tc • TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. announces its results for the first quarter of fiscal 2015

Highlights

- Revenues increased 1.1%.
- Adjusted net earnings applicable to participating shares grew 36.7%.
- Increased the dividend per participating share by 6%, to $0.68 per year.
- Maintained a solid financial position, with a net indebtedness ratio of 1.24x.
- Announced the sale of consumer magazines produced in Montreal and Toronto to TVA Group Inc. for $55.5 million. The Competition Bureau issued a No Action letter, which clears this transaction. The sale is expected to close in April 2015.

Montreal, March 17, 2015 **-** Transcontinental Inc. (TSX: TCL.A, TCL.B) announces its results for the first quarter of Fiscal 2015, which ended January 31, 2015.

Message from the President and Chief Executive Officer

“With the results for the first quarter of Fiscal 2015, namely the 1.1% growth in consolidated revenues and the 36.7% increase in our profitability, the year is off to a good start,” said François Olivier, President and Chief Executive Officer of TC Transcontinental. “Our strategy aimed at consolidating the weekly newspaper market in Quebec and diversifying into flexible packaging has been fruitful. The integration of Transcontinental Capri was successfully completed, and this asset is performing as expected. Despite lower advertising revenues, our various initiatives allowed us to be profitable and to keep generating significant cash flows. We maintain an excellent financial position, which permits us, once again this year, to increase the dividend per participating share.”

“In the coming quarters, we intend to continue growing our flexible packaging business, optimizing our operating activities as well as investing in our digital offering,” concluded François Olivier.

(in millions of dollars, except per share data)	Q1-15	Q1-14	%
Revenues	504.6	499.3	1.1
Adjusted operating earnings before amortization (Adjusted EBITDA)	78.5	68.6	14.4
Adjusted operating earnings (Adjusted EBIT)	52.9	43.5	21.6
Adjusted net earnings applicable to participating shares	36.1	26.4	36.7
Per share	0.46	0.34	35.3
Net earnings applicable to participating shares	37.9	17.2	--
Per share	0.49	0.22	--

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

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2015 First Quarter Results

Revenues for the first quarter of 2015 increased 1.1%, from $499.3 million to $504.6 million. This increase is mainly attributable to the contribution from acquisitions, more specifically the acquisition of Capri Packaging and the Quebec weekly newspapers from Sun Media Corporation. New printing and distribution agreements signed in 2014 also contributed to the increase in revenues. In addition, the appreciation of the US dollar against the Canadian dollar had a favourable impact. This growth in revenues was mitigated by disposals and closures, namely the sale of Rastar's assets, a reduction in marketing products printing activities, a transitional slowdown in flyer printing activities in the United States and, to a lesser extent, in Canada, and challenging market conditions for advertising spending.

In the first quarter of 2015, adjusted operating earnings rose 21.6%, from $43.5 million to $52.9 million. On the one hand, this performance is due to the contribution from acquisitions, disposals and closures as well as the favourable impact of the US dollar versus the Canadian dollar. On the other hand, this increase stems from the new printing and distribution agreements and the cost-reduction initiatives in the Media Sector. However, this growth was partly offset by the above-mentioned lower advertising revenues and the variation in the stock-based compensation expense.

Adjusted net earnings applicable to participating shares grew 36.7%, from $26.4 million to $36.1 million. On a per share basis, it increased from $0.34 to $0.46. Net earnings applicable to participating shares more than doubled, from $17.2 million, or $0.22 per share, to $37.9 million, or $0.49 per share. This improvement results mostly from the increase in operating earnings before amortization compared to the first quarter of 2014.

Other Highlights

- On December 9, 2014, the Corporation extended its credit facility for two additional years, until February 2020.
- On March 17, 2015, the Corporation released its sixth annual Sustainability Report titled "Guide. Mobilize. Achieve." This edition outlines the Corporation's progress with respect to its three-year plan (2013-2015) based on three pillars: the environment, employees and communities. To learn more about the commitments and achievements of TC Transcontinental with respect to corporate social responsibility, refer to the 2014 report, which is on the Corporation's website at www.tc.tc/socialresponsibility.

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

Outlook

We will continue our efforts to maximize the profitability of our printing platform in fiscal 2015. The impact of the new agreements to print newspapers and magazines, announced in 2014, should keep contributing to our operating earnings, and we will maintain our efforts to attract other Canadian newspaper publishers to our highly efficient print network. We will also continue developing solutions to meet the evolving needs of retailers, in particular with respect to our point-of-purchase marketing services. However, a decline in advertising spending should continue to impact our printing operations.

The challenging conditions with respect to advertising revenues should continue to impact our weekly newspaper publishing activities as well as our interactive marketing solutions during fiscal 2015. However, these items should be offset by our synergies related to our two recent transactions within the Media sector. Lastly, we will continue to invest in the development of our digital and interactive marketing products as well as enhance our business and education offerings.

We will continue to generate significant cash flows in the next quarters, and our excellent financial position should permit us to continue applying our multi-pronged capital management approach, which allows us to invest in our growth while increasing our dividends and reducing our debt. The results from our acquisition of Capri Packaging continue to meet our expectations, and we will maintain a disciplined approach to growth opportunities in this niche.

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.

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Reconciliation of Non-IFRS financial measures

(unaudited)

	Three months ended January 31	
(in millions of dollars, except per share data)	**2015**	2014
Net earnings applicable to participating shares	**$ 37.9**	$ 17.2
Dividends on preferred shares, net of related taxes	**—**	1.7
Non-controlling interests	**(0.2)**	(0.3)
Income taxes	**11.6**	8.7
Share of net earnings in interests in joint ventures, net of related taxes	**(0.1)**	(0.3)
Net financial expenses	**3.9**	4.6
Impairment of assets	**—**	0.4
Restructuring and other costs (revenues)	**(0.2)**	11.5
Adjusted operating earnings	**$ 52.9**	$ 43.5
Amortization	**25.6**	25.1
Adjusted operating earnings before amortization	**$ 78.5**	$ 68.6
Net earnings applicable to participating shares	**$ 37.9**	$ 17.2
Impairment of assets (after tax)	**—**	0.3
Restructuring and other costs (revenues) (after tax)	**(1.8)**	8.9
Adjusted net earnings applicable to participating shares	**$ 36.1**	$ 26.4
Weighted average number of participating shares outstanding	**78.0**	78.0
Adjusted net earnings applicable to participating shares per share	**$ 0.46**	$ 0.34

	As at January 31, 2015	As at October 31, 2014
Long-term debt	**$ 359.9**	$ 358.7
Current portion of long-term debt	**123.0**	118.1
Cash	**(24.4)**	(35.2)
Net indebtedness	**$ 458.5**	$ 441.6
Adjusted operating earnings before amortization (last 12 months)	**$ 370.3**	$ 360.4
Net indebtedness ratio	**1.24 x**	1.23 x

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Dividends

Dividend on Participating Shares

The Corporation's Board of Directors declared a quarterly dividend of $0.17 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 30, 2015 to shareholders of record at the close of business on April 10, 2015. The Corporation thus increased the dividend per participating share by 6%, or $0.04, raising the annual dividend from $0.64 to $0.68 per share. This increase reflects TC Transcontinental's solid cash flow position.

Additional Information

Annual General Meeting of Shareholders

Transcontinental Inc. will hold its Annual General Meeting of Shareholders today at 2:30 p.m. at the Centre Mont-Royal, 2200 Mansfield Street, Montreal. For those who are unable to attend in person, the Corporation will webcast (audio only) the meeting and post it on it's website at www.tc.tc on March 18.

Conference Call

Upon releasing its first quarter 2015 results, the Corporation will hold a conference call for the financial community today at 9:30 a.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-in only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at 514-954-3581.

Profile

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

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

Transcontinental Inc. (TSX: TCL.A, TCL.B), known as TC Transcontinental, has over 8,500 employees in Canada and the United States, and revenues of C$2.1 billion in 2014. Website www.tc.tc

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world and particularly in Canada and the United States, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, energy costs, competition, the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities, the regulatory environment, the safety of its packaging products used in the food industry, innovation of its offering and concentration of its sales in certain segments. The main risks, uncertainties and factors that could influence actual results are described in *Management's Discussion and Analysis (MD&A) for the fiscal year ended on October 31st, 2014*, in the latest *Annual Information Form* and have been updated in the *MD&A for the first quarter ended January 31st, 2015.*

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of March 16, 2015.

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

The forward-looking statements in this release are based on current expectations and information available as at March 16, 2015. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter ended January 31, 2015

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

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term "dollar", as well as the symbol "$", designate Canadian dollars, unless otherwise indicated. In this Management's Discussion and Analysis we also use non-IFRS financial measures. Please refer to table 4 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 January 31, 2015. Additional information about the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often contain oral or written forward-looking statements which are based on the expectations of Management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. The main risks, uncertainties and factors that could influence actual results are described in the Management's Discussion and Analysis for the fiscal year ended October 31, 2014 and in the 2014 Annual Information Form. We caution that the table appearing on the following page regarding the Corporation's forward-looking statements is not exhaustive, and investors relying on it to make decisions with respect to Transcontinental Inc. should consider the related assumptions and risk factors.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced or concluded after the date of March 16, 2015.

These forward-looking statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation.

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at March 16, 2015. Forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

SUMMARY OF FORWARD-LOOKING STATEMENTS

Forward-looking Statements	Assumptions	Risk Factors
Continuing ability to generate cash.	- Lower spending on print media advertising will continue to affect both our sectors. - Ability to control our costs. - Volume with most of our major customers will be maintained. - Stable level of competition in the markets in which we operate. - Moderate growth rate of the Canadian economy.	- The impact of new media and the corresponding shift of advertising revenues to new platforms. - Our ability to execute our strategy. - Our ability to continually improve our operational efficiency to maintain or improve our profitability.
Expected impact of commercial agreements signed with customers.	- Volumes will not fluctuate significantly.	- Significant increase in the price of our raw materials and inputs. - A quick and significant shift of product demand from print to digital. - Renegotiation of commercial printing agreements with some of our major customers could lead to lower operating earnings despite long-term agreements.
Estimated increase in adjusted operating earnings before amortization following the acquisition of all the Quebec weekly newspapers from Sun Media Corporation.	- Smooth and efficient integration with our operations. - We will be capable of ensuring the retention of key employees throughout the transition.	- The identified increase in adjusted operating earnings before amortization could take longer to realize than anticipated.
Estimated increase in adjusted operating earnings before amortization following the acquisition of Capri Packaging and our ability to grow in the flexible packaging industry.	- 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 customers. - 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 the profitability of our investment.	- The expected increase in sales and adjusted operating earnings before amortization could take longer to realize than anticipated.
Internal and external investments aimed at achieving our operating strategies.	- We will be able to develop new products and services. - Our internal projects will generate savings and efficiencies that will improve our profitability. - A declining local and national advertising market. - Moderate growth rate of the Canadian economy.	- Inappropriate selection of priority investments and an inability to create value. - Well-established 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 (revenues) (net of related income taxes) and impairment of assets (net of related income taxes)
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues), as well as impairment of assets
Adjusted operating earnings before amortization	Operating earnings before amortization, restructuring and other costs (revenues), as well as impairment of assets

PROFILE OF TC TRANSCONTINENTAL

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

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

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HIGHLIGHTS

- Revenues increased by $5.3 million, or 1.1%, from $499.3 million in the first quarter of 2014 to $504.6 million in the quarter ended January 31, 2015.

- Adjusted operating earnings rose by $9.4 million, or 21.6%, from $43.5 million in the first quarter of 2014 to $52.9 million in the corresponding period in 2015.

- Adjusted net earnings applicable to participating shares increased by $9.7 million, or 36.7%, from $26.4 million in the first quarter of 2014 to $36.1 million in the same quarter of 2015.

- The net indebtedness ratio remained stable in the first quarter of 2015, from 1.23x as at October 31, 2014 to 1.24x as at January 31, 2015.

- On November 17, 2014, the Corporation signed a definitive agreement to sell all its consumer magazines, their websites and all related platforms produced in Montreal and Toronto to TVA Group Inc. for $55.5 million. This transaction also includes an agreement to print the magazines being sold until 2022, the extension to 2022 of contracts signed in December 2013 and new printing contracts for certain TVA Group Inc. publications. On March 2, 2015, the Competition Bureau of Canada issued a No Action Letter, which cleared this transaction. The sale is expected to close in April 2015.

- On December 9, 2014, the Corporation extended its credit facility for two more years, until February 2020.

- On March 16, 2015, the Board of Directors approved a 6.25% increase in the dividend per participating share to $0.68 per year.

ANALYSIS OF CONSOLIDATED RESULTS
(unaudited)

Table #1:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
First quarter of 2014	**$ 499.3**		**$ 43.5**		**$ 17.2**
Acquisitions/Disposals and Closures	23.4	4.7 %	5.7	13.1 %	2.7
Existing operations					
Exchange rate effect	4.2	0.9 %	2.3	5.3 %	3.2
Organic growth (negative)	(22.3)	(4.5) %	1.4	3.2 %	2.5
Restructuring and other costs (revenues)					10.7
Impairment of assets					0.3
Redemption of preferred shares					1.3
First quarter of 2015	**$ 504.6**	**1.1 %**	**$ 52.9**	**21.6 %**	**$ 37.9**

Revenues
Revenues increased by $5.3 million, or 1.1%, from $499.3 million in the first quarter of 2014 to $504.6 million in the first quarter of 2015. This change is due to the following factors:

- The net effect of acquisitions, disposals and closures resulted in an increase of $23.4 million, or 4.7%, due to the acquisition of Capri Packaging and the Quebec weekly newspapers owned by Sun Media Corporation, partially offset by the sale of Rastar's assets.

- Revenues from existing operations, net of the exchange rate effect, were down $18.1 million, or 3.6%, as a result of a reduction in our marketing-products printing activities as well as a transitional slowdown in our flyer printing activities in the United States and, to a lesser extent, in Canada. Lastly, we continue to see challenging market conditions for advertising spending.

Adjusted Operating Earnings
Adjusted operating earnings increased from $43.5 million for the first quarter of 2014 to $52.9 million for the first quarter of 2015. This change is due to the following factors:

- The net effect of acquisitions, disposals and closures resulted in a $5.7 million, or 13.1%, increase in adjusted operating earnings, mainly due to the contribution from the acquisition of Capri Packaging and, to a lesser extent, due to the impact of the acquisition of the Quebec weekly newspapers owned by Sun Media Corporation (net of closures and disposals).

- Adjusted operating earnings improved as a result of new distribution agreements signed in the first half of 2014 and cost-reduction initiatives, which offset the decline in existing revenues. The appreciation of the US dollar against the Canadian dollar also partially explains this increase. However, our costs related to other head office activities were up by $4.2 million, mainly due to the impact of the share price on stock-based compensation.

Restructuring and Other Costs (Revenues)
In the first quarter of 2015, a revenue of $0.2 million (revenue of $1.8 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs (revenues). This amount is mainly composed of a gain of $6.8 million (having an insignificant tax impact) on the sale of a building, partially offset by expenses related to our optimization and cost-reduction initiatives in both our sectors.

In the first quarter of 2014, an expense of $11.5 million ($8.9 million after tax) had been accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs (revenues), mainly in our printing activities, due to the ongoing integration of the operations of Quad/Graphics Canada, Inc.

Impairment of Assets

In the first quarter of 2015, no asset impairment charge was recorded, compared to $0.4 million ($0.3 million after tax) in the first quarter of 2014.

Net Financial Expenses

Net financial expenses decreased by $0.7 million, from $4.6 million in the first quarter of 2014 to $3.9 million in the first quarter of 2015. This decrease is mainly attributable to the impact of a foreign exchange gain on the Corporation's net assets arising from the appreciation of the US dollar, partially offset by an increase in financial expenses on long-term debt as a result of additional indebtedness attributable to acquisitions and the redemption of preferred shares.

Income taxes

Income taxes went from $8.7 million in the first quarter of 2014 to $11.6 million in the first quarter of 2015. Excluding income taxes on restructuring and other costs (revenues) and impairment of assets, income taxes would have amounted to $13.2 million in the first quarter of 2015, for a tax rate of 26.9%, compared to $11.4 million, or 29.3%, in the first quarter of 2014. This decrease in the tax rate is mainly due to the recognition of the tax effect of capital losses during the first quarter of 2015.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares increased from $17.2 million in the first quarter of 2014 to $37.9 million in the first quarter of 2015. This improvement results mostly from an increase in operating earnings before amortization. On a per share basis, net earnings applicable to participating shares rose from $0.22 to $0.49.

Adjusted net earnings applicable to participating shares increased from $26.4 million in the first quarter of 2014 to $36.1 million in the corresponding period in 2015. On a per share basis, it rose from $0.34 to $0.46.

ANALYSIS OF SECTOR RESULTS
(unaudited)

Table #2:

(in millions of dollars)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues - First quarter of 2014	**$ 361.3**	**$ 155.4**	**$ (17.4)**	**$ 499.3**
Acquisitions/Disposals and Closures	15.2	8.2	—	23.4
Existing operations				
Exchange rate effect	4.2	—	—	4.2
Organic growth (negative)	(19.2)	(3.4)	0.3	(22.3)
Revenues - First quarter of 2015	**$ 361.5**	**$ 160.2**	**$ (17.1)**	**$ 504.6**
Adjusted operating earnings - First quarter of 2014	**$ 48.4**	**$ (3.6)**	**$ (1.3)**	**$ 43.5**
Acquisitions/Disposals and Closures	2.9	2.8	—	5.7
Existing operations				
Exchange rate effect	2.4	(0.1)	—	2.3
Organic growth (negative)	0.2	5.4	(4.2)	1.4
Adjusted operating earnings - First quarter of 2015	**$ 53.9**	**$ 4.5**	**$ (5.5)**	**$ 52.9**

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

In this section, Management 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 stable and went from $361.3 million in the first quarter of 2014 to $361.5 million for the quarter ended January 31, 2015. The acquisition of Capri Packaging generated $24.6 million, partially offset by the sale of Rastar's assets, which had a negative impact of $9.4 million. However, revenues from our existing operations decreased as a result of the print media transformation, which mostly affected our marketing-products printing activities. We also noted a transitional slowdown in our flyer printing activities in the United States and, to a lesser extent, in Canada.

Adjusted operating earnings were up 11.4%, or $5.5 million, from $48.4 million in the first quarter of 2014 to $53.9 million in the first quarter of 2015. This increase is mainly attributable to the acquisition of Capri Packaging, partially offset by the sale of Rastar's assets. With respect to our existing operations, the favourable effect of $2.4 million related to the appreciation of the US dollar against the Canadian dollar and cost-reduction initiatives offset the decline in existing revenues. Consequently, the adjusted operating earnings margin rose from 13.4% in the first quarter of 2014 to 14.9% in the first quarter of 2015.

Media Sector

Media Sector revenues were up $4.8 million, or 3.1%, from $155.4 million in the first quarter of 2014 to $160.2 million in the first quarter of 2015. The acquisition of the Quebec weekly newspapers owned by Sun Media Corporation and new distribution agreements, that took effect towards the end of the first quarter of 2014, increased our revenues. However, this increase was partially offset by a decline in advertising revenues in our magazine and weekly newspaper publishing operations.

Adjusted operating earnings increased by $8.1 million from -$3.6 million in the first quarter of 2014 to $4.5 million in the first quarter of 2015, and the adjusted operating earnings margin went from -2.3% in the first quarter of 2014 to 2.8% in the first quarter of 2015. For our existing operations, new distribution agreements and cost-reduction initiatives offset the impact of the soft advertising market. In addition, the impact of the acquisition of the Quebec weekly newspapers owned by Sun Media Corporation as well as the closures and disposals of weekly newspapers resulted in a $2.8 million improvement in adjusted operating earnings.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues and other activities went from -$17.4 million in the first quarter of 2014 to -$17.1 million in the first quarter of 2015. Adjusted operating earnings decreased by $4.2 million, from -$1.3 million in the first quarter of 2014 to -$5.5 million in the first quarter of 2015. This decrease is mainly related to the impact of the share price on stock-based compensation.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #3:

	2015	2014				2013 (1)		
(in millions of dollars, except per share data)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**$ 504.6**	$ 571.9	$ 500.0	$ 498.2	$ 499.3	$ 562.6	$ 490.7	$ 517.8
Adjusted operating earnings before amortization	**78.5**	124.3	84.7	82.8	68.6	110.0	78.8	80.4
Adjusted operating earnings margin before amortization	**15.6 %**	21.7 %	16.9 %	16.6 %	13.7 %	19.6 %	16.1 %	15.5 %
Adjusted operating earnings	**52.9**	97.1	58.3	58.5	43.5	83.4	52.5	54.2
Adjusted operating earnings margin	**10.5 %**	17.0 %	11.7 %	11.7 %	8.7 %	14.8 %	10.7 %	10.5 %
Net earnings applicable to participating shares	**$ 37.9**	$ 9.0	$ 44.2	$ 34.7	$ 17.2	$ (94.5)	$ 30.1	$ 25.3
Per share	**0.49**	0.12	0.56	0.45	0.22	(1.21)	0.39	0.32
Adjusted net earnings applicable to participating shares	**36.1**	67.4	37.6	36.8	26.4	55.9	33.4	32.6
Per share	**0.46**	0.87	0.48	0.47	0.34	0.71	0.43	0.42
% of fiscal year	**— %**	40 %	22 %	22 %	16 %	37 %	23 %	22 %

[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 quarterly results over the past eight quarters. Our recent acquisitions of Capri Packaging and the Quebec weekly newspapers owned by Sun Media Corporation offset the decrease in our existing revenues related to the soft local and national advertising markets. In addition, the impact of new distribution agreements and the optimization of our cost structure allowed us to improve our adjusted operating earnings. Lastly, it should be noted that our volume of activity is cyclical, since it is mainly influenced by our customers' marketing spending, which is higher in the 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 #4:

	Three months ended January 31	
(in millions of dollars, except per share data)	**2015**	2014
Net earnings applicable to participating shares	**$ 37.9**	$ 17.2
Dividends on preferred shares, net of related taxes	**—**	1.7
Non-controlling interests	**(0.2)**	(0.3)
Income taxes	**11.6**	8.7
Share of net earnings in interests in joint ventures, net of related taxes	**(0.1)**	(0.3)
Net financial expenses	**3.9**	4.6
Impairment of assets	**—**	0.4
Restructuring and other costs (revenues)	**(0.2)**	11.5
Adjusted operating earnings	**$ 52.9**	$ 43.5
Amortization	**25.6**	25.1
Adjusted operating earnings before amortization	**$ 78.5**	$ 68.6
Net earnings applicable to participating shares	**$ 37.9**	$ 17.2
Impairment of assets (after tax)	**—**	0.3
Restructuring and other costs (revenues) (after tax)	**(1.8)**	8.9
Adjusted net earnings applicable to participating shares	**$ 36.1**	$ 26.4
Weighted average number of participating shares outstanding	**78.0**	78.0
Adjusted net earnings applicable to participating shares per share	**$ 0.46**	$ 0.34

	As at January 31, 2015	As at October 31, 2014
Long-term debt	**$ 359.9**	$ 358.7
Current portion of long-term debt	**123.0**	118.1
Cash	**(24.4)**	(35.2)
Net indebtedness	**$ 458.5**	$ 441.6
Adjusted operating earnings before amortization (last 12 months)	**$ 370.3**	$ 360.4
Net indebtedness ratio	**1.24 x**	1.23 x

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES – FIRST QUARTER ENDED JANUARY 31
(unaudited)

Table #5:

(in millions of dollars)		2015		2014
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes recovered (paid)	**$**	**76.3**	$	65.6
Changes in non-cash operating items		**(5.8)**		1.6
Income taxes recovered (paid)		**(40.9)**		2.8
Cash flows from operating activities	**$**	**29.6**	$	70.0
Investing activities				
Business combination	**$**	**—**	$	(1.0)
Business dispositions		**0.3**		—
Acquisitions of property, plant and equipment		**(13.0)**		(8.8)
Disposals of property, plant and equipment		**0.2**		0.7
Increase in intangible assets		**(5.9)**		(6.3)
Cash flows from investing activities	**$**	**(18.4)**	$	(15.4)
Financing activities				
Reimbursement of long-term debt	**$**	**(65.0)**	$	(8.6)
Net increase (decrease) in credit facility		**59.2**		(28.0)
Financial expenses on long-term debt		**(7.8)**		(3.5)
Issuance of participating shares		**0.7**		—
Dividends on participating shares		**(12.5)**		(11.3)
Dividends on preferred shares		**—**		(1.7)
Cash flows from financing activities	**$**	**(25.4)**	$	(53.1)

Financial position		**As at January 31, 2015**		As at October 31, 2014
Net indebtedness	**$**	**458.5**	$	441.6
Net indebtedness ratio		**1.24 x**		1.23 x
Credit rating				
DBRS		**BBB (low)**		BBB (low)
Outlook		**Stable**		Stable
Standard and Poor’s		**BBB-**		BBB-
Outlook		**Stable**		Stable

Consolidated Statements of Financial Position		**As at January 31, 2015**		As at October 31, 2014
Current assets	**$**	**500.5**	$	574.4
Current liabilities		**450.6**		532.1
Total assets		**2,007.7**		2,027.7
Total liabilities		**1,170.4**		1,234.6

Cash Flows from Operating Activities

Cash flows from operating activities before changes in non-cash operating items and income taxes increased from $65.6 million in the first quarter of 2014 to $76.3 million in the first quarter of 2015, mainly as a result of an increase in operating earnings. Furthermore, changes in non-cash operating items resulted in cash outflows of $5.8 million in the first quarter of 2015, while in the first quarter of 2014 these items had generated cash inflows of $1.6 million. This change is mostly attributable to a greater decrease in accounts receivable in the first quarter of 2014 than in the corresponding period in 2015. With respect to income taxes, we recovered an amount of $2.8 million in the first quarter of 2014 as a result of provincial tax credits received in relation to our book publishing operations, while in the first quarter of 2015 we paid an amount of $40.9 million due to the operating earnings before tax generated in 2014. Cash flows from operating activities were $29.6 million in the first quarter of 2015, down from $70.0 million in the first quarter of 2014.

Cash Flows from Investing Activities

Our cash flows from investing activities increased from $15.4 million in the first quarter of 2014 to $18.4 million in the first quarter of 2015. The majority of these amounts are due to purchases of property, plant and equipment, mostly by our printing operations.

Cash Flows from Financing Activities

The majority of the change in cash flows from financing activities is attributable to the repayment of the second tranche of our Senior Notes Series 2002 A for US$50.0 million. In addition, the Corporation repays every six months a portion of its HVB loan, of which the final payment is due in July 2015. These debts and our tax payments were repaid with our credit facility, which partly explains the change compared to the first quarter of 2014, when we had used excess cash flows to repay $28.0 million on our credit facility.

Debt Instruments

As at January 31, 2015, our net indebtedness ratio stood at 1.24x (1.23x as at October 31, 2014), and net indebtedness rose from $441.6 million as at October 31, 2014 to $458.5 million as at January 31, 2015. The stability of the net indebtedness ratio is attributable to the improvement in our operating earnings offset by tax payments made during the quarter. As at January 31, 2015, an amount of C$117.7 million, including letters of credit, was used on our $400 million unsecured credit facility. It should also be noted that, on December 9, 2014, the Corporation extended its credit facility for two more years under the same conditions, until February 2020.

Share Capital

During the first quarter ended January 31, 2015, the Corporation did not repurchase any participating shares.

Table #6:

Shares Issued and Outstanding	As at January 31, 2015	As at February 28, 2015
Class A (Subordinate Voting Shares)	63 242 108	63 242 708
Class B (Multiple Voting Shares)	14 830 016	14 829 416

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for implementing and maintaining adequate internal control. The purpose of internal control over financial reporting is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of consolidated financial statements in accordance with IFRS. Management certifies disclosures in annual and interim filings under Regulation 52-109 using the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

As at January 31, 2015, Management excluded Capri Packaging from its assessment of internal control over financial reporting; this exclusion 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.

For the first quarter of 2015, Capri Packaging, acquired on May 3, 2014, generated revenues of $24.6 million, adjusted operating earnings before amortization of $5.8 million and adjusted operating earnings of $4.0 million. These amounts represent 4.9% of consolidated revenues, 7.4% of adjusted operating earnings before amortization and 7.6% of the Corporation's adjusted operating earnings. 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 January 31, 2015**
Current assets	$17.2 M
Non-current assets	$162.8 M
Current liabilities	$8.5 M
Long-term liabilities	$- M
Statement of Earnings	**For the three months ended January 31, 2015**
Revenues	$24.6 M
Adjusted operating earnings before amortization	$5.8 M
Adjusted operating earnings	$4.0 M

In the quarter ended January 31, 2015, 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

On March 2, 2015, the sale of the consumer magazines, their websites and related platforms produced in Montreal and Toronto was approved by the Competition Bureau of Canada. The sale is expected to close in April 2015.

This transaction was approved by the Competition Bureau of Canada after the reporting period of the Condensed Interim Consolidated Financial Statements. Consequently, the net earnings, cash flows, assets and liabilities related to these operations were not reclassified separately as discontinued operations in the Consolidated Statements of Earnings, Consolidated Statements of Cash Flows and Consolidated Statements of Financial Position. The carrying value of the net asset that will be disposed, excluding deferred taxes, was approximately $20.0 million, including goodwill. It should be noted that these activities will be reclassified as discontinued operations as of the closure of this transaction.

OUTLOOK

We will continue our efforts to maximize the profitability of our printing platform in fiscal 2015. The impact of the new agreements to print newspapers and magazines, announced in 2014, should keep contributing to our operating earnings, and we will maintain our efforts to attract other Canadian newspaper publishers to our highly efficient print network. We will also continue developing solutions to meet the evolving needs of retailers, in particular with respect to our point-of-purchase marketing services. However, a decline in advertising spending should continue to impact our printing operations.

The challenging conditions with respect to advertising revenues should continue to impact our weekly newspaper publishing activities as well as our interactive marketing solutions during fiscal 2015. However, these items should be offset by our synergies related to our two recent transactions within the Media sector. Lastly, we will continue to invest in the development of our digital and interactive marketing products as well as enhance our business and education offerings.

We will continue to generate significant cash flows in the next quarters, and our excellent financial position should permit us to continue applying our multi-pronged capital management approach, which allows us to invest in our growth while increasing our dividends and reducing our debt. The results from our acquisition of Capri Packaging continue to meet our expectations, and we will maintain a disciplined approach to growth opportunities in this niche.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

March 16, 2015

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended January 31 2015	2014
Revenues		**$ 504.6**	$ 499.3
Operating expenses	5	**426.1**	430.7
Restructuring and other costs (revenues)	6	**(0.2)**	11.5
Impairment of assets	7	**—**	0.4
Operating earnings before amortization		**78.7**	56.7
Amortization	8	**25.6**	25.1
Operating earnings		**53.1**	31.6
Net financial expenses	9	**3.9**	4.6
Earnings before share of net earnings in interests in joint ventures and income taxes		**49.2**	27.0
Share of net earnings in interests in joint ventures, net of related taxes		**0.1**	0.3
Income taxes	10	**11.6**	8.7
Net earnings		**37.7**	18.6
Non-controlling interests		**(0.2)**	(0.3)
Net earnings attributable to shareholders of the Corporation		**37.9**	18.9
Dividends on preferred shares, net of related taxes	13	**—**	1.7
Net earnings attributable to participating shares		**$ 37.9**	$ 17.2
Net earnings per participating share - basic	13	**$ 0.49**	$ 0.22
Net earnings per participating share - diluted	13	**$ 0.48**	$ 0.22
Weighted average number of participating shares outstanding - basic (in millions)		**78.0**	78.0
Weighted average number of participating shares - diluted (in millions)	13	**78.2**	78.2

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Note	Three months ended January 31 2015	2014
Net earnings		**$ 37.7**	$ 18.6
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		**(9.1)**	(0.6)
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**0.5**	(0.8)
Related income taxes		**(2.3)**	(0.2)
		(6.3)	(1.2)
Cumulative translation differences			
Net unrealized exchange gains on the translation of the financial statements of foreign operations		**19.0**	2.9
Unrealized exchange losses on the translation of a debt designated as a hedge of a net investment in foreign operations		**—**	(2.5)
		19.0	0.4
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		**7.5**	(6.0)
Related income taxes		**2.0**	(1.6)
		5.5	(4.4)
Other comprehensive income (loss)	15	**18.2**	(5.2)
Comprehensive income		**$ 55.9**	$ 13.4
Attributable to:			
Shareholders of the Corporation		**$ 56.1**	$ 13.7
Non-controlling interests		**(0.2)**	(0.3)
		$ 55.9	$ 13.4

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
Balance as at October 31, 2014	**$ 366.0**	**$ 3.4**	**$ 415.6**	**$ 7.1**	**$ 792.1**	**$ 1.0**	**$ 793.1**
Net earnings	**—**	**—**	**37.9**	**—**	**37.9**	**(0.2)**	**37.7**
Other comprehensive income	**—**	**—**	**—**	**18.2**	**18.2**	**—**	**18.2**
Shareholders' contributions and distributions to shareholders							
Exercise of stock options (Note 14)	**0.8**	**(0.1)**	**—**	**—**	**0.7**	**—**	**0.7**
Dividends (Note 13)	**—**	**—**	**(12.5)**	**—**	**(12.5)**	**—**	**(12.5)**
Stock-option based compensation (Note 14)	**—**	**0.1**	**—**	**—**	**0.1**	**—**	**0.1**
Balance as at January 31, 2015	**$ 366.8**	**$ 3.4**	**$ 441.0**	**$ 25.3**	**$ 836.5**	**$ 0.8**	**$ 837.3**
Balance as at October 31, 2013	$ 462.8	$ 2.9	$ 362.5	$ (13.2)	$ 815.0	$ 0.4	$ 815.4
Net earnings	—	—	18.9	—	18.9	(0.3)	18.6
Other comprehensive loss	—	—	—	(5.2)	(5.2)	—	(5.2)
Shareholders' contributions and distributions to shareholders							
Dividends (Note 13)	—	—	(13.0)	—	(13.0)	—	(13.0)
Stock-option based compensation (Note 14)	—	0.2	—	—	0.2	—	0.2
Balance as at January 31, 2014	$ 462.8	$ 3.1	$ 368.4	$ (18.4)	$ 815.9	$ 0.1	$ 816.0

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	**As at January 31, 2015**	As at October 31, 2014
Current assets			
Cash		**$ 24.4**	$ 35.2
Accounts receivable		**352.0**	415.1
Income taxes receivable		**15.8**	15.2
Inventories		**90.9**	94.2
Prepaid expenses		**17.4**	14.7
		500.5	574.4
Property, plant and equipment		**573.8**	565.9
Intangible assets		**257.1**	252.9
Goodwill		**428.0**	419.5
Investments in joint ventures		**1.8**	1.7
Deferred taxes		**169.6**	152.2
Other assets		**76.9**	61.1
		$ 2,007.7	$ 2,027.7
Current liabilities			
Accounts payable and accrued liabilities		**$ 243.8**	$ 301.8
Provisions	12	**16.8**	20.0
Income taxes payable		**1.8**	30.8
Deferred revenues and deposits		**65.2**	61.4
Current portion of long-term debt		**123.0**	118.1
		450.6	532.1
Long-term debt		**359.9**	358.7
Deferred taxes		**87.3**	84.7
Provisions	12	**30.1**	30.3
Other liabilities		**242.5**	228.8
		1,170.4	1,234.6
Equity			
Share capital		**366.8**	366.0
Contributed surplus		**3.4**	3.4
Retained earnings		**441.0**	415.6
Accumulated other comprehensive income	15	**25.3**	7.1
Attributable to shareholders of the Corporation		**836.5**	792.1
Non-controlling interests		**0.8**	1.0
		837.3	793.1
		$ 2,007.7	$ 2,027.7

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

(in millions of Canadian dollars)	Notes	Three months ended January 31 2015	2014
Operating activities			
Net earnings		**$ 37.7**	$ 18.6
Adjustments to reconcile net earnings and cash flows from operating activities:			
Amortization	8	**32.0**	32.0
Impairment of assets	7	**—**	0.4
Financial expenses on long-term debt	9	**5.6**	4.6
Net gains on disposal of assets		**(6.9)**	(0.1)
Income taxes	10	**11.6**	8.7
Stock-option based compensation	14	**0.1**	0.2
Other		**(3.8)**	1.2
Cash flows generated by operating activities before changes in non-cash operating items and income taxes recovered (paid)		**76.3**	65.6
Changes in non-cash operating items		**(5.8)**	1.6
Income taxes recovered (paid)		**(40.9)**	2.8
Cash flows from operating activities		**29.6**	70.0
Investing activities			
Business combination		**—**	(1.0)
Business dispositions		**0.3**	—
Acquisitions of property, plant and equipment		**(13.0)**	(8.8)
Disposals of property, plant and equipment		**0.2**	0.7
Increase in intangible assets		**(5.9)**	(6.3)
Cash flows from investing activities		**(18.4)**	(15.4)
Financing activities			
Reimbursement of long-term debt	11	**(65.0)**	(8.6)
Net increase (decrease) in credit facility		**59.2**	(28.0)
Financial expenses on long-term debt		**(7.8)**	(3.5)
Issuance of participating shares	14	**0.7**	—
Dividends on participating shares	13	**(12.5)**	(11.3)
Dividends on preferred shares	13	**—**	(1.7)
Cash flows from financing activities		**(25.4)**	(53.1)
Effect of exchange rate changes on cash denominated in foreign currencies		**3.4**	1.0
Net change in cash		**(10.8)**	2.5
Cash at beginning of period		**35.2**	26.4
Cash at end of period		**$ 24.4**	$ 28.9
Non-cash investing and financing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ (0.6)**	$ (1.4)

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

1 GENERAL INFORMATION

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

The Corporation operates in the print and digital media, publishing and flexible packaging industries. The Corporation conducts business in Canada and the United States in two separate sectors: the Printing and Packaging Sector and the Media Sector. The Corporation's main activities are described in Note 3 "Segmented Information".

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on March 16, 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2014, which include the significant accounting policies used by the Corporation.

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

New or amended accounting standards adopted

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

3 SEGMENTED INFORMATION

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

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

3 SEGMENTED INFORMATION (CONTINUED)

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

For the three-month period ended January 31, 2015	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 361.5**	**$ 160.2**	**$ (17.1)**	**$ 504.6**
Operating expenses	**288.1**	**151.1**	**(13.1)**	**426.1**
Adjusted operating earnings before amortization (1)	**73.4**	**9.1**	**(4.0)**	**78.5**
Restructuring and other costs (revenues)	**4.6**	**1.9**	**(6.7)**	**(0.2)**
Operating earnings before amortization	**68.8**	**7.2**	**2.7**	**78.7**
Amortization	**19.5**	**4.6**	**1.5**	**25.6**
Operating earnings	**$ 49.3**	**$ 2.6**	**$ 1.2**	**$ 53.1**
Adjusted operating earnings (1)	**$ 53.9**	**$ 4.5**	**$ (5.5)**	**$ 52.9**
Acquisitions of non-current assets (2)	**$ 9.8**	**$ 7.5**	**$ 1.0**	**$ 18.3**

For the three-month period ended January 31, 2014 (3)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 361.3	$ 155.4	$ (17.4)	$ 499.3
Operating expenses	294.3	153.9	(17.5)	430.7
Adjusted operating earnings before amortization (1)	67.0	1.5	0.1	68.6
Restructuring and other costs	7.5	4.0	—	11.5
Impairment of assets	0.4	—	—	0.4
Operating earnings before amortization	59.1	(2.5)	0.1	56.7
Amortization	18.6	5.1	1.4	25.1
Operating earnings	$ 40.5	$ (7.6)	$ (1.3)	$ 31.6
Adjusted operating earnings (1)	$ 48.4	$ (3.6)	$ (1.3)	$ 43.5
Acquisitions of non-current assets (2)	$ 3.9	$ 7.5	$ 2.3	$ 13.7

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

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

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

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

3 SEGMENTED INFORMATION (CONTINUED)

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

	Three months ended January 31	
	2015	2014
Printing and packaging products	**$ 344.8**	$ 344.4
Publishing and content products	**109.4**	108.8
Other products and services	**50.4**	46.1
	$ 504.6	$ 499.3

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

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

	As at January 31, 2015	As at October 31, 2014
Printing and Packaging Sector	**$ 1,267.0**	$ 1,314.5
Media sector	**586.8**	589.1
Head office and inter-segment eliminations (1)	**153.9**	124.1
	$ 2,007.7	$ 2,027.7

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

4 BUSINESS DISPOSITION

Agreement to sell Consumer Magazines

On November 17, 2014, the Corporation signed a definitive agreement to sell to TVA Group Inc. its consumer magazines, their websites and all related platforms, produced in Montreal and Toronto, for a selling price of $55.5 million cash. This agreement has been approved by the Boards of Directors of Transcontinental Inc. and TVA Group Inc. and the transaction was subject to approval by the Competition Bureau of Canada. The transaction also includes an agreement to print the magazines that have been sold until 2022, an extension until 2022 of the printing contracts signed in December 2013 and new printing contracts for certain publications of TVA Group Inc.

This transaction was approved by the Competition Bureau of Canada after the reporting period of the Condensed Interim Consolidated Financial Statements, as described in note 17 "Subsequent Event". Consequently, the net earnings, the cash flows, the assets and the liabilities related to these operations have not been reclassified separately as discontinued operations in the Consolidated Statements of Earnings, Consolidated Statements of Cash Flows, as well as in the Consolidated Statements of Financial Position. The carrying value of the net asset that will be disposed, excluding deferred taxes, was approximately $20.0 million, including goodwill. These activities are in the media sector.

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

5 OPERATING EXPENSES

Operating expenses by major heading are as follows:

	Three months ended January 31	
	2015	2014 [3]
Employee-related costs	**$ 170.0**	$ 170.9
Supply chain and logistics [1]	**224.5**	230.2
Other goods and services [2]	**31.6**	29.6
	$ 426.1	$ 430.7

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

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

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

6 RESTRUCTURING AND OTHER COSTS (REVENUES)

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

	Three months ended January 31	
	2015	2014
Workforce reductions	**$ 5.5**	$ 8.4
Other costs related to restructuring	**0.9**	1.5
Onerous contracts	**—**	(0.1)
Business acquisition costs [1]	**0.1**	0.2
Gain on the sale of a building	**(6.8)**	—
Other costs	**0.1**	1.5
	$ (0.2)	$ 11.5

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

7 IMPAIRMENT OF ASSETS

Impairment of assets is as follows:

	Three months ended January 31	
	2015	2014
Property, plant and equipment [1]	**$ —**	$ 0.4

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

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

8 AMORTIZATION

Amortization by major headings is as follows:

	Three months ended January 31	
	2015	2014
Property, plant and equipment	**$ 19.9**	$ 20.8
Intangible assets	**5.7**	4.3
	25.6	25.1
Intangible assets and other assets, recognized in revenues and operating expenses	**6.4**	6.9
	$ 32.0	$ 32.0

9 NET FINANCIAL EXPENSES

Net financial expenses by major heading are as follows:

	Three months ended January 31	
	2015	2014
Financial expenses on long-term debt	**$ 5.6**	$ 4.6
Net interest on defined benefit liability	**—**	0.2
Other expenses	**0.8**	0.1
Net foreign exchange gains	**(2.5)**	(0.3)
	$ 3.9	$ 4.6

10 INCOME TAXES

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

	Three months ended January 31	
	2015	2014
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 49.2**	$ 27.0
Canadian statutory tax rate [(1)]	**26.90 %**	26.90 %
Income taxes at the statutory tax rate	**13.2**	7.3
Effect of differences in tax rates in other jurisdictions	**1.0**	1.0
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**(0.7)**	0.4
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(1.5)**	0.2
Other	**(0.4)**	(0.2)
Income taxes at effective tax rate	**$ 11.6**	$ 8.7
Income taxes before the following items:	**$ 13.2**	$ 11.4
Income taxes on restructuring and other costs (revenues)	**(1.6)**	(2.6)
Income taxes on impairment of assets	**—**	(0.1)
Income taxes at effective tax rate	**$ 11.6**	$ 8.7

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

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

11 LONG-TERM DEBT

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

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

12 PROVISIONS

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

	Restructuring costs	Onerous contracts	Multi-employer pension plans	Other (1)	Total
Balance as at October 31, 2014	$ 15.5	$ 10.5	$ 22.6	$ 1.7	$ 50.3
Provisions recorded	5.9	0.1	—	0.1	6.1
Amounts used	(8.6)	(0.5)	—	(0.4)	(9.5)
Provisions reversed	(0.4)	(0.1)	—	—	(0.5)
Other	—	0.5	—	—	0.5
Balance as at January 31, 2015	$ 12.4	$ 10.5	$ 22.6	$ 1.4	$ 46.9
Current portion	12.4	3.7	—	0.7	16.8
Non-current portion	—	6.8	22.6	0.7	30.1
	$ 12.4	$ 10.5	$ 22.6	$ 1.4	$ 46.9

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

13 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 January 31	
	2015	2014
Numerator		
Net earnings	**$ 37.7**	$ 18.6
Non-controlling interests	**(0.2)**	(0.3)
Dividends on preferred shares, net of related taxes	**—**	1.7
Net earnings attributable to participating shares	**$ 37.9**	$ 17.2
Denominator (in millions)		
Weighted average number of participating shares outstanding - basic	**78.0**	78.0
Dilutive effect of stock options	**0.2**	0.2
Weighted average number of participating shares - diluted	**78.2**	78.2

In the calculation of the diluted net earnings per participating share, 119,244 stock options were considered anti-dilutive as at January 31, 2015 (328,044 options as at January 31, 2014), 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.

Dividends
Dividends of $0.16 and $0.145 per share were declared and paid to participating shareholders for the three-month periods ended January 31, 2015, and 2014 respectively. Dividends of $0.4253 per share were declared and paid to preferred shareholders for the three-month period ended January 31, 2014. The preferred shares were redeemed by the Corporation on October 15, 2014.

14 STOCK-BASED COMPENSATION

Stock option plan
The Corporation has a stock option plan for the benefit of certain officers and senior executives. Under the plan, each stock option entitles its holder to receive upon exercise one Class A Subordinate Voting Share. The exercise price of each option is determined using the weighted average price of all trades for the five days immediately preceding the grant of the stock option. The Corporation decided to cease granting stock options during the year ended October 31, 2014.

For the three-month periods ended January 31, 2015 and 2014, stock-based compensation expenses of $0.1 million and $0.2 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	Three months ended January 31			
	2015		2014	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**1,160,296**	**$ 13.33**	1,354,076	$ 14.44
Exercised	**(50,357)**	**13.09**	—	—
Cancelled	**—**	**—**	(1,376)	16.20
Expired	**(181,100)**	**19.32**	(174,980)	21.54
Options outstanding at end of period	**928,839**	**$ 12.18**	1,177,720	$ 13.38
Options exercisable at end of period	**687,247**	**$ 12.39**	754,068	$ 14.20

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

14 STOCK-BASED COMPENSATION (CONTINUED)

Exercise of stock options

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

Share unit plan for certain officers and senior executives

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

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

	Three months ended January 31			
Number of units	**2015**	2014	**2015**	2014
	DSU		RSU	
Balance, beginning of period	**241,812**	225,051	**924,627**	713,704
Units granted	**3,121**	—	**378,396**	418,934
Units cancelled	**—**	—	**(12,969)**	(12,740)
Units paid	**(1,624)**	(4,086)	**(205,894)**	(138,130)
Units converted	**27,174**	15,016	**(27,174)**	(15,016)
Dividends paid in units	**2,980**	2,472	**4,204**	—
Balance, end of period	**273,463**	238,453	**1,061,190**	966,752

As at January 31, 2015, the liability related to the share unit plan for certain officers and senior executives was $9.4 million ($11.2 million as at October 31, 2014). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 31, 2015 and 2014 were $1.3 million and $(0.3) million, respectively. Amounts of $3.1 million and $2.3 million were paid under this plan for the three-month periods ended January 31, 2015 and 2014, 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:

	Three months ended January 31	
Number of units	**2015**	2014
Balance, beginning of period	**371,086**	318,875
Directors' compensation	**8,241**	10,143
Units paid	**(48,678)**	—
Dividends paid in units	**3,341**	3,343
Balance, end of period	**333,990**	332,361

As at January 31, 2015, the liability related to the share unit plan for directors was $5.1 million ($5.6 million as at October 31, 2014). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 31, 2015 and 2014 were $0.2 million and $(0.7) million, respectively. An amount of $0.7 million was paid under this plan for the three-month period ended January 31, 2015. No amount was paid under this plan for the three-month period ended January 31, 2014.

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

15 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 31, 2014	**$ (3.3)**	**$ 1.7**	**$ 8.7**	**$ 7.1**
Net change in gains (losses), net of income taxes	**(6.3)**	**19.0**	**5.5**	**18.2**
Balance as at January 31, 2015	**$ (9.6)**	**$ 20.7**	**$ 14.2**	**$ 25.3**
Balance as at October 31, 2013	$ (3.7)	$ (1.6)	$ (7.9)	$ (13.2)
Net change in gains (losses), net of income taxes	(1.2)	0.4	(4.4)	(5.2)
Balance as at January 31, 2014	$ (4.9)	$ (1.2)	$ (12.3)	$ (18.4)

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

	2015	2016	2017	2018	2019 and thereafter	Total
Losses on derivatives designated as cash flow hedges	$ (6.8)	$ (4.4)	$ (1.0)	$ (0.9)	$ (0.3)	$ (13.4)
Income taxes	(2.0)	(1.1)	(0.3)	(0.3)	(0.1)	(3.8)
	$ (4.8)	$ (3.3)	$ (0.7)	$ (0.6)	$ (0.2)	$ (9.6)

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

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to their short term maturities. The table below indicates the fair value and the carrying amount of the other financial instruments and derivative financial instruments as at January 31, 2015 and as at October 31, 2014.

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

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

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

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

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

	As at January 31, 2015		As at October 31, 2014	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Long-term debt	**$ (501.3)**	**$ (482.9)**	$ (490.7)	$ (476.8)
Foreign exchange forward contracts	**(10.1)**	**(10.1)**	(1.0)	(1.0)
Cross currency interest rate swap	**(0.8)**	**(0.8)**	(1.7)	(1.7)

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

17 SUBSEQUENT EVENT

On March 2, 2015, the sale of the consumer magazines, their websites and all related platforms, produced in Montreal and Toronto, was approved by the Competition Bureau of Canada. The closing of the sale is scheduled for April 2015. Note 4 "Business Disposition" explains in more detail the terms of the transaction.