expenses	838.6	383.2	(24.1)	1,197.7
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	238.5	39.5	(13.6)	264.4
Restructuring and other costs (revenues)	7.2	10.4	(26.5)	(8.9)
Impairment of assets	0.1	1.5	—	1.6
Operating earnings before depreciation and amortization	231.2	27.6	12.9	271.7
Depreciation and amortization	58.3	12.2	5.0	75.5
Operating earnings	\$ 172.9	\$ 15.4	\$ 7.9	\$ 196.2
Adjusted operating earnings ⁽¹⁾	\$ 180.2	\$ 27.3	\$ (18.6)	\$ 188.9
Acquisitions of non-current assets ⁽²⁾	\$ 32.8	\$ 22.2	\$ 6.9	\$ 61.9
For the nine-month period ended July 31, 2014 ⁽³⁾				
Revenues	\$ 1,055.4	\$ 425.5	\$ (38.7)	\$ 1,442.2
Operating expenses	841.2	394.0	(28.0)	1,207.2
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	214.2	31.5	(10.7)	235.0
Restructuring and other costs	9.9	6.5	1.2	17.6
Impairment of assets	0.5	0.2	—	0.7
Operating earnings before depreciation and amortization	203.8	24.8	(11.9)	216.7
Depreciation and amortization	56.7	12.8	4.7	74.2
Operating earnings	\$ 147.1	\$ 12.0	\$ (16.6)	\$ 142.5
Adjusted operating earnings ⁽¹⁾	\$ 157.5	\$ 18.7	\$ (15.4)	\$ 160.8
Acquisitions of non-current assets ⁽²⁾	\$ 18.4	\$ 26.0	\$ 5.3	\$ 49.7

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

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

⁽³⁾ The Corporation has made changes to its organizational structure. The effect of these changes on segmented information is minor. Accordingly, certain comparative figures have been reclassified to reflect these changes.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2015 and 2014

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

3 SEGMENTED INFORMATION (CONTINUED)

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

	Three months ended		Nine months ended	
	July 31		July 31	
	2015	2014	2015	2014
Printing and packaging products	\$ 336.7	\$ 330.1	\$ 1,039.0	\$ 1,017.6
Publishing and content products	97.1	99.0	279.5	269.8
Other products and services	48.1	53.9	143.6	154.8
	\$ 481.9	\$ 483.0	\$ 1,462.1	\$ 1,442.2

The Corporation has revised the categorization of its main products and services. Accordingly, certain comparative figures have been reclassified to reflect this change.

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

	As at July 31, 2015	As at October 31, 2014
Printing and Packaging Sector	\$ 1,237.6	\$ 1,314.5
Media Sector	536.6	589.1
Head office and inter-segment eliminations ⁽¹⁾	153.5	124.1
	\$ 1,927.7	\$ 2,027.7

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

4 OPERATING EXPENSES

Operating expenses by major heading are as follows:

	Three months ended		Nine months ended	
	July 31		July 31	
	2015	2014 ⁽³⁾	2015	2014 ⁽³⁾
Employee-related costs	\$ 156.0	\$ 156.3	\$ 480.6	\$ 478.5
Supply chain and logistics ⁽¹⁾	205.0	212.7	635.7	644.8
Other goods and services ⁽²⁾	24.5	30.1	81.4	83.9
	\$ 385.5	\$ 399.1	\$ 1,197.7	\$ 1,207.2

⁽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.

⁽³⁾ Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2015 and 2014

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

5 RESTRUCTURING AND OTHER COSTS (REVENUES)

Restructuring and other costs (revenues) by major heading are as follows:

	Three months ended		Nine months ended	
	July 31		July 31	
	2015	2014	2015	2014
Workforce reductions	\$ 4.1	\$ 1.4	\$ 12.5	\$ 10.5
Other costs related to restructuring	1.7	0.7	3.6	2.5
Onerous contracts	0.4	(0.3)	2.2	(0.3)
Business acquisition costs ⁽¹⁾	0.2	2.4	0.4	3.4
Gain on the sale of buildings	(0.8)	—	(7.6)	—
Reversal of the provision for multi-employer pension plans (Note 12)	—	—	(22.6)	—
Other costs ⁽²⁾	2.6	—	2.6	1.5
	\$ 8.2	\$ 4.2	\$ (8.9)	\$ 17.6

⁽¹⁾ Business acquisition costs include transaction costs, primarily legal fees, for potential or realized business combinations.

⁽²⁾ In 2015, other costs represent past service costs resulting from a pension plan amendment allowing from now on terminated members over the age of 55 years to transfer the value of their benefits to an authorized registered vehicle at any time prior to being in receipt of a pension from the plan.

6 IMPAIRMENT OF ASSETS

Impairment of assets by major heading is as follows:

	Three months ended		Nine months ended	
	July 31		July 31	
	2015	2014	2015	2014
Property, plant and equipment ⁽¹⁾	\$ —	\$ 0.1	\$ 0.1	\$ 0.5
Intangible assets ⁽²⁾	0.2	0.1	1.5	0.2
	\$ 0.2	\$ 0.2	\$ 1.6	\$ 0.7

⁽¹⁾ The impairment charges for property, plant and equipment are primarily related to production material that is no longer used.

⁽²⁾ The impairment charges for intangible assets are primarily related to technology projects that are no longer used.

7 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended		Nine months ended	
	July 31		July 31	
	2015	2014	2015	2014
Property, plant and equipment	\$ 19.6	\$ 20.4	\$ 59.3	\$ 60.9
Intangible assets	5.2	5.5	16.2	13.3
	24.8	25.9	75.5	74.2
Intangible assets and other assets, recognized in revenues and operating expenses	6.3	6.5	19.4	20.5
	\$ 31.1	\$ 32.4	\$ 94.9	\$ 94.7

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2015 and 2014

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

8 NET FINANCIAL EXPENSES

Net financial expenses by major heading are as follows:

	Three months ended		Nine months ended	
	July 31		July 31	
	2015	2014	2015	2014
Financial expenses on long-term debt	\$ 4.1	\$ 5.7	\$ 14.6	\$ 14.1
Net interest on defined benefit asset and liability	—	0.2	0.1	0.6
Other expenses	0.1	0.2	0.9	0.4
Net foreign exchange gains	(0.6)	(0.4)	(1.8)	(0.8)
	\$ 3.6	\$ 5.7	\$ 13.8	\$ 14.3

9 INCOME TAXES

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

	Three months ended		Nine months ended	
	July 31		July 31	
	2015	2014	2015	2014
Earnings before share of net earnings in interests in joint ventures and income taxes	\$ 59.6	\$ 47.9	\$ 182.4	\$ 128.2
Canadian statutory tax rate ⁽¹⁾	26.9 %	26.9 %	26.9 %	26.9 %
Income taxes at the statutory tax rate	16.0	12.9	49.0	34.5
Effect of differences in tax rates in other jurisdictions	1.0	0.5	2.5	2.1
Income taxes on non-deductible expenses and non-taxable portion of capital gains	1.1	0.7	1.3	1.4
Change in deferred tax assets on tax losses or temporary differences not previously recognized	(1.2)	(10.1)	(2.5)	(9.8)
Other	0.1	(1.8)	(0.5)	(1.9)
Income taxes at effective tax rate	\$ 17.0	\$ 2.2	\$ 49.8	\$ 26.3
Income taxes before the following items:	\$ 19.2	\$ 13.4	\$ 49.6	\$ 40.8
Net increase to the carrying amount of deferred tax assets ⁽²⁾	—	(10.0)	—	(10.0)
Income taxes on restructuring and other costs (revenues)	(2.2)	(1.1)	0.6	(4.3)
Income taxes on impairment of assets	—	(0.1)	(0.4)	(0.2)
Income taxes at effective tax rate	\$ 17.0	\$ 2.2	\$ 49.8	\$ 26.3

⁽¹⁾ The Corporation's applicable tax rate corresponds to the combined Canadian tax rates applicable in the provinces where the Corporation operates.

⁽²⁾ The increase in the carrying amount of deferred income tax assets during the three-month period ended July 31, 2014 results primarily from increased activity in the United States.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2015 and 2014

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

10 DISCONTINUED OPERATIONS

Discontinued consumer magazines

On April 12, 2015, the Corporation sold its consumer magazine publishing activities produced in Montreal and Toronto and their associated websites, as well as their brand-related products, to Groupe TVA Inc. for a cash consideration of \$55.5 million, subject to adjustments. These products were included in the Media Sector.

Discontinued operations also include other consumer magazines that have been discontinued or sold, but which were not part of the transaction with Groupe TVA Inc. These items are not significant. As at July 31, 2015, the Corporation has no more activity related to consumer magazines.

The earnings and cash flows related to these activities were reclassified as discontinued operations in the consolidated statements of earnings, comprehensive income and cash flows.

The following table presents the results from discontinued operations:

	Three months ended July 31		Nine months ended July 31	
	2015	2014	2015	2014
Revenues ⁽¹⁾	\$ 0.6	\$ 17.0	\$ 31.9	\$ 55.3
Operating expenses ⁽¹⁾	0.9	16.2	32.6	54.2
Restructuring and other costs (revenues)	(0.1)	0.5	0.6	1.5
Impairment of assets	—	—	0.8	—
Depreciation and amortization	—	0.5	0.9	1.6
Net financial revenues	—	(0.1)	(0.1)	(0.1)
Earnings before share of net earnings in interests in joint ventures and income taxes	(0.2)	(0.1)	(2.9)	(1.9)
Share of net earnings in interests in joint ventures, net of related taxes	—	—	0.2	0.1
Income taxes recovered	(0.2)	(0.1)	(0.9)	(0.6)
Net earnings related to discontinued operations	—	—	(1.8)	(1.2)
Gain on disposal of businesses, net of related taxes ⁽²⁾	0.7	—	31.0	—
Net earnings and comprehensive income (loss) from discontinued operations	\$ 0.7	\$ —	\$ 29.2	\$ (1.2)
Attributable to:				
Shareholders of the Corporation	\$ 0.6	\$ —	\$ 29.5	\$ (1.3)
Non-controlling interests	0.1	—	(0.3)	0.1
	\$ 0.7	\$ —	\$ 29.2	\$ (1.2)

⁽¹⁾ The Corporation has intercompany transactions between continuing operations and discontinued operations. Despite the separate presentation of results from continuing and discontinued operations, these intercompany transactions remain totally eliminated in the consolidated financial statements of the Corporation. Intercompany transactions that are expected to continue after the discontinuing of consumer magazines operations were presented in the results from continuing operations rather than as discontinued operations.

⁽²⁾ Tax expenses on gain on disposal of businesses for the three-month and nine-month periods ended July 31, 2015 were \$0.2 million and \$4.4 million, respectively.

The following table presents cash flows from discontinued operations:

	Three months ended July 31		Nine months ended July 31	
	2015	2014	2015	2014
Cash flows related to operations	\$ (0.4)	\$ (1.3)	\$ 0.8	\$ 6.7
Cash flows related to investments	1.0	(0.4)	56.0	(0.6)
Net change in cash flows from discontinued operations	\$ 0.6	\$ (1.7)	\$ 56.8	\$ 6.1

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10 DISCONTINUED OPERATIONS (CONTINUED)

The following table summarizes the carrying value of the assets and liabilities sold :

	Consumer magazines
Current assets	\$ 21.1
Property, plant and equipment	2.3
Intangible assets	1.7
Goodwill	20.0
Assets sold	45.1
Current liabilities	18.4
Investments in joint ventures	0.4
Other liabilities	4.1
Liabilities transferred	22.9
Net assets sold	\$ 22.2
Non-controlling interests	\$ 0.7

11 LONG TERM DEBT

Credit facility extension

On December 9, 2014, the Corporation extended its credit facility, in the amount of \$400.0 million or the U.S dollar equivalent, for two additional years, extending the maturity date to February 2020.

Reimbursement of Senior Notes Series 2002 A

On December 15, 2014, the Corporation repaid its Senior Notes Series 2002 A which matured, amounting to US\$50.0 million (\$58.1 million). This financing was for a period of twelve years, at 5.73%.

Letters of credit facilities extension

On April 11, 2015, the Corporation extended its two renewable and uncommitted letters of credit facilities, amounting to \$15.0 million each, for one additional year, extending the maturity date to April 11, 2016. The annual fees applicable to the portion issued on these letter of credit facilities are 1.00%.

Repayment of euro term loan

On July 15, 2015, the Corporation repaid the remaining balance of its euro term loan which matured, in the amount of €4.9 million (\$7.0 million). This financing was for a period of six years, at EURIBOR variable interest rate plus 1.60%. The cross currency interest rate swap agreement, which was used as a derivative financial instrument designated as a hedge in order to lock the exchange rate and to convert the interest rate of this debt, also matured.

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12 PROVISIONS

The following table presents changes in provisions for the nine-month period ended July 31, 2015:

	Restructuring costs	Onerous contracts	Multi-employer pension plans ⁽¹⁾	Other ⁽²⁾	Total
Balance as at October 31, 2014	\$ 15.5	\$ 10.5	\$ 22.6	\$ 1.7	\$ 50.3
Provisions recorded	13.2	2.2	—	0.2	15.6
Amounts used	(22.3)	(2.4)	—	(0.4)	(25.1)
Provisions reversed	(0.7)	(0.4)	(22.6)	(0.1)	(23.8)
Other	—	0.7	—	—	0.7
Balance as at July 31, 2015	\$ 5.7	\$ 10.6	\$ —	\$ 1.4	\$ 17.7
Current portion	\$ 5.7	\$ 4.5	\$ —	\$ 0.7	\$ 10.9
Non-current portion	—	6.1	—	0.7	6.8
	\$ 5.7	\$ 10.6	\$ —	\$ 1.4	\$ 17.7

⁽¹⁾ Bill no 34 in Quebec, *An Act to amend the Supplemental Pension Plans Act with respect to the funding and restructuring of certain multi-employer pension plans*, was adopted on April 2, 2015. Based on the provisions of the legislation, the Corporation's obligation related to multi-employer pension plans in Quebec is limited to making contributions per the collective agreements of the Corporation and the plans are classified as defined contribution plans. Consequently, the Corporation reversed its provision for multi-employer pension plans in Quebec during the nine-month period ended July 31, 2015.

⁽²⁾ Other provisions include provisions for asset retirement obligations and provisions related to claims and litigations.

13 SHARE CAPITAL

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, 2015 and April 14, 2016, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 Class A Subordinate Voting Shares, representing 1.6% of its 63,244,208 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2015, and up to 237,250 Class B Shares, representing 1.6% of its 14,827,916 Class B Shares issued and outstanding as at April 2, 2015. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the three-month and nine-month periods ended July 31, 2015, the Corporation repurchased 42,300 of its Class A Subordinate Voting Shares at a weighted average price of \$15.59, for a total cash consideration of \$0.7 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of \$0.4 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares as at July 31, 2015.

During the nine-month period ended July 31, 2015, the Corporation did not repurchase any of its Class B Shares, and had no obligation as such at that date.

Dividends

Dividends of \$0.17 and \$0.16 per share were declared and paid to participating shareholders for the three-month periods ended July 31, 2015 and 2014, respectively. Dividends of \$0.50 and \$0.465 per share were declared and paid to participating shareholders for the nine-month periods ended July 31, 2015 and 2014, respectively. Dividends of \$0.4207 and \$1.2621 per share were declared and paid to preferred shareholders for the three-month and nine-month periods ended July 31, 2014, respectively. The preferred shares were redeemed by the Corporation on October 15, 2014.

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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 from continuing operations per participating share:

	Three months ended		Nine months ended	
	July 31		July 31	
	2015	2014	2015	2014
Numerator				
Net earnings from continuing operations	\$ 42.7	\$ 45.9	\$ 132.9	\$ 102.5
Dividends on preferred shares, net of related taxes	—	1.7	—	5.1
Net earnings from continuing operations, attributable to participating shares	\$ 42.7	\$ 44.2	\$ 132.9	\$ 97.4
Denominator (in millions)				
Weighted average number of participating shares outstanding - basic	78.1	78.0	78.1	78.0
Dilutive effect of stock options	0.2	0.2	0.2	0.2
Weighted average number of participating shares - diluted	78.3	78.2	78.3	78.2

As at July 31, 2015, all stock options are included in the calculation of the diluted net earnings from continuing operations due to their potential dilutive effect. As at July 31, 2014, 319,044 stock options were excluded from the calculation of the diluted net earnings from continuing operations since they are anti-dilutive, their exercise price being higher than the average share price of Class A Subordinate Voting Shares during the period.

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. The Corporation decided to cease granting stock options during the year ended October 31, 2014.

For the three-month and nine-month periods ended July 31, 2015, stock-based compensation expenses of a negligible amount and \$0.1 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity. For the three-month and nine-month periods ended July 31, 2014, stock-based compensation expenses of \$0.1 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 July 31			
	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	928,839	\$ 12.18	1,174,020	\$ 13.35
Cancelled	(19,828)	12.17	(13,724)	15.61
Options outstanding at end of period	909,011	\$ 12.18	1,160,296	\$ 13.32

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15 STOCK-BASED COMPENSATION (CONTINUED)

	Nine months ended July 31			
	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	1,160,296	\$ 13.33	1,354,076	\$ 14.44
Exercised	(50,357)	13.09	—	—
Cancelled	(19,828)	12.17	(15,100)	15.66
Expired	(181,100)	19.32	(178,680)	21.56
Options outstanding at end of period	909,011	\$ 12.18	1,160,296	\$ 13.33
Options exercisable at end of period	667,419	\$ 12.39	742,962	\$ 14.11

Exercise of stock options

When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. For the nine-month period ended July 31, 2015, the consideration received was \$0.7 million, and \$0.1 million were transferred from contributed surplus to share capital. For the three-month period ended July 31, 2015, as well as for the three-month and nine-month periods ended July 31, 2014, no stock options were exercised.

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:

Number of units	Three months ended July 31			
	2015		2014	
	DSU	RSU	DSU	RSU
Balance, beginning of period	276,216	240,795	1,068,376	970,891
Units cancelled	—	—	—	(12,275)
Units paid	—	(4,142)	—	—
Dividends paid in units	3,538	2,542	9,220	4,358
Balance, end of period	279,754	239,195	1,077,596	962,974

Number of units	Nine months ended July 31			
	2015		2014	
	DSU	RSU	DSU	RSU
Balance, beginning of period	241,812	225,051	924,627	713,704
Units granted	3,121	—	378,396	418,934
Units cancelled	—	—	(12,969)	(25,015)
Units paid	(1,624)	(8,228)	(205,894)	(138,130)
Units converted	27,194	15,016	(27,194)	(15,016)
Dividends paid in units	9,251	7,356	20,630	8,497
Balance, end of period	279,754	239,195	1,077,596	962,974

As at July 31, 2015, the liability related to the share unit plan for certain officers and senior executives was \$11.6 million (\$11.2 as at October 31, 2014). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2015 were \$(1.4) million and \$3.5 million, respectively. The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2014 were \$(0.1) million and \$2.2 million, respectively. An amount of \$3.1 million was paid under this plan for the nine-month period ended July 31, 2015. No amount was paid under this plan for the three-month period ended July 31, 2015. Amounts of \$0.1 million and \$2.4 million were paid under this plan for the three-month and nine-month periods ended July 31, 2014, respectively.

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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:

Number of units	Three months ended July 31		Nine months ended July 31	
	2015	2014	2015	2014
Balance, beginning of period	344,089	344,117	371,086	318,875
Directors' compensation	8,825	7,797	24,091	26,445
Units paid	—	—	(48,678)	—
Dividends paid in units	3,977	3,692	10,392	10,286
Balance, end of period	356,891	355,606	356,891	355,606

As at July 31, 2015, the liability related to the share unit plan for directors was \$5.2 million (\$5.6 million as at October 31, 2014). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2015 were \$(1.2) million and \$0.3 million, respectively. The reversal of expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2014 were \$0.5 million and \$0.3 million, respectively. An amount of \$0.7 million was paid under this plan for the nine-month period ended July 31, 2015. No amount was paid under this plan for the three-month period ended July 31, 2015, as well as for the three-month and nine-month periods ended July 31, 2014.

16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive Income (loss)
Balance as at October 31, 2014	\$ (3.3)	\$ 1.7	\$ 8.7	\$ 7.1
Net change in gains (losses), net of income taxes	(6.3)	23.5	3.2	20.4
Balance as at July 31, 2015	\$ (9.6)	\$ 25.2	\$ 11.9	\$ 27.5
Balance as at October 31, 2013	\$ (3.7)	\$ (1.6)	\$ (7.9)	\$ (13.2)
Net change in gains (losses), net of income taxes	1.4	(1.9)	6.0	5.5
Balance as at July 31, 2014	\$ (2.3)	\$ (3.5)	\$ (1.9)	\$ (7.7)

As at July 31, 2015, the amounts expected to be reclassified to net earnings in future fiscal years are as follows:

	2015	2016	2017	2018	2019 and thereafter	Total
Losses on derivatives designated as cash flow hedges	\$ (3.7)	\$ (6.6)	\$ (1.7)	\$ (0.9)	\$ (0.3)	\$ (13.2)
Income taxes	(1.0)	(1.8)	(0.5)	(0.2)	(0.1)	(3.6)
	\$ (2.7)	\$ (4.8)	\$ (1.2)	\$ (0.7)	\$ (0.2)	\$ (9.6)

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17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value represents the amount that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value estimates are calculated at a specific date, taking into consideration assumptions regarding the amounts, the timing of estimated future cash flows and discount rates. Accordingly, due to its approximative and subjective nature, the fair value must not be interpreted as being realizable in an immediate settlement of the 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 and derivative financial instruments as at July 31, 2015 and as at October 31, 2014.

The fair value of long-term debt is determined using the discounted future cash flows method and discount rates based on market interest rates for identical or similar issuances and assumptions determined by management.

The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. The only financial instruments of the Corporation that are evaluated at fair value on a recurring basis subsequent to their initial recording are derivative financial instruments, including foreign exchange forward contracts.

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 - Unadjusted prices 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, 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 fair value and the carrying amount of other financial instruments and derivative financial instruments:

	As at July 31, 2015		As at October 31, 2014	
	Fair value	Carrying amount	Fair value	Carrying amount
Long-term debt	\$ (382.8)	\$ (360.9)	\$ (490.7)	\$ (476.8)
Foreign exchange forward contracts	(15.0)	(15.0)	(1.0)	(1.0)
Cross currency interest rate swap	—	—	(1.7)	(1.7)

These financial instruments are classified in Level 2 of the fair value hierarchy. For the nine-month period ended July 31, 2015, no financial instruments were transferred between levels 1, 2 and 3.

18 SUBSEQUENT EVENT

Definitive agreement to acquire Ultra Flex Packaging

On August 31, 2015, the Corporation has entered into a definitive agreement to acquire the shares of Ultra Flex Packaging, a supplier of flexible packaging located in Brooklyn, New York, for US\$80 million to be paid in cash at closing plus additional cash consideration to be paid upon attaining pre-established financial targets. This acquisition will be financed through the credit facility and will allow the Corporation to pursue its development within the flexible packaging industry, while diversifying its market offering. This agreement has been approved by the board of directors of Transcontinental Inc., however, the transaction is subject to approval by regulators in the United States and is expected to close no later than October 31, 2015.