

Transcontinental Inc.: increased profitability in third quarter

(in millions of dollars, except per share data)	Q3-14	Q3-13 ⁽¹⁾	%	YTD 2014	YTD 2013 ⁽¹⁾	%
Revenues	500.0	490.7	1.9	1,497.5	1,534.1	(2.4)
Adjusted operating earnings before amortization (Adjusted EBITDA)	84.7	78.8	7.5	236.1	228.6	3.3
Adjusted operating earnings (Adjusted EBIT)	58.3	52.5	11.0	160.3	150.2	6.7
Adjusted net earnings applicable to participating shares	37.6	33.4	12.6	100.8	92.4	9.1
Per share	0.48	0.43	11.6	1.29	1.19	8.4
Net earnings applicable to participating shares	44.2	30.1	46.8	96.1	71.1	35.2
Per share	0.56	0.39	43.6	1.23	0.91	35.2

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

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

Highlights

- Revenues increased 1.9%, primarily due to the contribution from acquisitions and new printing and distribution agreements, partially offset by the soft advertising market.
- Adjusted net earnings applicable to participating shares grew 12.6%, from \$33.4 million to \$37.6 million. On a per share basis, they rose from \$0.43 to \$0.48.
- Completed the acquisition of the assets of Capri Packaging, a supplier of flexible packaging solutions.
- Completed the acquisition of the Sun Media Corporation weekly newspapers in Quebec and their related Web properties.
- Signed a multi-year agreement with Postmedia Network Inc. to print *The Gazette* newspaper. The agreement took effect in August 2014.
- Announced the redemption of all outstanding Cumulative 5-Year Rate Reset First Preferred Shares, Series D, on October 15, 2014, for an aggregate total of \$100 million.
- Closed a private financing agreement of \$250 million in senior unsecured notes.
- Maintained a solid financial position, with a net indebtedness ratio of 1.31x.

Montreal, September 11, 2014 - Transcontinental Inc.'s (TSX: TCL.A, TCL.B, TCL.PR.D) revenues increased 1.9% in the third quarter, from \$490.7 million to \$500.0 million, primarily due to the contribution from acquisitions, namely Capri Packaging and Sun Media Corporation's weekly newspapers in Quebec, as well as new agreements in our two operating sectors. This increase was partially offset by the soft advertising market, which continues to influence both operating sectors.

Adjusted operating earnings rose 11.0%, from \$52.5 million to \$58.3 million. This performance is due to the contribution from acquisitions, new printing and distribution agreements, the company-wide optimization of our cost structure and our highly efficient printing platform. It was partially offset by the soft advertising market as mentioned above. Net earnings applicable to participating shares rose from \$30.1 million, or \$0.39 per share, to \$44.2 million, or \$0.56 per share. This improvement stems mainly from lower income taxes following a favourable unusual impact and an improvement in our operating earnings. Adjusted net earnings applicable to participating shares grew 12.6%, from \$33.4 million, or \$0.43 per share, to \$37.6 million, or \$0.48 per share.

"I'm satisfied with our third quarter results, notably the 1.9% increase in consolidated revenues and the 12.6% increase in our profitability. During the quarter we completed two acquisitions that add value to our business, strengthen our assets and diversify our operations. On the

one hand, the integration of Capri Packaging is producing the expected results in a new area of operations, namely flexible plastic packaging. On the other hand, following the acquisition of the Sun Media Corporation weekly newspapers in Quebec and the beginning of their integration into our network, we expect the synergies from this transaction will be realized as planned.

“The printing operations continued to perform well and should pursue this path in the fourth quarter. The Media Sector, for its part, is staying on course to improve its profitability by integrating its recent acquisition and aligning its cost structure with the new reality of the market,” said François Olivier, President and Chief Executive Officer of TC Transcontinental.

Supplementary Information

- On May 3, 2014, the Corporation completed the acquisition of the assets of Capri Packaging, a supplier of flexible packaging solutions, operating two facilities located in Clinton, Missouri. The acquisition will add about US\$72 million to TC Transcontinental's revenues. As part of the transaction, the seller, Schreiber Foods, Inc. has signed a 10-year agreement to secure Capri Packaging as a strategic supplier of flexible packaging solutions, which represents about 75% of Capri's total revenues.
- On May 5, 2014, TC Transcontinental Printing signed a multi-year agreement with Postmedia Network Inc. to print *The Gazette*, distributed primarily in the Montreal market. This agreement builds on our recent announcement to print the *Vancouver Sun* and the *Calgary Herald*.
- On May 8, 2014, the Corporation completed a private financing agreement for an amount of \$250 million of 3.897% senior unsecured notes due in 2019. Transcontinental Inc. used the net proceeds to repay outstanding indebtedness under its revolving credit facility and for general corporate purposes.
- On June 6, 2014, TC Transcontinental was again ranked by Corporate Knights, the independent Canadian-based media company, as one of Canada's Best 50 Corporate Citizens. This recognition is a testament to the relevance of the Corporation's initiatives as part of its ongoing commitment to sustainability.
- On September 3, 2014, Transcontinental Inc. announced the completion of the sale process involving 33 weekly newspapers as required by the Competition Bureau with respect to the Corporation's acquisition of Sun Media Corporation's 74 weekly newspapers in Quebec and their related Web properties. Of those 33 newspapers, 14 found buyers. Of that number, three will continue to be published as weekly papers and 11 will now be published online only. Furthermore, following the completion of this process, Transcontinental Inc. is reorganizing its weekly newspaper portfolio and will no longer publish 20 of its titles. The TC Media consolidated portfolio of newspapers in Quebec now consists of close to 120 titles.
- On September 11, 2014, Transcontinental Inc. announced that it will exercise its right to redeem all of its 4 million outstanding Cumulative 5-Year Rate Reset First Preferred Shares, Series D on October 15, 2014 at the price per share of \$25.00, for an aggregate total of \$100 million. The Corporation intends to use its revolving credit facility to finance the share redemption.

Highlights of the First Nine Months

For the first nine months of 2014, TC Transcontinental's revenues decreased 2.4%, from \$1,534.1 million to \$1,497.5 million, primarily as a result of the soft advertising market in our two operating sectors, particularly in the printing of marketing products. The decrease was partially offset by the contribution from acquisitions and new printing and distribution agreements. Adjusted operating earnings grew 6.7 %, from \$150.2 million to \$160.3 million, attributable to the contribution from acquisitions, the positive effect of the Canadian dollar vis-à-vis the U.S. dollar, and our cost-structure optimization. This increase was partially offset by softness in the advertising market. Net earnings applicable to participating shares rose from \$71.1 million, or \$0.91 per share, to \$96.1 million, or \$1.23 per share. The improvement stems mainly from the increase in our operating earnings and lower financial expenses. Excluding unusual items, adjusted net earnings applicable to participating shares rose 9.1%, from \$92.4 million, or \$1.19 per share, to \$100.8 million, or \$1.29 per share.

For more detailed financial information, please see *Management's Discussion and Analysis for the third quarter ended July 31st, 2014* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook

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

The integration of Capri Packaging and the development of our new growth vector in the flexible packaging industry are moving forward through our plan to build the loyalty of existing customers and attract new ones. Results to date are encouraging and we will be looking at optimizing our operations to increase productivity.

The Media Sector should continue to benefit from cost-saving initiatives and new flyer distribution agreements that will reduce the impact of a difficult advertising market. Furthermore, we anticipate an annualized impact of about \$20 million on our operating earnings before amortization from the acquisition of the Sun Media Corporation weekly newspapers in Quebec. However, these synergies may take slightly longer to realize given the delays caused by the Competition Bureau's requirement that some newspapers be put up for sale. We also expect to incur about \$5 million in restructuring and other costs related to the reorganization of our weekly newspaper portfolio.

Additional long-term financing has been arranged to provide the financial flexibility needed to ensure our transformation and execute our growth strategy. We have maintained an excellent financial position and a balanced approach to capital management so that we can reduce our debt, pay dividends and invest in our transformation focused on our core competencies. We are also continuing to develop internal projects and evaluate our assets in order to maintain our leading position in our niches; at the same time we are developing our new packaging growth vector to ensure the long-term success and profitability of the business.

Reconciliation of Non-IFRS Financial Measures

Financial data have been prepared in conformity with IFRS. However, certain measures used in this press release do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many readers analyze our results based on certain non-IFRS financial measures because such measures are more appropriate for evaluating the Corporation's operating performance. Internally, management uses such non-IFRS financial information as an indicator of business performance, and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS.

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

Reconciliation of Non-IFRS financial measures

(unaudited)

(in millions of dollars, except per share amounts)	Three months ended July 31		Nine months ended July 31	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Net earnings applicable to participating shares	\$ 44.2	\$ 30.1	\$ 96.1	\$ 71.1
Dividends on preferred shares, net of related taxes	1.7	1.7	5.1	5.1
Non-controlling interests	—	—	0.1	0.1
Income tax	2.1	9.3	25.7	23.0
Share of earnings in interests in joint ventures, net of related taxes	(0.2)	(0.2)	(0.7)	(0.6)
Net financial expenses	5.6	6.9	14.2	22.1
Impairment of assets	0.2	1.9	0.7	4.7
Restructuring and other costs	4.7	2.8	19.1	24.7
Adjusted operating earnings	\$ 58.3	\$ 52.5	\$ 160.3	\$ 150.2
Amortization	26.4	26.3	75.8	78.4
Adjusted operating earnings before amortization	\$ 84.7	\$ 78.8	\$ 236.1	\$ 228.6
Net earnings applicable to participating shares	\$ 44.2	\$ 30.1	\$ 96.1	\$ 71.1
Net increase in the carrying amount of deferred income tax assets	(10.0)	—	(10.0)	—
Impairment of assets (after tax)	0.1	1.3	0.5	3.4
Restructuring and other costs (after tax)	3.3	2.0	14.2	17.9
Adjusted net earnings applicable to participating shares	\$ 37.6	\$ 33.4	\$ 100.8	\$ 92.4
Weighted Average number of participating shares outstanding	78.0	77.9	78.0	78.0
Adjusted net earnings applicable to participating shares per share	\$ 0.48	\$ 0.43	\$ 1.29	\$ 1.19

	As at July 31, 2014	As at October 31, 2013 ⁽¹⁾
Long-term debt	\$ 360.3	\$ 128.9
Current portion of long-term debt	122.5	218.3
Cash	(29.6)	(26.4)
Net indebtedness	\$ 453.2	\$ 320.8
Adjusted operating earnings before amortization (last 12 months)	\$ 346.1	\$ 338.6
Net indebtedness ratio	1.31 x	0.95 x

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

Dividends

Dividend on Participating Shares

The Corporation's Board of Directors declared a quarterly dividend of \$0.16 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on October 24, 2014 to shareholders of record at the close of business on October 6, 2014.

Dividend on Preferred shares

The Corporation's Board of Directors declared a quarterly dividend of \$0.4253 per share on Cumulative 5-Year Rate Reset First Preferred Shares, Series D. This dividend is payable on October 15, 2014. On an annual basis, this represents a dividend of \$1.6875 per preferred share.

Additional Information

Conference Call

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

Profile

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

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

Forward-looking Statements

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

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of September 11, 2014.

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

The forward-looking statements in this release are based on current expectations and information available as at September 11, 2014. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter ended July 31, 2014

The purpose of this Management's Discussion and Analysis is to explain management's point of view on the past performance and future outlook of Transcontinental Inc. More specifically, it is designed to give the reader a better understanding of our development strategy, performance 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, 2014. Additional information about the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced or concluded after the date of September 11, 2014.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at September 11, 2014. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

SUMMARY OF FORWARD-LOOKING STATEMENTS

Forward-looking Statements	Assumptions	Risk Factors
Continuing ability to generate excess cash.	<ul style="list-style-type: none"> - A declining local and national advertising market. - Ability to control our costs. - Volume with most of our major customers will be maintained and their flyer use will remain stable. - Stable level of competition in the markets in which we operate. - Low but stable growth rate of the Canadian economy. 	<ul style="list-style-type: none"> - The effects of new media and the corresponding shift of advertising revenues to new platforms. - Our ability to develop new growth opportunities in line with our strategy. - The Corporation must continually improve its operational efficiency in order to maintain or improve profitability. There is no guarantee that the Corporation will be able to do so in the future.
Expected impact of commercial agreements signed with customers.	<ul style="list-style-type: none"> - Level of demand expected upon signature of agreements will not fluctuate significantly. 	<ul style="list-style-type: none"> - Significant increase in the price of our input costs. - A quick and significant shift of product demand from print to digital. - Renegotiation of printing contracts with some of our major clients could lead to lower operating earnings despite long-term agreements.
Estimated increase in adjusted operating earnings before amortization related to the acquisition of all the Quebec weekly newspapers of Sun Media Corporation, a subsidiary of Quebecor Media	<ul style="list-style-type: none"> - Smooth and efficient integration with our operations. - We will be capable of ensuring the retention of key employees throughout the transition. 	<ul style="list-style-type: none"> - The identified increase in adjusted operating earnings before amortization could take longer to realize than anticipated due to the requirement by the Competition Bureau that some weekly newspapers be put up for sale.
Estimated increase in adjusted operating earnings before amortization related to the acquisition of Capri Packaging.	<ul style="list-style-type: none"> - We will be able to retain key employees in order to ensure a smooth transition and customer satisfaction. - Financial forecasts will be accurate with no major decrease in volume from existing clients. - Ability to apply our manufacturing expertise to maintain operational efficiency and properly integrate this new growth area. - Ability to develop new business opportunities to ensure optimal use of our resources. 	<ul style="list-style-type: none"> - The identified increase in adjusted operating earnings before amortization could take longer to realize than anticipated.
Internal and external investments aimed at achieving our operating strategies.	<ul style="list-style-type: none"> - Our investments in the development of new products and services will generate additional revenues and increase profitability. - Our internal projects will generate savings and efficiencies that will improve our profitability. - A declining local and national advertising market. - Low but stable growth rate of the Canadian economy. 	<ul style="list-style-type: none"> - Inappropriate selection of priority investments and an inability to create value. - Well-established digital competitors entering our various markets could force us to change our investment strategies.

DEFINITION OF TERMS USED IN THIS REPORT

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

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

PROFILE OF TC TRANSCONTINENTAL

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

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

HIGHLIGHTS

- Revenues increased by \$9.3 million, or 1.9%, from \$490.7 million in the third quarter of 2013 to \$500.0 million in the third quarter of 2014
- Adjusted operating earnings increased by \$5.8 million, or 11.0%, from \$52.5 million in the third quarter of 2013 to \$58.3 million in the third quarter of 2014.
- Adjusted net earnings applicable to participating shares increased by \$4.2 million, or 12.6%, from \$33.4 million in the third quarter of 2013 to \$37.6 million in the third quarter of 2014.
- On May 3, 2014, the Corporation completed the acquisition of the assets of Capri Packaging, a supplier of flexible packaging solutions.
- On May 5, 2014, the Corporation announced that it had signed a multi-year agreement with Postmedia Network Inc. to print *The Gazette* newspaper. The agreement took effect during August 2014 and did not require any additional investment by the Corporation
- On May 8, 2014, the Corporation completed a private financing agreement for an amount of \$250 million of 3.897% senior unsecured notes due in 2019.
- On June 1, 2014, the Corporation completed the acquisition of all the weekly papers in Quebec and their related Web properties owned by Sun Media Corporation, a subsidiary of Quebecor Media, after receiving approval pursuant to the *Competition Act (Canada)* from the regulatory authorities. In accordance with that agreement, the Corporation had to offer for sale, for a period of 60 days, 33 of the 154 weekly papers in its portfolio, including some that were part of the transaction with Sun Media Corporation. Among the 33 newspapers offered for sale, 14 are to be sold. Of this number, three will continue to be published as weekly newspapers and 11 will now be published online only. Further to these transactions, Transcontinental Inc. is reorganizing its portfolio of weekly newspapers in Quebec.
- On September 11, 2014, the Corporation announced that it is exercising its right to redeem all outstanding Cumulative Rate Reset First Preferred Shares, Series D, on October 15, 2014, for a total of \$100 million. This amount will be funded from our revolving credit facility.

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 2013	\$ 490.7		\$ 52.5		\$ 30.1
Acquisitions/disposals and closures	22.8	4.6 %	3.1	5.9 %	1.1
Existing operations	(13.5)	(2.7) %	2.7	5.1 %	3.1
Net increase in the carrying amount of deferred income tax assets					10.0
Restructuring and other costs					(1.3)
Impairment of assets					1.2
Third quarter of 2014	\$ 500.0	1.9 %	\$ 58.3	11.0 %	\$ 44.2

Revenues

Revenues increased by \$9.3 million, or 1.9%, from \$490.7 million in the third quarter of 2013 to \$500.0 million in the third quarter of 2014. This change is due to the following:

- The majority of the \$22.8 million increase in our acquisitions and disposals stems from the purchases of Capri Packaging and the Quebec weekly newspapers owned by Sun Media Corporation, offset by the sale of Rastar's assets.
- Revenues from existing operations were down \$13.5 million due to the difficult market conditions in local and national advertising spend, which affected our two operating sectors. The decrease in Printing Sector revenues stems mainly from a decline in newspaper and magazine printing volume, partially offset by new agreements in these product segments. The decrease in the Media Sector stems primarily from lower advertising revenues in our existing magazine and weekly newspaper-publishing operations, partially offset by new distribution agreements.

Adjusted Operating Earnings

Adjusted operating earnings increased by \$5.8 million, or 11.0%, from \$52.5 million in the third quarter of 2013 to \$58.3 million for the third quarter of 2014. This increase stems from:

- The impact of the Capri Packaging acquisition accounts for most of the \$3.1 million increase in adjusted operating earnings with respect to acquisitions and disposals.
- Adjusted operating earnings in the Media Sector improved due to new distribution agreements and cost-structure reductions in the third quarter of 2014. These offset the soft local and national advertising markets noted above, which continue to affect both sectors. Lastly, head office costs were down \$0.9 million, primarily due to a decrease in the stock-based compensation expense stemming from the change in the share price in the third quarter of 2014 compared to the previous year

Restructuring and Other Costs

In the third quarter of 2014, an amount of \$4.7 million (\$3.3 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs, of which \$1.9 million is related to optimization and cost-saving initiatives, mainly in the Media Sector. In the third quarter of 2014, the Corporation also recognized an amount of \$2.4 million for expenses related to acquisitions.

In the third quarter of 2013, an amount of \$2.8 million (\$2.0 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs, primarily due to workforce reductions related to integration of the printing operations of Quad/Graphics Canada, Inc. and to cost-saving initiatives in the Media sector.

Asset Impairment

In the third quarter of 2014, an asset impairment charge of \$0.2 million (\$0.1 million after tax) was recorded, compared to \$1.9 million (\$1.3 million after tax) in the third quarter of 2013.

Net Financial Expenses

Net financial expenses decreased \$1.3 million, from \$6.9 million in the third quarter of 2013 to \$5.6 million in the third quarter of 2014. The decrease stems mainly from lower pension plan expenses and a lower weighted average interest rate than in the third quarter of 2013, partially offset by the impact of cash outflows related to recent acquisitions.

Income taxes

Income taxes fell from \$9.3 million in the third quarter of 2013 to \$2.1 million in the third quarter of 2014. The decrease stems mainly from an increase in the carrying amount of deferred income tax assets in the United States. Excluding income taxes on restructuring and other costs, asset impairment charges and the net increase in the carrying amount of deferred income tax assets in the United States, income taxes would have amounted to \$13.6 million in the third quarter of 2014, for a tax rate of 25.8%, compared to \$10.7 million, or 23.5%, in the third quarter of 2013. The increase is mainly attributable to a lower positive variance compared to the prior year relating to the reconciliation of the estimated accounting provision and the actual tax expense.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares rose from \$30.1 million in the third quarter of 2013 to \$44.2 million in the third quarter of 2014. This improvement stems primarily from lower income taxes due to the net increase in the carrying amount of deferred income tax assets, and improved operating earnings. On a per share basis, net earnings applicable to participating shares increased from \$0.39 to \$0.56.

Adjusted net earnings applicable to participating shares rose by \$4.2 million, or 12.6%, from \$33.4 million in the third quarter of 2013 to \$37.6 million in the third quarter of 2014, due to the increase in our adjusted operating earnings before amortization. On a per share basis, the figures went from \$0.43 to \$0.48.

ANALYSIS OF SECTOR RESULTS - THIRD QUARTER

(unaudited)

Table #2:

(in millions of dollars)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues - Third quarter of 2013	\$ 337.6	\$ 172.5	\$ (19.4)	\$ 490.7
Acquisitions/disposals and closures	14.5	8.3	—	22.8
Existing operations	(6.3)	(6.1)	(1.1)	(13.5)
Revenues - Third quarter of 2014	\$ 345.8	\$ 174.7	\$ (20.5)	\$ 500.0
Adjusted operating earnings - Third quarter of 2013	\$ 49.0	\$ 7.8	\$ (4.3)	\$ 52.5
Acquisitions/disposals and closures	3.0	0.1	—	3.1
Existing operations	(2.4)	4.2	0.9	2.7
Adjusted operating earnings - Third quarter of 2014	\$ 49.6	\$ 12.1	\$ (3.4)	\$ 58.3

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

Printing & Packaging Sector

Printing & Packaging Sector revenues were up \$8.2 million, or 2.4%, from \$337.6 million in the third quarter of 2013 to \$345.8 million in the third quarter of 2014. Under acquisitions and disposals, the purchase of Capri Packaging represents \$19.1 million, while the sale of the Rastar assets had a negative impact of \$4.6 million. In existing operations, print volumes for magazines, newspapers and marketing products have declined despite new agreements in these product segments.

Adjusted operating earnings were up 1.2%, or \$0.6 million, from \$49.0 million in the third quarter of 2013 to \$49.6 million in the third quarter of 2014. The Capri Packaging acquisition represents an additional \$2.5 million in adjusted operating earnings and the impact on adjusted operating earnings before amortization was \$4.2 million. The sale of Rastar's assets also had a positive impact of \$0.5 million on adjusted operating earnings in the third quarter of 2014. However, revenues from existing operations were down due to the difficult market conditions as noted above. The adjusted operating earnings margin declined from 14.5% in the third quarter of 2013 to 14.3% in the third quarter of 2014.

Media Sector

Media Sector revenues were up by \$2.2 million, or 1.3%, from \$172.5 million in the third quarter of 2013 to \$174.7 million in the third quarter of 2014. Much of the increase in revenues from acquisitions and disposals stems from the acquisition of the weekly newspapers owned by Sun Media Corporation. However, revenues from existing operations were down due to lower advertising revenues in our magazine publishing and weekly newspaper operations, partially offset by new distribution agreements with some retailers.

Adjusted operating earnings were higher by \$4.3 million, or 55.1%, from \$7.8 million in the third quarter of 2013 to \$12.1 million in the third quarter of 2014. The adjusted operating margin increased from 4.5% in the third quarter of 2013 to 6.9% in the third quarter of 2014. Within existing operations, cost-structure reductions and new distribution agreements more than offset the above-mentioned decrease in existing revenues.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues and other activities went from -\$19.4 million in the third quarter of 2013 to -\$20.5 million in the third quarter of 2014. Adjusted operating earnings increased by \$0.9 million, from -\$4.3 million in the third quarter of 2013 to -\$3.4 million in 2014. This change is mainly due a decrease in the stock-based compensation expense stemming from the change in the share price in the third quarter 2014 compared to the previous year.

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, 2013	\$ 1,534.1		\$ 150.2		\$ 71.1
Acquisitions/disposals and closures	20.2	1.3 %	5.1	3.4 %	2.4
Existing operations	(56.8)	(3.7) %	5.0	3.3 %	6.0
Net increase in the carrying amount of deferred income tax assets					10.0
Restructuring and other costs					3.7
Impairment of assets					2.9
Nine months ended July 31, 2014	\$ 1,497.5	(2.4) %	\$ 160.3	6.7 %	\$ 96.1

Revenues

Revenues decreased by \$36.6 million, or 2.4%, from \$1,534.1 million in the first nine months of 2013 to \$1,497.5 million in the first nine months of 2014. This change is due to the following factors:

- Revenues from existing operations were down \$56.8 million due to the difficult market conditions in both local and national advertising spending, which affected both operating sectors. The lower revenues stem mainly from a decline in the printing of marketing products as well as lower magazine and newspaper printing volume, partially offset by new agreements in these niches. The decrease in the Media Sector revenues stems primarily from our magazine and weekly newspaper-publishing operations, partially offset by new distribution agreements with some retailers.
- The net effect of acquisitions and disposals increased revenues by \$20.2 million, primarily due to the acquisitions of Capri Packaging and the Sun Media Corporation weekly newspapers in Quebec, partially offset by the sale of Rastar's assets.

Adjusted Operating Earnings

Adjusted operating earnings increased from \$150.2 million in the first nine months of 2013, to \$160.3 million in the first nine months of 2014. The \$10.1 million, or 6.7%, increase stems from the following:

- Adjusted operating earnings in the Printing & Packaging Sector were impacted by the positive effect of \$2.8 million from the appreciation of the U.S. dollar versus the Canadian dollar and by cost-saving initiatives. The Media Sector continued to be affected by the soft local and national advertising market, which affected our magazine and newspaper-publishing operations. However, the decrease was mitigated by new distribution agreements with some retailers and measures to reduce our cost structure. Lastly, costs related to other head office activities were lower by \$2.6 million, principally as a result of the stock-based compensation expense due to the change in share-price during the first nine months compared to the previous year.
- The net effect of acquisitions and closures resulted in a \$5.1 million improvement in adjusted operating earnings, primarily due to the acquisition of Capri Packaging and the sale of the Rastar assets.

Restructuring and Other Costs

In the first nine months of 2014, an amount of \$19.1 million (\$14.2 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs. Of this amount, \$12.1 million is for optimization and cost-saving initiatives tied to the ongoing integration of the operations of Quad/Graphics Canada, Inc., and to cost-structure reductions within the Media Sector. The Corporation also recorded an expense of \$3.4 million related to recent acquisitions.

In the first nine months of 2013, an amount of \$24.7 million before tax (\$17.9 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs, primarily due to workforce reductions related to the integration of the printing operations of Quad/Graphics Canada, Inc., and an onerous contract.

Asset Impairment

In the first nine months of 2014, an asset impairment charge of \$0.7 million (\$0.5 million after tax) was recorded, compared to \$4.7 million (\$3.4 million after tax) in the first nine months of 2013. These amounts are primarily related to the assets of our printing operations.

Net Financial Expenses

Net financial expenses decreased \$7.9 million, from \$22.1 million in the first nine months of 2013 to \$14.2 million in the first nine months of 2014. The decrease stems mainly from lower expenses related to pension plans, excess cash flow from operations and a lower weighted average interest rate than in the first nine months of 2013. These items were partially offset by the impact of cash outflows related to recent acquisitions.

Income taxes

Income taxes rose from \$23.0 million in the first nine months of 2013 to \$25.7 million in the first nine months of 2014, due to our higher pre-tax earnings and the geographic distribution of revenues, partially offset by the net increase in the carrying amount of deferred income tax assets. Excluding income taxes on restructuring and other costs, asset impairment charges and the net increase in the carrying amount of deferred income tax assets in the United States, income taxes would have amounted to \$40.8 million in the first nine months of 2014, for a tax rate of 27.9%, compared to \$31.1 million, or 24.3%, in the first nine months of 2013. The increase is mostly attributable to the geographic distribution of revenues and to the lower favorable variance compared to the prior year in relation to the reconciliation of the estimated accounting provision and the actual tax expense.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares rose from \$71.1 million in the first nine months of 2013 to \$96.1 million in the first nine months of 2014. This improvement is due to lower financial expenses, a decrease in restructuring and other costs, as well as an increase in adjusted operating earnings, partially offset by the increase in income taxes. On a per share basis, net earnings applicable to participating shares rose from \$0.91 to \$1.23.

Adjusted net earnings applicable to participating shares rose \$8.4 million, or 9.1%, from \$92.4 million for the first nine months of 2013 to \$100.8 million for the first nine months of 2014. On a per share basis, the figure went from \$1.19 to \$1.29.

ANALYSIS OF SECTOR RESULTS

(unaudited)

Table #4:

(in millions of dollars)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues - Nine months ended July 31, 2013	\$ 1,086.4	\$ 510.5	\$ (62.8)	\$ 1,534.1
Acquisitions/disposals and closures	10.9	9.3	—	20.2
Existing operations	(36.9)	(25.4)	5.5	(56.8)
Revenues - Nine months ended July 31, 2014	\$ 1,060.4	\$ 494.4	\$ (57.3)	\$ 1,497.5
Adjusted operating earnings - Nine months ended July 31, 2013	\$ 149.8	\$ 16.0	\$ (15.6)	\$ 150.2
Acquisition/disposals and closures	3.8	1.3	—	5.1
Existing operations	4.3	(1.9)	2.6	5.0
Adjusted operating earnings - Nine months ended July 31, 2014	\$ 157.9	\$ 15.4	\$ (13.0)	\$ 160.3

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

Printing & Packaging Sector

Printing & Packaging Sector revenues were down \$26.0 million, or 2.4%, from \$1,086.4 million in the first nine months of 2013 to \$1,060.4 million in the first nine months of 2014. The decrease in existing operations stems mainly from the difficult market conditions which affected our marketing product printing operations. Our flyer printing revenues remained stable, but magazine and newspaper print volumes were down despite new agreements in these niches. The impact of acquisitions and disposals is due primarily to the Capri Packaging acquisition, which affected the third quarter of 2014, partially offset by the sale of our Rastar assets in February 2014.

Adjusted operating earnings were up 5.4%, or \$8.1 million, from \$149.8 million in the first nine months of 2013 to \$157.9 million in the first nine months of 2014. The increase stems from the positive impact of \$2.8 million due to the appreciation of the U.S. dollar versus the Canadian dollar and our cost-structure optimization, which offset the loss of volume due to difficult market conditions as noted above. The acquisition of Capri Packaging and the sale of Rastar's assets also improved our adjusted operating earnings compared to the previous year. As a result, the adjusted operating earnings margin rose from 13.8% in the first nine months of 2013 to 14.9% in the first nine months of 2014.

Media Sector

Media Sector revenues were lower by \$16.1 million, or 3.2%, from \$510.5 million in the first nine months of 2013 to \$494.4 million in the first nine months of 2014. The decrease is largely due to a reduction in advertising revenues in our magazine and weekly newspaper-publishing operations as well as a lower volume related to our interactive marketing solutions offering, partially offset by new distribution agreements with certain retailers. However, the acquisition of the Sun Media Corporation weekly papers in Quebec and, to a lesser extent, the impact on the first quarter of 2014 of the purchase of Groupe Modulo in the previous fiscal year partially offset the decrease in our existing operations.

Adjusted operating earnings were lower by \$0.6 million, from \$16.0 million in the first nine months of 2013 to \$15.4 million in the first nine months of 2014. The adjusted operating margin remained stable at 3.1%. Within our existing operations, the above-noted lower revenues had a significant adverse impact on adjusted operating earnings. The net effect of acquisitions and disposals resulted in a \$1.3 million improvement in adjusted operating earnings.

Head Office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -62.8 million in the first nine months of 2013 to -57.3 million in the first nine months of 2014. Adjusted operating earnings improved by \$2.6 million, from -15.6 million in the first nine months of 2013 to -13.0 million in the first nine months of 2014. This improvement is mainly due a decrease in the stock-based compensation expense stemming from the change in the share price in the first nine months of 2014 compared to the previous year.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

(in millions of dollars, except per share amounts)	2014			2013 ⁽¹⁾				2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$ 500.0	\$ 498.2	\$ 499.3	\$ 562.6	\$ 490.7	\$ 517.8	\$ 525.6	\$ 585.1
Adjusted operating earnings before amortization ⁽¹⁾	84.7	82.8	68.6	110.0	78.8	80.4	69.4	123.8
Adjusted operating earnings margin before amortization	16.9 %	16.6 %	13.7 %	19.6 %	16.1 %	15.5 %	13.2 %	21.2 %
Adjusted operating earnings ⁽¹⁾	58.3	58.5	43.5	83.4	52.5	54.2	43.5	96.4
Adjusted operating earnings margin	11.7 %	11.7 %	8.7 %	14.8 %	10.7 %	10.5 %	8.3 %	16.5 %
Net earnings applicable to participating shares	\$ 44.2	\$ 34.7	\$ 17.2	\$ (94.5)	\$ 30.1	\$ 25.3	\$ 15.7	\$ (51.9)
Per share	0.56	0.45	0.22	(1.21)	0.39	0.32	0.20	(0.65)
Adjusted net earnings applicable to participating shares ⁽¹⁾	37.6	36.8	26.4	55.9	33.4	32.6	26.4	61.9
Per share	0.48	0.47	0.34	0.71	0.43	0.42	0.34	0.77
% of fiscal year	— %	— %	— %	37 %	23 %	22 %	18 %	41 %

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. Our recent acquisitions of Capri Packaging and Sun Media Corporation's weekly newspapers in Quebec offset the decrease in our existing revenues related to the soft local and national advertising markets. The impact of the Capri Packaging acquisition in the flexible packaging niche also opened a new avenue of growth for the Corporation, which improved our adjusted operating earnings in the third quarter of 2014. The Corporation strives continually to optimize its cost structure, which has allowed us to maintain and even improve our operating earnings. Lastly, note that our volume of activity is cyclical, since it is mainly influenced by our customers' marketing spending, which is higher in the fall.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

Table #6:

(in millions of dollars, except per share amounts)	Three months ended July 31		Nine months ended July 31	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Net earnings applicable to participating shares	\$ 44.2	\$ 30.1	\$ 96.1	\$ 71.1
Dividends on preferred shares, net of related taxes	1.7	1.7	5.1	5.1
Non-controlling interests	—	—	0.1	0.1
Income tax	2.1	9.3	25.7	23.0
Share of earnings in interests in joint ventures, net of related taxes	(0.2)	(0.2)	(0.7)	(0.6)
Net financial expenses	5.6	6.9	14.2	22.1
Impairment of assets	0.2	1.9	0.7	4.7
Restructuring and other costs	4.7	2.8	19.1	24.7
Adjusted operating earnings	\$ 58.3	\$ 52.5	\$ 160.3	\$ 150.2
Amortization	26.4	26.3	75.8	78.4
Adjusted operating earnings before amortization	\$ 84.7	\$ 78.8	\$ 236.1	\$ 228.6
Net earnings applicable to participating shares	\$ 44.2	\$ 30.1	\$ 96.1	\$ 71.1
Net increase in the carrying amount of deferred income tax assets	(10.0)	—	(10.0)	—
Impairment of assets (after tax)	0.1	1.3	0.5	3.4
Restructuring and other costs (after tax)	3.3	2.0	14.2	17.9
Adjusted net earnings applicable to participating shares	\$ 37.6	\$ 33.4	\$ 100.8	\$ 92.4
Weighted Average number of participating shares outstanding	78.0	77.9	78.0	78.0
Adjusted net earnings applicable to participating shares per share	\$ 0.48	\$ 0.43	\$ 1.29	\$ 1.19
			As at July 31, 2014	As at October 31, 2013 ⁽¹⁾
Long-term debt			\$ 360.3	\$ 128.9
Current portion of long-term debt			122.5	218.3
Cash			(29.6)	(26.4)
Net indebtedness			\$ 453.2	\$ 320.8
Adjusted operating earnings before amortization (last 12 months)			\$ 346.1	\$ 338.6
Net indebtedness ratio			1.31 x	0.95 x

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES – THIRD QUARTER ENDED JULY 31

(unaudited)

Table #7:

(in millions of dollars)	2014	2013 ⁽¹⁾
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$ 85.3	\$ 81.0
Changes in non-cash operating items	(29.6)	(32.0)
Income taxes paid	(1.4)	2.0
Cash flows from operating activities	\$ 54.3	\$ 51.0
Investing activities		
Business combinations	\$ (219.8)	\$ (0.3)
Disposal of subsidiaries	0.6	—
Acquisitions of property, plant and equipment, net of disposals	(7.7)	(13.6)
Increase in intangible assets	(13.1)	(8.2)
Cash flows from investing activities	\$ (240.0)	\$ (22.1)
Financing activities		
Increase in long-term debt	250.0	—
Issuance costs on long-term debt	(1.8)	—
Reimbursement of long-term debt	(7.3)	(7.1)
Net increase (decrease) in revolving term credit facility	(36.8)	13.0
Financial expenses on long-term debt	(2.8)	(4.2)
Bond forward contract	(1.5)	—
Dividends on participating shares	(12.5)	(11.3)
Dividends on preferred shares	(1.7)	(1.7)
Cash flows from financing activities	\$ 185.6	\$ (11.3)
Financial position		
	As at July 31, 2014	As at October 31, 2013 ⁽¹⁾
Net indebtedness	\$ 453.2	\$ 320.8
Net indebtedness ratio	1.31 x	0.95 x
Credit rating		
DBRS	BBB (low)	BBB
Perspectives	Stable	Negative
Standard and Poor's	BBB-	BBB-
Perspectives	Stable	Stable
Consolidated Statement of Financial Position		
	As at July 31, 2014	As at October 31, 2013 ⁽¹⁾
Current assets	\$ 516.2	\$ 553.6
Current liabilities	412.5	563.6
Total assets	2,004.6	1,850.8
Total liabilities	1,123.4	1,035.4

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

Cash Flows from Operating Activities

Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid increased from \$81.0 million in the third quarter of 2013 to \$85.3 million in the third quarter of 2014, primarily due to higher operating earnings. Furthermore, changes in non-cash operating items used \$29.6 million in the third quarter of 2014, compared to the \$32.0 million used in the third quarter of 2013. These cash flows are stable compared to the previous year and represent increased purchases to prepare for our busier fall season. Income taxes paid amounted to \$1.4 million in the third quarter of 2014, compared to a recovery of \$2.0 million in the third quarter of 2013. As a result, cash flows from operations rose to \$54.3 million in the third quarter of 2014, compared to \$51.0 million in the second quarter of 2013.

Cash Flows from Investing Activities

Our cash flows from investing activities went from an outflow of \$22.1 million in the third quarter of 2013 to an outflow of \$240.0 million in the third quarter of 2014. This variance stems mainly from payments of \$146.1 million (US\$133.0 million) for the Capri Packaging acquisition and \$73.7 million related to the purchase of the Quebec weekly newspapers owned by Sun Media Corporation.

Cash Flows from Financing Activities

Cash flows from financing activities increased from an outflow of \$11.3 million in the third quarter of 2013 to an inflow of \$185.6 million in the third quarter of 2014. This change stems mainly from our private financing in senior unsecured notes, which generated proceeds of \$250 million before issuance costs. During the quarter the Corporation also paid down \$36.8 million on its term revolving credit facility. As well, there was an outflow of \$1.5 million, primarily due to the settlement of bond forward contracts to hedge the interest rate risk on our private financing. In the third quarter of 2013, we paid \$11.3 million in dividends on participating shares, compared to \$12.5 million in the third quarter of 2014, due to the dividend increase announced in the first quarter of 2014.

Debt Instruments

As at July 31, 2014, our net indebtedness ratio stood at 1.31x (0.95x as at October 31, 2012), and net indebtedness rose from \$320.8 million as at October 31, 2013 to \$453.2 million as at July 31, 2014. The increase in our net indebtedness ratio stems primarily from our two recent acquisitions, partially offset by our excess cash flows. As at July 31, 2014, we had drawn C\$53.4 million on our unsecured credit facility of \$400 million. The applicable interest rate on this credit facility is based on the credit rating assigned by Standard & Poor's and DBRS. According to the current credit rating, it is either the banker's acceptance rate or LIBOR, plus 1.675%, or the Canadian or U.S. prime rate, plus 0.675%.

Share Capital

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

Table #8:

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

RISKS AND UNCERTAINTIES

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

Innovation in our packaging offering

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

Security of our packaging products used in the food industry

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As at July 31, 2014, Management excluded Capri Packaging from its internal control with respect to financial information; this is accepted by the Autorité des marchés financiers (AMF) during the first year after the acquisition of a business, to give a Corporation time to integrate the acquisition.

Capri Packaging, acquired on May 3, 2014, generated revenues of \$19.1 million for the third quarter of 2014 and adjusted operating earnings of \$2.5 million, or 3.8% and 4.3% respectively of the Corporation's consolidated earnings for the quarter. Capri Packaging has two flexible packaging production plants and about 200 employees.

The following table provides additional information about this acquisition:

Statement of financial position	As at July 31, 2014
Current assets	\$11.0 M
Non current assets	\$134.3 M
Current liabilities	\$3.5 M
Long-term liabilities	\$0.0 M
Statement of earnings	For the three months ended July 31, 2014
Revenues	\$19.1 M
Adjusted operating earnings	\$2.5 M
Adjusted operating earnings before amortization	\$4.2 M

Please see Note 4 in the interim consolidated financial statements for the period ended July 31, 2014 for more information about the Capri Packaging acquisition.

In the quarter ended July 31, 2014, except for the information provided above, no change that has materially affected or is reasonably likely to materially affect internal control over financial reporting was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

SUBSEQUENT EVENTS

Announcement of the redemption of preferred shares

On September 11, 2014, the Corporation announced that it is exercising its right to redeem all of its 4.0 million Cumulative Rate Reset First Preferred Shares, Series D on October 15, 2014, at a price of \$25.00 per share, for a total amount of \$100.0 million.

OUTLOOK

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

The integration of Capri Packaging and the development of our new growth vector in the flexible packaging industry are moving forward through our plan to build the loyalty of existing customers and attract new ones. Results to date are encouraging and we will be looking at optimizing our operations to increase productivity.

The Media Sector should continue to benefit from cost-saving initiatives and new flyer distribution agreements that will reduce the impact of a difficult advertising market. Furthermore, we anticipate an annualized impact of about \$20 million on our operating earnings before amortization from the acquisition of the Sun Media Corporation weekly newspapers in Quebec. However, these synergies may take slightly longer to realize given the delays caused by the Competition Bureau's requirement that some newspapers be put up for sale. We also expect to incur about \$5 million in restructuring and other costs related to the reorganization of our weekly newspaper portfolio.

Additional long-term financing has been arranged to provide the financial flexibility needed to ensure our transformation and execute our growth strategy. We have maintained an excellent financial position and a balanced approach to capital management so that we can reduce our debt, pay dividends and invest in our transformation focused on our core competencies. We are also continuing to develop internal projects and evaluate our assets in order to maintain our leading position in our niches; at the same time we are developing our new packaging growth vector to ensure the long-term success and profitability of the business.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

September 11, 2014

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended July 31		Nine months ended July 31	
		2014	2013 Restated (Note 3)	2014	2013 Restated (Note 3)
Revenues		\$ 500.0	\$ 490.7	\$ 1,497.5	\$ 1,534.1
Operating expenses	5	415.3	411.9	1,261.4	1,305.5
Restructuring and other costs	6	4.7	2.8	19.1	24.7
Impairment of assets	7	0.2	1.9	0.7	4.7
Operating earnings before amortization		79.8	74.1	216.3	199.2
Amortization	8	26.4	26.3	75.8	78.4
Operating earnings		53.4	47.8	140.5	120.8
Net financial expenses	9	5.6	6.9	14.2	22.1
Earnings before share of net earnings in interests in joint ventures and income taxes		47.8	40.9	126.3	98.7
Share of net earnings in interests in joint ventures, net of related taxes		0.2	0.2	0.7	0.6
Income taxes	10	2.1	9.3	25.7	23.0
Net earnings		45.9	31.8	101.3	76.3
Non-controlling interests		—	—	0.1	0.1
Net earnings attributable to shareholders of the Corporation		45.9	31.8	101.2	76.2
Dividends on preferred shares, net of related taxes	14	1.7	1.7	5.1	5.1
Net earnings attributable to participating shares		\$ 44.2	\$ 30.1	\$ 96.1	\$ 71.1
Net earnings per participating share - basic	15	\$ 0.56	\$ 0.39	\$ 1.23	\$ 0.91
Net earnings per participating share - diluted	15	\$ 0.56	\$ 0.39	\$ 1.22	\$ 0.91
Weighted average number of participating shares outstanding - basic (in millions)		78.0	77.9	78.0	78.0
Weighted average number of participating shares - diluted (in millions)	15	78.2	77.9	78.2	78.0

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended July 31		Nine months ended July 31	
		2014	2013 Restated (Note 3)	2014	2013 Restated (Note 3)
Net earnings		\$ 45.9	\$ 31.8	\$ 101.3	\$ 76.3
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		(0.8)	0.6	(0.6)	1.6
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		2.3	(1.2)	2.3	(1.3)
Related income taxes		0.2	0.1	0.3	0.4
		1.3	(0.7)	1.4	(0.1)
Cumulative translation differences					
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		(2.3)	0.2	0.5	0.5
Unrealized exchange losses on the translation of a debt designated as a hedge of a net investment in foreign operations		—	(0.2)	(2.4)	(0.8)
		(2.3)	—	(1.9)	(0.3)
Items that will not be reclassified to net earnings:					
Changes in actuarial gains and losses in respect of defined benefit plans					
Actuarial gains (losses) in respect of defined benefit plans		(3.0)	59.0	8.2	62.4
Related income taxes		(0.8)	15.8	2.2	16.6
		(2.2)	43.2	6.0	45.8
Other comprehensive income (loss)	17	(3.2)	42.5	5.5	45.4
Comprehensive income		\$ 42.7	\$ 74.3	\$ 106.8	\$ 121.7
Attributable to:					
Shareholders of the Corporation		\$ 42.7	\$ 74.3	\$ 106.7	\$ 121.6
Non-controlling interests		—	—	0.1	0.1
		\$ 42.7	\$ 74.3	\$ 106.8	\$ 121.7

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)

	Attributable to shareholders of the Corporation					Total	Non-controlling interests	Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss				
Balance as at October 31, 2013 (Restated, Note 3)	\$ 462.8	\$ 2.9	\$ 362.5	\$ (13.2)	\$ 815.0	\$ 0.4	\$ 815.4	
Net earnings	—	—	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 14)	—	—	(41.4)	—	(41.4)	—	(41.4)	
Stock-option based compensation (Note 16)	—	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	
Balance as at November 1, 2012 (Note 3)	\$ 467.7	\$ 2.5	\$ 514.2	\$ (84.4)	\$ 900.0	\$ 1.4	\$ 901.4	
Net earnings	—	—	76.2	—	76.2	0.1	76.3	
Other comprehensive income	—	—	—	45.4	45.4	—	45.4	
Shareholders' contributions and distributions to shareholders								
Participating share redemptions (Note 14)	(6.4)	—	(5.2)	—	(11.6)	—	(11.6)	
Dividends (Note 14)	—	—	(116.9)	—	(116.9)	(1.4)	(118.3)	
Stock-option based compensation (Note 16)	—	0.6	—	—	0.6	—	0.6	
Balance as at July 31, 2013 (Restated, Note 3)	\$ 461.3	\$ 3.1	\$ 468.3	\$ (39.0)	\$ 893.7	\$ 0.1	\$ 893.8	

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at July 31, 2014	As at October 31, 2013 Restated (Note 3)
Current assets			
Cash		\$ 29.6	\$ 26.4
Accounts receivable		367.2	419.2
Income taxes receivable		12.0	12.1
Inventories		88.9	82.0
Prepaid expenses and other current assets		18.5	13.9
		516.2	553.6
Property, plant and equipment			
		579.1	596.0
Intangible assets	4	277.9	194.1
Goodwill	4	428.4	324.0
Investments in joint ventures		1.4	0.8
Deferred income taxes		149.6	147.7
Other assets		52.0	34.6
		\$ 2,004.6	\$ 1,850.8
Current liabilities			
Accounts payable and accrued liabilities		\$ 204.7	\$ 272.8
Provisions	12	4.2	10.3
Income taxes payable		21.3	6.3
Deferred revenues and deposits	13	59.8	55.9
Current portion of long-term debt	11	122.5	218.3
		412.5	563.6
Long-term debt			
	11	360.3	128.9
Deferred income taxes		77.9	67.1
Provisions	12	39.1	40.2
Other liabilities	13	233.6	235.6
		1,123.4	1,035.4
Equity			
Share capital	14	462.8	462.8
Contributed surplus		3.3	2.9
Retained earnings		422.3	362.5
Accumulated other comprehensive loss	17	(7.7)	(13.2)
Attributable to shareholders of the Corporation		880.7	815.0
Non-controlling interests		0.5	0.4
		881.2	815.4
		\$ 2,004.6	\$ 1,850.8

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended July 31		Nine months ended July 31	
		2014	2013 Restated (Note 3)	2014	2013 Restated (Note 3)
Operating activities					
Net earnings		\$ 45.9	\$ 31.8	\$ 101.3	\$ 76.3
Adjustments to reconcile net earnings and cash flows from operating activities:					
Amortization	8	32.9	33.1	96.3	97.4
Impairment of assets	7	0.2	1.9	0.7	4.7
Financial expenses on long-term debt	9	5.7	4.8	14.1	15.2
Net losses on disposal of assets		—	0.2	0.1	0.1
Income taxes	10	2.1	9.3	25.7	23.0
Stock-option based compensation	16	0.1	0.2	0.4	0.6
Other		(1.6)	(0.3)	(1.2)	1.2
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		85.3	81.0	237.4	218.5
Changes in non-cash operating items		(29.6)	(32.0)	(42.7)	124.8
Income taxes recovered (paid)		(1.4)	2.0	(2.7)	(11.9)
Cash flows from operating activities		54.3	51.0	192.0	331.4
Investing activities					
Business combinations	4	(219.8)	(0.3)	(220.8)	(25.3)
Disposals of subsidiaries	4	0.6	—	2.1	—
Acquisitions of property, plant and equipment		(9.0)	(14.0)	(27.7)	(34.3)
Disposals of property, plant and equipment		1.3	0.4	2.1	2.6
Increase in intangible assets		(13.1)	(8.2)	(24.3)	(20.2)
Cash flows from investing activities		(240.0)	(22.1)	(268.6)	(77.2)
Financing activities					
Increase in long-term debt	11	250.0	—	250.0	—
Reimbursement of long-term debt	11	(7.3)	(7.1)	(32.8)	(88.3)
Net increase (decrease) in revolving term credit facility		(36.8)	13.0	(82.8)	10.5
Financial expenses on long-term debt		(2.8)	(4.2)	(10.8)	(15.6)
Issuance costs on long-term debt		(1.8)	—	(1.8)	—
Bond forward contract	11	(1.5)	—	(1.5)	—
Dividends on participating shares	14	(12.5)	(11.3)	(36.3)	(111.8)
Dividends on preferred shares	14	(1.7)	(1.7)	(5.1)	(5.1)
Dividends paid to non-controlling interests		—	—	—	(1.4)
Participating share redemptions	14	—	—	—	(12.1)
Cash flows from financing activities		185.6	(11.3)	78.9	(223.8)
Effect of exchange rate changes on cash denominated in foreign currencies		(0.2)	(0.2)	0.9	(0.2)
Net change in cash		(0.3)	17.4	3.2	30.2
Cash at beginning of period		29.9	25.6	26.4	12.8
Cash at end of period		\$ 29.6	\$ 43.0	\$ 29.6	\$ 43.0
Non-cash investing and financing activities					
Net change in capital asset acquisitions financed by accounts payable		\$ (1.7)	\$ 1.3	\$ (1.7)	\$ (3.3)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2014 and 2013

(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, Class B Shares and Cumulative Rate Reset First Preferred Shares, Series D, are traded on the Toronto Stock Exchange. The Corporation's head office is located at 1 Place Ville Marie, Suite 3315, Montreal, Quebec, Canada H3B 3N2.

The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, mobile and interactive applications, door-to-door distribution, and supplies a range of flexible packaging solutions in the United States. 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 19 "Segment Reporting".

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

The Corporation's Board of Directors approved these interim condensed consolidated financial statements on September 11, 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2014 and 2013

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

3 CHANGES IN ACCOUNTING POLICIES

Accounting standards impacting the consolidated financial statements of the Corporation

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

Retroactive restatements of the Consolidated Statements of Earnings and Comprehensive Income of the Corporation for the three-month period ended July 31, 2013 are as follows:

	As reported	Restatements			Restated
		IFRS 11 ^(a)	Amended IAS 19 ^(b)	Other ^(c)	
Revenues	\$ 493.8	\$ (3.1)	\$ —	\$ —	\$ 490.7
Operating expenses	412.2	(2.7)	1.5	0.9	411.9
Restructuring and other costs	2.8	—	—	—	2.8
Impairment of assets	1.9	—	—	—	1.9
Operating earnings before amortization	76.9	(0.4)	(1.5)	(0.9)	74.1
Amortization	26.5	(0.2)	—	—	26.3
Operating earnings	50.4	(0.2)	(1.5)	(0.9)	47.8
Net financial expenses	6.2	—	1.6	(0.9)	6.9
Earnings before share of net earnings in interests in joint ventures and income taxes	44.2	(0.2)	(3.1)	—	40.9
Share of net earnings in interests in joint ventures, net of related taxes	—	0.2	—	—	0.2
Income taxes	10.1	—	(0.8)	—	9.3
Net earnings and net earnings attributable to shareholders of the Corporation	34.1	—	(2.3)	—	31.8
Dividends on preferred shares, net of related taxes	1.7	—	—	—	1.7
Net earnings attributable to participating shares	\$ 32.4	\$ —	\$ (2.3)	\$ —	\$ 30.1
Net earnings per participating share - basic and diluted	\$ 0.42	\$ —	\$ (0.03)	\$ —	\$ 0.39
Other comprehensive income	40.2	—	2.3	—	42.5
Comprehensive income	\$ 74.3	\$ —	\$ —	\$ —	\$ 74.3

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2014 and 2013

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statements of Earnings and Comprehensive Income of the Corporation for the nine-month period ended July 31, 2013 are as follows:

	As reported	IFRS 11 ^(a)	Restatements		Restated
			Amended IAS 19 ^(b)	Other ^(c)	
Revenues	\$ 1,543.8	\$ (9.7)	\$ —	\$ —	\$ 1,534.1
Operating expenses	1,307.3	(8.6)	4.3	2.5	1,305.5
Restructuring and other costs	24.7	—	—	—	24.7
Impairment of assets	4.7	—	—	—	4.7
Operating earnings before amortization	207.1	(1.1)	(4.3)	(2.5)	199.2
Amortization	78.8	(0.4)	—	—	78.4
Operating earnings	128.3	(0.7)	(4.3)	(2.5)	120.8
Net financial expenses	19.8	—	4.8	(2.5)	22.1
Earnings before share of net earnings in interests in joint ventures and income taxes	108.5	(0.7)	(9.1)	—	98.7
Share of net earnings in interests in joint ventures, net of related taxes	—	0.6	—	—	0.6
Income taxes	25.6	(0.1)	(2.5)	—	23.0
Net earnings	82.9	—	(6.6)	—	76.3
Non-controlling interests	0.1	—	—	—	0.1
Net earnings attributable to shareholders of the Corporation	82.8	—	(6.6)	—	76.2
Dividends on preferred shares, net of related taxes	5.1	—	—	—	5.1
Net earnings attributable to participating shares	\$ 77.7	\$ —	\$ (6.6)	\$ —	\$ 71.1
Net earnings per participating share - basic and diluted	\$ 1.00	\$ —	\$ (0.09)	\$ —	\$ 0.91
Other comprehensive income	38.8	—	6.6	—	45.4
Comprehensive income	\$ 121.7	\$ —	\$ —	\$ —	\$ 121.7

Retroactive restatements of the Consolidated Statement of Changes in Equity of the Corporation as at July 31, 2013 are as follows:

	As reported	Restatements		Restated
		Amended IAS 19 ^(b)		
Equity				
Share capital	\$ 461.3	\$ —	\$ —	\$ 461.3
Contributed surplus	3.1	—	—	3.1
Retained earnings	474.9	(6.6)	—	468.3
Accumulated other comprehensive loss	(45.6)	6.6	—	(39.0)
Attributable to shareholders of the Corporation	893.7	—	—	893.7
Non-controlling interests	0.1	—	—	0.1
	\$ 893.8	\$ —	\$ —	\$ 893.8

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2014 and 2013

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2014 and 2013

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2014 and 2013

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Cash Flows of the Corporation for the nine-month period ended July 31, 2013 are as follows:

	As reported	Restatements IFRS 11 ^(a)	Restated
Cash flows from operating activities	\$ 330.5	\$ 0.9	\$ 331.4
Cash flows from investing activities	(77.4)	0.2	(77.2)
Cash flows from financing activities	(223.8)	—	(223.8)
Effect of exchange rate changes on cash denominated in foreign currencies	(0.2)	—	(0.2)
Net change in cash	29.1	1.1	30.2
Cash at beginning of period	16.8	(4.0)	12.8
Cash at end of period	\$ 45.9	\$ (2.9)	\$ 43.0

a) Joint arrangements

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

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

b) Employee benefits

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

c) Other

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

Accounting standards not impacting the consolidated financial statements of the Corporation

d) Consolidated financial statements

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

e) Disclosure of interests in other entities

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

f) Fair value measurement

On November 1st 2013, the Corporation adopted IFRS 13, "Fair Value Measurement". IFRS 13 improves consistency and reduces complexity by providing a specific definition of fair value. IFRS 13 therefore replaces the guidance on measurement of fair value contained in individual IFRS with a single source of guidance on all measurements of fair value. The Corporation has completed its analysis, and the adoption of this standard has no impact on its consolidated financial statements, except for the presentation of additional informations as presented in Note 18 "Fair Value of Financial Instruments".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2014 and 2013

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

4 BUSINESS COMBINATIONS AND DISPOSAL OF SUBSIDIARY

Acquisition of the Sun Media Corporation weekly newspapers in Quebec

On December 5, 2013, the Corporation announced the completion of a definitive agreement pursuant to which it has agreed to acquire, through a corporation established for this purpose, all Quebec weekly newspapers and associated Web properties from Sun Media Corporation, a subsidiary of Quebecor Media Inc., for a purchase price of \$75.0 million, subject to adjustments. To date, the purchase price was adjusted from a preliminary amount of \$1.3 million. On June 1, 2014, the Corporation completed the acquisition after receiving approval pursuant to the *Competition Act* (Canada) from the regulatory authorities. Under the terms of the agreement with the Competition Bureau, the Corporation had to offer for sale, for a period of 60 days, 33 of the 154 weekly newspapers of its portfolio, including some that were part of the transaction with Sun Media Corporation. Most of the newspapers to be sold were launched during the past few years. On September 3, 2014, the Corporation announced the completion of the sale process. Among the 33 newspapers offered for sale, 14 are to be sold. The effect of these transactions on the Consolidated Financial Statements of the Corporation will be negligible. The Corporation is also reorganizing its portfolio of weekly newspapers in Quebec.

This acquisition will allow the Corporation to strengthen its Media Sector assets, pursue the development of a local media offering for businesses and communities, and continue to build multiplatform services. The anticipated synergies, as well as the growth in its offering, represent the principal factors that comprise the goodwill generated by this acquisition. Since this acquisition will also benefit our printing activities, a portion of the goodwill was attributed to this Sector. The Corporation expects to finalize the accounting for this acquisition in the coming quarters.

Acquisition of Capri Packaging

On March 10, 2014, the Corporation signed a definitive agreement to acquire the assets of Capri Packaging, a supplier of flexible packaging solutions located in Clinton, Missouri, for a purchase price of US\$133.0 million (\$146.1 million). In addition, the Corporation signed a 10-year packaging supply contract with Schreiber Foods, Inc., which guarantees the position of Capri Packaging as a strategic supplier of flexible packaging solutions, which represents about 75% of the current annual revenues of Capri Packaging. On May 3, 2014, the Corporation completed the transaction after approval by the regulatory authorities in the United States.

This acquisition will enable the Corporation to pursue its transformation focused on its core competencies in manufacturing, and develop a new area of growth in the production of flexible packaging solutions. This diversification, as well as the related potential growth, represent the principal factors that comprise the goodwill generated by this acquisition. The Corporation expects to finalize the accounting of this acquisition in the coming quarters.

The following table summarizes the preliminary estimated fair value of assets acquired and liabilities assumed related to these business combinations, at their respective acquisition date:

	Sun Media Corporation weekly newspapers in Quebec	Capri Packaging	Total
Assets acquired			
Current assets	\$ 7.8	\$ 11.5	\$ 19.3
Property, plant and equipment	1.3	16.8	18.1
Intangible assets	31.0	52.2	83.2
Goodwill (tax basis of 69.2)	36.3	69.2	105.5
	\$ 76.4	\$ 149.7	\$ 226.1
Liabilities assumed			
Current liabilities	1.7	3.6	5.3
Deferred income taxes	1.0	—	1.0
	2.7	3.6	6.3
	\$ 73.7	\$ 146.1	\$ 219.8
Consideration			
Cash paid	\$ 73.7	\$ 146.1	\$ 219.8

The Corporation's Consolidated Statements of Income for the three-month and nine-month periods ended July 31, 2014 include the operating results of the acquired business since their respective acquisition date, including additional revenues of \$28.1 million, operating income before amortization of \$4.3 million and transaction costs of \$3.4 million. The fair value of the receivables acquired of \$8.8 million, of which \$0.3 million is considered uncollectible at the acquisition date, is included in the current assets in the accounting of the business combination. If the Corporation had acquired these businesses on November 1, 2013, its operating results would have been as follow: additional revenues of approximately \$119.0 million and an operating income before amortization of approximately \$13.0 million.

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4 BUSINESS COMBINATIONS AND DISPOSAL OF SUBSIDIARY (CONTINUED)

Disposal of subsidiary

Sale of printing assets in the United States

On February 11, 2014, the Corporation completed the sale of assets of its subsidiary, Rastar, Inc., which specializes in personalized printed products, in the United States. The effect of this transaction on the Consolidated Financial Statements of the Corporation is negligible.

5 OPERATING EXPENSES

Operating expenses by major heading are as follows:

	Three months ended		Nine months ended	
	July 31		July 31	
	2014	2013	2014	2013
		Restated		Restated
		(Note 3)		(Note 3)
Employee-related costs	\$ 164.1	\$ 163.3	\$ 501.1	\$ 512.1
Supply chain and logistics ⁽¹⁾	220.2	216.8	669.4	694.4
Other goods and services ⁽²⁾	31.0	31.8	90.9	99.0
	\$ 415.3	\$ 411.9	\$ 1,261.4	\$ 1,305.5

⁽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.

6 RESTRUCTURING AND OTHER COSTS

Restructuring and other costs by major heading are as follows:

	Three months ended		Nine months ended	
	July 31		July 31	
	2014	2013	2014	2013
Workforce reductions	\$ 1.9	\$ 3.1	\$ 12.1	\$ 14.9
Other costs related to restructuring	0.7	0.6	2.7	2.7
Onerous contracts	(0.3)	(2.5)	(0.4)	4.3
Business acquisition costs ⁽¹⁾	2.4	0.1	3.4	0.4
Gain on defined benefit plans curtailment related to workforce reductions	—	—	(0.2)	(0.7)
Impact of settlement on defined benefit plans related to workforce reductions	—	1.5	—	3.1
Other costs	—	—	1.5	—
	\$ 4.7	\$ 2.8	\$ 19.1	\$ 24.7

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

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7 IMPAIRMENT OF ASSETS

Impairment of assets by major heading is as follows:

	Three months ended July 31		Nine months ended July 31	
	2014	2013	2014	2013
Property, plant and equipment ⁽¹⁾	\$ 0.1	\$ 1.3	\$ 0.5	\$ 4.1
Intangible assets	0.1	0.6	0.2	0.6
	\$ 0.2	\$ 1.9	\$ 0.7	\$ 4.7

⁽¹⁾ Impairment charges of property, plant and equipment are primarily related to machinery and equipment that are no longer used.

8 AMORTIZATION

Amortization by major heading is as follows:

	Three months ended July 31		Nine months ended July 31	
	2014	2013 Restated (Note 3)	2014	2013 Restated (Note 3)
Property, plant and equipment	\$ 20.6	\$ 22.2	\$ 61.6	\$ 67.6
Intangible assets	5.8	4.1	14.2	10.8
	26.4	26.3	75.8	78.4
Intangible assets and other assets, recognized in revenues and operating expenses	6.5	6.8	20.5	19.0
	\$ 32.9	\$ 33.1	\$ 96.3	\$ 97.4

9 NET FINANCIAL EXPENSES

Net financial expenses by major heading are as follows:

	Three months ended July 31		Nine months ended July 31	
	2014	2013 Restated (Note 3)	2014	2013 Restated (Note 3)
Financial expenses on long-term debt	\$ 5.7	\$ 4.8	\$ 14.1	\$ 15.2
Net interest on defined benefit plans liability	0.2	1.6	0.6	4.8
Other expenses	0.1	0.4	0.3	1.0
Foreign exchange net losses (net gains)	(0.4)	0.1	(0.8)	1.1
	\$ 5.6	\$ 6.9	\$ 14.2	\$ 22.1

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10 INCOME TAXES

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

	Three months ended July 31		Nine months ended July 31	
	2014	2013 Restated (Note 3)	2014	2013 Restated (Note 3)
Earnings before share of net earnings in interests in joint ventures and income taxes	\$ 47.8	\$ 40.9	\$ 126.3	\$ 98.7
Canadian statutory tax rate	26.90 %	26.90 %	26.90 %	26.90 %
Income taxes at the statutory tax rate	12.9	11.0	34.0	26.6
Effect of differences in tax rates in other jurisdictions	0.5	0.4	2.1	(1.6)
Income taxes on non-deductible expenses and non-taxable portion of capital gains	0.6	1.0	1.3	1.9
Change in deferred income tax assets on tax losses or temporary differences not previously recognized ⁽¹⁾	(10.1)	(0.3)	(9.8)	(0.5)
Other	(1.8)	(2.8)	(1.9)	(3.4)
Income taxes at effective tax rate	\$ 2.1	\$ 9.3	\$ 25.7	\$ 23.0

Income taxes include the following items:

Income taxes before the following items:	\$ 13.6	\$ 10.7	\$ 40.8	\$ 31.1
Net increase to the carrying amount of deferred income tax assets ⁽¹⁾	(10.0)	—	(10.0)	—
Income taxes on restructuring and other costs	(1.4)	(0.8)	(4.9)	(6.8)
Income taxes on impairment of assets	(0.1)	(0.6)	(0.2)	(1.3)
Income taxes at effective tax rate	\$ 2.1	\$ 9.3	\$ 25.7	\$ 23.0

⁽¹⁾ 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.

11 LONG-TERM DEBT

Amendment of the Solidarity Fund QFL financing terms

On February 6, 2014, the Corporation amended the terms of its \$50.0 million unsecured debenture with the Solidarity Fund QFL which had matured. The debenture now matures on February 6, 2020, bears interest of 4.011% payable in equal semi-annual installments, and the other terms remain unchanged.

Reimbursement of Senior Notes Series 2004 C

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

New letter of credit facilities

On April 11, 2014, the Corporation concluded two renewable and uncommitted letter of credit facilities, amounting to \$15.0 million each, which mature on April 11, 2015. The fees applicable to the portion issued on these letter of credit facilities are 1.00% per annum. As at July 31, 2014, letters of credit amounting to \$9.4 million were issued on these facilities as collateral for unpaid contributions, with respect to the solvency deficiency of the Corporation's defined benefit plans.

Private financing agreement of \$250 million

On May 8, 2014, the Corporation concluded a \$250 million private financing agreement of senior unsecured notes bearing interest of 3.897%, payable in equal semi-annual installments, and coming to maturity in 2019. The notes are direct unsecured obligations of the Corporation and rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Corporation. During the three-month period ended April 30, 2014, the Corporation entered into a bond forward contract in the amount of \$140.0 million, which matured on May 8, 2014, the date on which the Corporation negotiated the rate for the private financing agreement.

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12 PROVISIONS

The following table presents changes in provisions for the nine-month period ended July 31, 2014:

	Restructuring costs	Onerous contracts	Multi- employer pension plans	Other ⁽¹⁾	Total
Balance as at October 31, 2013	\$ 5.4	\$ 10.6	\$ 32.6	\$ 1.9	\$ 50.5
Provisions recorded	12.7	—	—	0.4	13.1
Amounts used	(16.3)	(2.5)	—	(0.3)	(19.1)
Provisions reversed	(0.6)	(0.4)	—	(0.4)	(1.4)
Change in exchange rate	—	0.2	—	—	0.2
Balance as at July 31, 2014	\$ 1.2	\$ 7.9	\$ 32.6	\$ 1.6	\$ 43.3
Current portion	1.2	2.1	—	0.9	4.2
Non-current portion	—	5.8	32.6	0.7	39.1
	\$ 1.2	\$ 7.9	\$ 32.6	\$ 1.6	\$ 43.3

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

13 DEFERRED REVENUES

Renegotiation of agreement with Gesca Ltd

On February 17, 2014, the Corporation announced that it had renegotiated its agreement with Gesca Ltd to print *La Presse* newspaper. The Corporation received a one-time payment of \$31.0 million to compensate for price reductions on future services and to give Gesca Ltd greater flexibility for the remaining term of the agreement. The amount received and recognized as deferred revenues will be transferred to revenues based on the remaining term of the agreement. For the three-month and nine-month periods ended July 31, 2014, amounts of \$2.2 million and \$5.1 million, respectively, were transferred to revenues, without effect on cash flows. As at July 31, 2014, amounts of \$7.2 million and \$18.7 million were classified as deferred revenues and deposits and as other liabilities, respectively, in the Consolidated Statement of Financial Position.

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14 SHARE CAPITAL

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

	Three months ended July 31			
	2014		2013	
	Number of shares	Amount	Number of shares	Amount
Participating shares				
Class A Subordinate Voting Shares				
Balance, beginning of period	63,188,951	\$ 345.9	63,053,751	\$ 344.4
Conversion of Class B Shares into Class A Subordinate Voting Shares	—	—	14,100	—
Balance, end of period	63,188,951	345.9	63,067,851	344.4
Class B Shares				
Balance, beginning of period	14,832,816	20.1	14,846,916	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	—	—	(14,100)	—
Balance, end of period	14,832,816	20.1	14,832,816	20.1
	78,021,767	\$ 366.0	77,900,667	\$ 364.5
Preferred shares				
Cumulative Rate Reset First Preferred Shares, Series D				
Balance, beginning and end of period	4,000,000	\$ 96.8	4,000,000	\$ 96.8
		\$ 462.8		\$ 461.3

	Nine months ended July 31			
	2014		2013	
	Number of shares	Amount	Number of shares	Amount
Participating shares				
Class A Subordinate Voting Shares				
Balance, beginning of period	63,188,951	\$ 345.9	64,056,651	\$ 350.6
Conversion of Class B Shares into Class A Subordinate Voting Shares	—	—	172,800	0.2
Participating shares redeemed and cancelled	—	—	(1,161,600)	(6.4)
Balance, end of period	63,188,951	345.9	63,067,851	344.4
Class B Shares				
Balance, beginning of period	14,832,816	20.1	15,005,616	20.3
Conversion of Class B Shares into Class A Subordinate Voting Shares	—	—	(172,800)	(0.2)
Balance, end of period	14,832,816	20.1	14,832,816	20.1
	78,021,767	\$ 366.0	77,900,667	\$ 364.5
Preferred shares				
Cumulative Rate Reset First Preferred Shares, Series D				
Balance, beginning and end of period	4,000,000	\$ 96.8	4,000,000	\$ 96.8
		\$ 462.8		\$ 461.3

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14 SHARE CAPITAL (CONTINUED)

Participating share redemptions

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

During the three-month and nine-month periods ended July 31, 2014, the Corporation did not repurchase any of its Class A Subordinate Voting Shares and Class B Shares, and had no obligation as such at that date.

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

Preferred Shares

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

Dividends

Dividends of \$0.16 and \$0.145 per share were declared and paid to the holders of participating shares for the three-month periods ended July 31, 2014 and 2013, respectively. Dividends of \$0.465 and \$0.435 per share were declared and paid to the holders of participating shares for the nine-month periods ended July 31, 2014 and 2013, respectively. Dividends of \$0.4207 per share were declared and paid to the holders of preferred shares for the three-month periods ended July 31, 2014 and 2013. Dividends of \$1.2621 per share were declared and paid to the holders of preferred shares for the nine-month periods ended July 31, 2014 and 2013.

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

15 NET EARNINGS PER PARTICIPATING SHARE

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

	Three months ended		Nine months ended	
	July 31		July 31	
	2014	2013	2014	2013
		Restated		Restated
		(Note 3)		(Note 3)
Numerator				
Net earnings	\$ 45.9	\$ 31.8	\$ 101.3	\$ 76.3
Non-controlling interests	—	—	(0.1)	(0.1)
Dividends on preferred shares, net of related taxes	(1.7)	(1.7)	(5.1)	(5.1)
Net earnings attributable to participating shares	\$ 44.2	\$ 30.1	\$ 96.1	\$ 71.1
Denominator (in millions)				
Weighted average number of participating shares outstanding - basic	78.0	77.9	78.0	78.0
Dilutive effect of stock options	0.2	—	0.2	—
Weighted average number of participating shares - diluted	78.2	77.9	78.2	78.0

In the calculation of the diluted net earnings per participating share, 319,044 stock options were considered anti-dilutive as at July 31, 2014 (625,400 options as at July 31, 2013), since their exercise price was greater than the average share price of Class A Subordinate Voting Shares during the period. Therefore, these stock options were excluded from the calculation of the diluted net earnings per participating share for those periods.

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16 STOCK-BASED COMPENSATION

Stock option plan

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

For the three-month and 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. For three-month and nine-month periods ended July 31, 2013, stock-based compensation expenses of \$0.2 million and \$0.6 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			
	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	1,174,020	\$ 13.35	1,492,576	\$ 14.14
Cancelled	(13,724)	15.61	—	—
Expired	—	—	(17,400)	22.19
Options outstanding at end of period	1,160,296	\$ 13.32	1,475,176	\$ 14.05

	Nine months ended July 31			
	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	1,354,076	\$ 14.44	1,432,616	\$ 16.11
Granted	—	—	386,940	11.33
Cancelled	(15,100)	15.66	—	—
Expired	(178,680)	21.56	(344,380)	19.57
Options outstanding at end of period	1,160,296	\$ 13.32	1,475,176	\$ 14.05
Options exercisable at end of period	742,962	\$ 14.11	840,674	\$ 15.48

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16 STOCK-BASED COMPENSATION (CONTINUED)

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			
	2014	2013	2014	2013
	DSU		RSU	
Balance, beginning of period	240,795	221,032	970,891	731,371
Units cancelled	—	—	(12,275)	—
Units paid	(4,142)	(488)	—	—
Dividends paid in units	2,542	2,518	4,358	—
Balance, end of period	239,195	223,062	962,974	731,371

Number of units	Nine months ended July 31			
	2014	2013	2014	2013
	DSU		RSU	
Balance, beginning of period	225,051	178,907	713,704	606,597
Units granted	—	—	418,934	321,725
Units cancelled	—	—	(25,015)	(26,737)
Units paid	(8,228)	(944)	(138,130)	(148,874)
Units converted	15,016	21,340	(15,016)	(21,340)
Dividends paid in units	7,356	23,759	8,497	—
Balance, end of period	239,195	223,062	962,974	731,371

As at July 31, 2014, the liability related to the share unit plan for certain officers and senior executives was \$9.5 million (\$9.7 million as at October 31, 2013). 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. The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2013 were \$0.8 million and \$3.3 million, respectively. 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. A negligible amount and an amount of \$1.5 million were paid under this plan for the three-month and nine-month periods ended July 31, 2013, respectively.

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		Nine months ended	
	July 31		July 31	
	2014	2013	2014	2013
Balance, beginning of period	344,117	296,052	318,875	247,505
Directors' compensation	7,797	8,088	26,445	29,146
Dividends paid in units	3,692	3,375	10,286	30,864
Balance, end of period	355,606	307,515	355,606	307,515

As at July 31, 2014, the liability related to the share unit plan for directors was \$5.0 million (\$5.3 million as at October 31, 2013). 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. The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2013 were a negligible amount and an amount of \$1.4 million, respectively. No amount was paid under this plan for the three-month and nine-month periods ended July 31, 2014 and 2013.

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17 ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive loss
Balance as at October 31, 2013 (Restated, Note 3)	\$ (3.7)	\$ (1.6)	\$ (7.9)	\$ (13.2)
Net change in gains (losses), net of income taxes	1.4	(1.9)	6.0	5.5
Balance as at July 31, 2014	\$ (2.3)	\$ (3.5)	\$ (1.9)	\$ (7.7)
Balance as at November 1, 2012 (Note 3)	\$ (3.9)	\$ (1.2)	\$ (79.3)	\$ (84.4)
Net change in gains (losses), net of income taxes	(0.1)	(0.3)	45.8	45.4
Balance as at July 31, 2013	\$ (4.0)	\$ (1.5)	\$ (33.5)	\$ (39.0)

As at July 31, 2014, the amounts expected to be reclassified to net earnings in future fiscal years are as follows:

	2014	2015	2016	2017	2018 and thereafter	Total
Losses on derivatives designated as cash flow hedges	\$ (0.2)	\$ (0.2)	\$ (1.0)	\$ (1.0)	\$ (1.2)	\$ (3.6)
Income taxes	(0.1)	(0.1)	(0.3)	(0.3)	(0.5)	(1.3)
	\$ (0.1)	\$ (0.1)	\$ (0.7)	\$ (0.7)	\$ (0.7)	\$ (2.3)

18 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Level 1 - Quoted prices (unadjusted) on active markets for identical assets or liabilities

Level 2 - Inputs other than the prices included within level 1, that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data

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

	As at July 31, 2014		As at October 31, 2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Long-term debt	\$ 500.5	\$ 482.8	\$ 354.2	\$ 347.2
Foreign exchange forward contracts	0.3	0.3	(0.8)	(0.8)
Interest rate swaps	—	—	(0.4)	(0.4)
Cross currency interest rate swap	(1.3)	(1.3)	(3.6)	(3.6)

Financial instruments of the Corporation are classified in Level 2 of the fair value hierarchy. For the three-month and nine-month periods ended July 31, 2014, no financial instruments were transferred between levels 1, 2 and 3.

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Unaudited

Quarters ended July 31, 2014 and 2013

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

19 SEGMENT REPORTING

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

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	Total
For the three-month period ended July 31, 2014				
Revenues	\$ 345.8	\$ 174.7	\$ (20.5)	\$ 500.0
Operating expenses	276.3	157.8	(18.8)	415.3
Adjusted operating earnings before amortization ⁽¹⁾	69.5	16.9	(1.7)	84.7
Restructuring and other costs	1.8	2.4	0.5	4.7
Impairment of assets	0.1	0.1	—	0.2
Operating earnings before amortization	67.6	14.4	(2.2)	79.8
Amortization	19.9	4.8	1.7	26.4
Operating earnings	\$ 47.7	\$ 9.6	\$ (3.9)	\$ 53.4
Adjusted operating earnings ⁽¹⁾	\$ 49.6	\$ 12.1	\$ (3.4)	\$ 58.3
Acquisitions of non-current assets ⁽²⁾	\$ 6.3	\$ 12.5	\$ 1.6	\$ 20.4
For the nine-month period ended July 31, 2014				
Revenues	\$ 1,060.4	\$ 494.4	\$ (57.3)	\$ 1,497.5
Operating expenses	845.6	464.8	(49.0)	1,261.4
Adjusted operating earnings before amortization ⁽¹⁾	214.8	29.6	(8.3)	236.1
Restructuring and other costs	9.9	8.0	1.2	19.1
Impairment of assets	0.5	0.2	—	0.7
Operating earnings before amortization	204.4	21.4	(9.5)	216.3
Amortization	56.9	14.2	4.7	75.8
Operating earnings	\$ 147.5	\$ 7.2	\$ (14.2)	\$ 140.5
Adjusted operating earnings ⁽¹⁾	\$ 157.9	\$ 15.4	\$ (13.0)	\$ 160.3
Acquisitions of non-current assets ⁽²⁾	\$ 18.4	\$ 26.6	\$ 5.3	\$ 50.3

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2014 and 2013

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

19 SEGMENT REPORTING (CONTINUED)

	Printing and Packaging Sector	Media Sector	Head office and inter- segment eliminations	Total
For the three-month period ended July 31, 2013 (Restated, Note 3)				
Revenues	\$ 337.6	\$ 172.5	\$ (19.4)	\$ 490.7
Operating expenses	269.1	159.2	(16.4)	411.9
Adjusted operating earnings before amortization ⁽¹⁾	68.5	13.3	(3.0)	78.8
Restructuring and other costs	0.7	2.5	(0.4)	2.8
Impairment of assets	1.3	0.6	—	1.9
Operating earnings before amortization	66.5	10.2	(2.6)	74.1
Amortization	19.5	5.5	1.3	26.3
Operating earnings	\$ 47.0	\$ 4.7	\$ (3.9)	\$ 47.8
Adjusted operating earnings ⁽¹⁾	\$ 49.0	\$ 7.8	\$ (4.3)	\$ 52.5
Acquisitions of non-current assets ⁽²⁾	\$ 12.2	\$ 6.1	\$ 4.1	\$ 22.4

	Printing and Packaging Sector	Media Sector	Head office and inter- segment eliminations	Total
For the nine-month period ended July 31, 2013 (Restated, Note 3)				
Revenues	\$ 1,086.4	\$ 510.5	\$ (62.8)	\$ 1,534.1
Operating expenses	877.4	479.2	(51.1)	1,305.5
Adjusted operating earnings before amortization ⁽¹⁾	209.0	31.3	(11.7)	228.6
Restructuring and other costs	17.6	6.9	0.2	24.7
Impairment of assets	3.6	0.6	0.5	4.7
Operating earnings before amortization	187.8	23.8	(12.4)	199.2
Amortization	59.2	15.3	3.9	78.4
Operating earnings	\$ 128.6	\$ 8.5	\$ (16.3)	\$ 120.8
Adjusted operating earnings ⁽¹⁾	\$ 149.8	\$ 16.0	\$ (15.6)	\$ 150.2
Acquisitions of non-current assets ⁽²⁾	\$ 24.6	\$ 19.2	\$ 7.4	\$ 51.2

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2014 and 2013

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

19 SEGMENT REPORTING (CONTINUED)

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

	Three months ended		Nine months ended	
	July 31		July 31	
	2014	2013	2014	2013
		Restated		Restated
		(Note 3)		(Note 3)
Main products and services				
Printed and packaged products	\$ 325.6	\$ 318.3	\$ 1,004.2	\$ 1,024.9
Publishing products	113.4	104.9	288.6	298.7
Digital and interactive products	34.3	34.0	106.0	111.4
Other products and services	26.7	33.5	98.7	99.1
	\$ 500.0	\$ 490.7	\$ 1,497.5	\$ 1,534.1

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

	As at	As at
	July 31	October 31,
	2014	2013
		Restated
		(Note 3)
Operating segments		
Printing and Packaging Sector	\$ 1,237.1	\$ 1,145.4
Media sector	646.0	602.6
Head office and inter-segment eliminations ⁽¹⁾	121.5	102.8
	\$ 2,004.6	\$ 1,850.8

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

20 SUBSEQUENT EVENT

Announcement of the Redemption of preferred shares

On September 11, 2014, the Corporation announced that it is exercising its right to redeem all of its 4.0 million Cumulative Rate Reset First Preferred Shares, Series D on October 15, 2014, at a price of \$25.00 per share, for a total amount of \$100.0 million. The characteristics of these shares are described in Note 14 "Share Capital".