TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. announces its financial results for the first quarter of Fiscal 2016

Highlights

- Revenues increased 1.9%.
- Adjusted operating earnings before depreciation and amortization grew 3.8%.
- Adjusted net earnings attributable to shareholders of the Corporation increased 8.4%.
- Maintained a solid financial position, with a stable net indebtedness ratio of 0.9x.
- Signed a five-year agreement with the Toronto Star to print their daily newspaper, which should take effect in July 2016.
- Signed a five-year exclusive agreement with the Société de transport de Montréal to distribute the Métro newspaper in the Montreal metro system, which took effect on February 1, 2016.
- Increased the dividend per participating share by 9%, to $0.74 per year.

Montreal, March 9, 2016 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the first quarter of Fiscal 2016, which ended January 31, 2016.

“The growth in our revenues and profitability in the first quarter confirms the success of our strategy,” said François Olivier, President and Chief Executive Officer of TC Transcontinental. “In our printing division, we continued to sign new agreements and adapt our printing platform to industry realities. In our packaging division, we successfully completed the integration of our most recent acquisition and we are satisfied with the results. As for the Media Sector, the acceleration of the transformation of the advertising market led to lower results for the newspapers in our Local Solutions Group. To better adapt to new market realities, we have taken important measures to give ourselves the agility needed to adjust our costs and our service offering.”

“We will continue to optimize our operations in the printing division and grow our packaging division through acquisitions and sales development. We have a sound financial position and continue to generate significant cash flows that will enable us to pursue our transformation,” concluded François Olivier.

Financial Highlights

(in millions of dollars, except per share amounts)	Q1-2016	Q1-2015	%
Revenues	**498.9**	**489.7**	**1.9**
Adjusted operating earnings before depreciation and amortization (Adjusted EBITDA)	**83.9**	**80.8**	**3.8**
Adjusted operating earnings (Adjusted EBIT)	**57.1**	**55.7**	**2.5**
Adjusted net earnings attributable to shareholders of the Corporation	**41.4**	**38.2**	**8.4**
Per share	**0.53**	**0.49**	**8.2**
Net earnings attributable to shareholders of the Corporation	**37.3**	**37.9**	**(1.6)**
Per share	**0.48**	**0.49**	**(2.0)**

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

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2016 First Quarter Results

Revenues for the first quarter of 2016 went from $489.7 million to $498.9 million. The increase is mainly attributable to the contribution from the acquisition of Ultra Flex Packaging and the appreciation of the U.S. dollar against the Canadian dollar. In our Printing division, revenues remained relatively stable when excluding the effect of the loss of a U.S. customer and a Canadian retailer early in 2015. In addition, the timing of purchases from an important client had an impact on the Packaging division. In the Media Sector, the decline in advertising revenues continues to have a significant impact on the results of our publishing activities, mainly within newspapers in the Local Solutions Group.

Adjusted operating earnings went from $55.7 million to $57.1 million, an increase of 2.5%, in the first quarter of 2016. This performance is attributable to the net effect of an acquisition, disposals and closures and, to the favourable effect of the exchange rate as well as to the favourable effect of a decrease in the stock-based compensation expense. The increase is also attributable to the optimization of the cost structure. It was however mitigated by the aforementioned decrease in revenues in the Media Sector. The recent investments in the structure of the packaging division to promote and support the acquisition and sales development strategy also explain the slight decrease in organic growth.

Adjusted net earnings attributable to shareholders of the Corporation increased 8.4%, from $38.2 million, or $0.49 per share, to $41.4 million, or $0.53 per share. This performance is due to an increase in adjusted operating earnings as well as a decrease in adjusted income taxes and net financial expenses. Net earnings attributable to shareholders of the Corporation decreased from $37.9 million, or $0.49 per share, to $37.3 million, or $0.48 per share. This slight decrease is explained by the sale of a building in the first quarter of 2015 which offset the increase in adjusted net earnings attributable to shareholders of the Corporation.

Other Highlights

- On November 25, 2015, TC Media launched the TC Media Nouvelles app in the Quebec market, signalling a major milestone in the development of its local digital media offering for businesses and communities.
- On January 26, 2016, the Corporation announced the transfer of its marketing product printing activities from Transcontinental Québec to other plants in its network. This decision will result in the closure of the Transcontinental Québec plant by April 30, 2016.

For more detailed financial information, please see *Management's Discussion and Analysis for the first quarter ended January 31st, 2016* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook 2016

Flyer printing volume is expected to remain stable throughout the remainder of fiscal 2016. In addition, the success of our in-store marketing product offering for retailers and the impact of the previously announced new contracts, including those to print the Toronto Star and the Census of Canada, should act as positive catalysts during the year. However, these items should be offset by the negative impact of the advertising market on our magazine, newspaper and marketing product printing activities. Lastly, we will continue to improve our operational efficiency in order to ensure that we maintain the long-term profitability of the printing division.

We successfully completed our 100-day integration plan with respect to the acquisition of Ultra Flex Packaging and the evolution of our national sales force enables us to continue developing new business opportunities. Furthermore, the recent investments in order to promote and support our acquisition and sales development strategy will have an unfavourable impact on results for the remainder of fiscal 2016.

Within the Media Sector, the significant impact of the transformation of the advertising market should continue to affect our newspaper publishing activities. In order to reduce costs and better adapt to these market dynamics, we have put in place a new operational structure that allows for the necessary agility with a particular focus on the profitability of our products which will ensure their viability and perenity.

Lastly, we expect to continue generating significant cash flows during the next quarters, and our excellent financial position should permit us to continue our transformation in the flexible packaging industry. We will maintain our disciplined acquisition approach in this promising market in order to invest in quality assets that meet our strategic criteria.

Reconciliation of Non-IFRS Financial Measures

Financial information has 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 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.

(in millions of dollars, except per share amounts)	First quarter ended January 31 **2016**	2015
Net earnings attributable to shareholders of the Corporation	**$ 37.3**	$ 37.9
Non-controlling interests	**—**	(0.2)
Net earnings from discontinued operations	**—**	2.2
Income taxes	**11.2**	12.4
Share of net earnings in interests in joint ventures, net of related taxes	**—**	(0.1)
Net financial expenses	**3.1**	3.9
Restructuring and other costs (revenues)	**5.5**	(0.4)
Adjusted operating earnings	**$ 57.1**	$ 55.7
Depreciation and amortization	**26.8**	25.1
Adjusted operating earnings before depreciation and amortization	**$ 83.9**	$ 80.8
Net earnings attributable to shareholders of the Corporation	**$ 37.3**	$ 37.9
Net earnings from discontinued operations	**—**	2.2
Restructuring and other costs (revenues), net of related taxes	**4.1**	(1.9)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 41.4**	$ 38.2
Weighted average number of shares outstanding	**78.0**	78.0
Adjusted net earnings attributable to shareholders of the Corporation per share	**$ 0.53**	$ 0.49

	As at January 31, 2016	As at October 31, 2015
Long-term debt	**$ 347.5**	$ 347.7
Current portion of long-term debt	**30.2**	36.4
Cash	**(25.6)**	(38.6)
Net indebtedness	**$ 352.1**	$ 345.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 381.8**	$ 378.7
Net indebtedness ratio	**0.9 x**	0.9 x

Dividend

The Corporation's Board of Directors declared a quarterly dividend of $0.185 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 21, 2016 to shareholders of record at the close of business on April 4, 2016. The Corporation thus increased the dividend per participating share by 9%, or $0.06, raising the annual dividend from $0.68 to $0.74 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 2:00 p.m. at the Centre Mont-Royal, 2200 Mansfield Street, in Montreal. For those who are unable to attend in person, the Corporation will webcast (audio only) the meeting and post it on its website at www.tc.tc as of March 10.

Conference Call

Upon releasing its first quarter 2016 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, Communications of TC Transcontinental, at 514-954-3581.

Profile

Canada's largest printer, with operations in print, flexible packaging, publishing and digital media, 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 employees. The Corporation's 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 8,000 employees in Canada and the United States, and revenues of C$2.0 billion in 2015. 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, 2015*, in the latest *Annual Information Form* and have been updated in the *MD&A for the first quarter ended January 31st, 2016.*

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 9, 2016.

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 9, 2016. 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, 2016

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 be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended January 31, 2016. 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, 2015 and in the 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 after the date of March 9, 2016.

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 9, 2016. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

SUMMARY OF FORWARD-LOOKING STATEMENTS

Forward-looking Statements	Assumptions	Risk Factors
Continuing ability to generate cash.	- Lower spending on print media advertising will continue to affect both our sectors. - The Corporation's ability to control its costs. - The impact of our commercial agreements will be as expected. - Stable level of competition in the markets in which we operate. - Moderate growth rate of the North American economy.	- The impact of new media and the corresponding shift of advertising revenues to new platforms. - Our ability to continually improve our operational efficiency. - Significant increase in the price of our raw materials and inputs. - The renegotiation of commercial printing agreements with some of our major customers could lead to lower operating earnings despite long-term agreements.
Estimated increase in adjusted operating earnings before depreciation and amortization following the acquisition of Ultra Flex Packaging.	- We will be able to retain key employees and develop new business opportunities in order to ensure the growth of our investment. - Ability to apply our manufacturing expertise to maintain operational efficiency.	- The expected increase in sales and adjusted operating earnings before depreciation and amortization could take longer to realize than anticipated.

DEFINITION OF TERMS USED IN THIS MANAGEMENT REPORT

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

Terms Used	Definitions
Net indebtedness	Total of long-term debt plus current portion of long-term debt less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization
Net earnings attributable to shareholders of the Corporation	Net earnings less non-controlling interests
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation, before restructuring and other costs (revenues) net of related income taxes, and net earnings from discontinued operations
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues)
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (revenues)

PROFILE OF TC TRANSCONTINENTAL

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

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HIGHLIGHTS

- Revenues increased by $9.2 million, or 1.9%, from $489.7 million in the first quarter of 2015 to $498.9 million in the first quarter of 2016.
- Adjusted operating earnings rose by $1.4 million, or 2.5%, from $55.7 million in the first quarter of 2015 to $57.1 million in the same period in 2016.
- Adjusted net earnings attributable to shareholders of the Corporation increased by $3.2 million, or 8.4%, from $38.2 million in first quarter of 2015 to $41.4 million in the corresponding period of 2016.
- On December 7, 2015, the Corporation concluded an agreement in principle with The Globe and Mail Inc. to amend the terms and conditions of the contract to print *The Globe and Mail* newspaper in certain markets. The Corporation received a payment of $31.0 million to compensate for price reductions on future services.
- On January 15, 2016, the Corporation announced the signing of a five-year agreement to print the *Toronto Star*, which should take effect in July 2016.
- On March 9, 2016, the Board of Directors approved a 8.8% increase in the dividend per share to $0.74 per year.

ANALYSIS OF SECTOR RESULTS - FIRST QUARTER
(unaudited)

Table #1:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - First quarter of 2015	**$ 361.5**	**$ 140.2**	**$ (12.0)**	**$ 489.7**
Acquisitions/disposals and closures	21.1	(1.8)	—	19.3
Existing operations				
Exchange rate effect	10.5	—	—	10.5
Organic growth (negative)	(10.9)	(11.4)	1.7	(20.6)
Revenues - First quarter of 2016	**$ 382.2**	**$ 127.0**	**$ (10.3)**	**$ 498.9**
Adjusted operating earnings - First quarter of 2015	**$ 53.9**	**$ 9.4**	**$ (7.6)**	**$ 55.7**
Acquisitions/disposals and closures	1.5	(0.2)	—	1.3
Existing operations				
Exchange rate effect	3.8	—	—	3.8
Organic growth (negative)	(1.5)	(5.5)	3.3	(3.7)
Adjusted operating earnings - First quarter of 2016	**$ 57.7**	**$ 3.7**	**$ (4.3)**	**$ 57.1**

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

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

Printing & Packaging Sector

Printing & Packaging Sector revenues increased $20.7 million, or 5.7%, from $361.5 million in the first quarter of 2015 to $382.2 million in the first quarter of 2016. Revenues associated with the acquisition of Ultra Flex Packaging and the favourable exchange rate effect more than offset the negative organic growth. This lower organic growth is mainly attributable to the loss of a US customer and a Canadian retailer early in 2015 within the printing division and, to a lesser extent, due to the timing of purchases from an important client in the packaging division. In addition, the stable flyer printing volume, the impact of previously announced new contracts and the growth of the in-store marketing product offering offset most of the reduction in advertising spending that continues to affect the existing newspaper, magazine and marketing product printing activities.

Adjusted operating earnings increased 7.1%, or $3.8 million, from $53.9 million in the first quarter of 2015 to $57.7 million in the first quarter of 2016. This increase is due to the favourable exchange rate effect compared to the first quarter of 2015 and the acquisition of Ultra Flex Packaging, which recorded adjusted operating earnings of $1.5 million in the first quarter of 2016. The organic growth of the printing division remained stable, mainly as a result of cost structure optimizations and the impact of new contracts, which offset the items noted above. Within the packaging division, the recent investments made in the structure to promote and support our acquisition and sales development strategy, as well as the above-mentioned lower volume, explain the slight decrease in operating earnings compared to the prior year. The sector's adjusted operating earnings margin rose from 14.9% in the first quarter of 2015 to 15.1% in the first quarter of 2016.

Media Sector

Media Sector revenues decreased $13.2 million, or 9.4%, from $140.2 million in the first quarter of 2015 to $127.0 million in the first quarter of 2016. With respect to existing operations, the decline in advertising revenues continues to significantly impact publishing activities, mainly within the local newspapers segment. In addition, the exit from the Canadian market by a retailer in 2015 continued to have an impact on distribution operations. Lastly, the disposals and closures of weekly newspapers in Quebec accounted for a $1.8 million decrease in the sector's revenues.

Adjusted operating earnings decreased $5.7 million, from $9.4 million in the first quarter of 2015 to $3.7 million in the first quarter of 2016. The adjusted operating earnings margin decreased from 6.7% in the first quarter of 2015 to 2.9% in 2016. This decrease is mainly explained by the decline in revenues noted above.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$12.0 million in the first quarter of 2015 to -$10.3 million in the first quarter of 2016. Adjusted operating earnings improved by $3.3 million, from $-7.6 million in the first quarter of 2015 to -$4.3 million in 2016. This improvement is primarily due to stock-based compensation as a result of the change in the share price in the first quarter of 2016 compared to the prior year.

ANALYSIS OF CONSOLIDATED RESULTS - FIRST QUARTER

(unaudited)

Table #2:

(in millions of dollars)	2016	2015	Variance
Adjusted operating earnings	**57.1**	**55.7**	**1.4**
Net financial expenses	3.1	3.9	0.8
Adjusted income taxes	12.6	13.9	1.3
Share of net earnings in interests in joint ventures, net of related taxes	—	(0.1)	(0.1)
Non-controlling interests	—	(0.2)	(0.2)
Adjusted net earnings attributable to shareholders of the Corporation	**41.4**	**38.2**	**3.2**
Restructuring and other costs (revenues), net of related taxes	4.1	(1.9)	(6.0)
Net earnings from discontinued operations	—	2.2	2.2
Net earnings attributable to shareholders of the Corporation	**37.3**	**37.9**	**(0.6)**

Net Financial Expenses

Net financial expenses decreased by $0.8 million, from $3.9 million in the first quarter of 2015 to $3.1 million in the first quarter of 2016, primarily due to cash flows from operations that allowed us to reduce the average indebtedness level compared to the first quarter of 2015.

Adjusted Income Taxes

Excluding income taxes on restructuring and other costs (revenues), income taxes would have amounted to $13.9 million in the first quarter of 2015, for a tax rate of 27.0%, compared to $12.6 million, or 23.5%, in the first quarter of 2016. This decrease in tax rate stems mainly from favourable differences between the accounting and tax treatment of certain items.

Adjusted Net Earnings Attributable to Shareholders of the Corporation

Adjusted net earnings attributable to shareholders of the Corporation increased by $3.2 million, or 8.4%, from $38.2 million in the first quarter of 2015 to $41.4 million in the first quarter of 2016. This progression is due to the increase in adjusted operating earnings as well as the decrease in adjusted income taxes and net financial expenses. On a per share basis, it increased from $0.49 to $0.53.

Restructuring and Other Costs (Revenues)

Restructuring and other costs (revenues) increased by $6.0 million after tax compared to the prior year. This change is mainly related to a gain of $6.8 million on the sale of a building in the first quarter of 2015.

Discontinued Operations

In the first quarter of 2015, net earnings from discontinued operations amounted to $-2.2 million and stemmed from the operations of the consumer magazine activities, which were sold in April 2015.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased from $37.9 million in the first quarter of 2015 to $37.3 million in the first quarter of 2016. This slight decrease is explained by the sale of a building in the first quarter of 2015 which offset the increase in adjusted net earnings attributable to shareholders of the Corporation. On a per share basis, net earnings attributable to shareholders of the Corporation decreased from $0.49 to $0.48.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

Table #3:

(in millions of dollars, except per share amounts)	**2016**	2015				2014		
	Q1	Q4	Q3	Q2	**Q1**	Q4	Q3	Q2
Revenues	**$ 498.9**	$ 540.1	$ 481.9	$ 490.5	**$ 489.7**	$ 548.2	$ 483.0	$ 477.5
Adjusted operating earnings before depreciation and amortization	**83.9**	114.3	96.4	87.2	**80.8**	119.1	83.9	79.3
Adjusted operating earnings margin before depreciation and amortization	**16.8 %**	21.2 %	20.0 %	17.8 %	**16.5 %**	21.7 %	17.4 %	16.6 %
Adjusted operating earnings	**57.1**	87.8	71.6	61.6	**55.7**	92.4	58.0	55.5
Adjusted operating earnings margin	**11.4 %**	16.3 %	14.9 %	12.6 %	**11.4 %**	16.9 %	12.0 %	11.6 %
Net earnings attributable to shareholders of the Corporation	**$ 37.3**	$ 100.2	$ 43.3	$ 81.2	**$ 37.9**	$ 9.0	$ 44.2	$ 34.7
Per share	**0.48**	1.28	0.55	1.04	**0.49**	0.12	0.56	0.45
Adjusted net earnings attributable to shareholders of the Corporation	**41.4**	60.6	48.8	39.1	**38.2**	63.6	37.4	34.4
Per share	**0.53**	0.78	0.62	0.50	**0.49**	0.81	0.48	0.44
% of fiscal year	**— %**	33 %	26 %	21 %	**20 %**	38 %	23 %	21 %

The above table shows changes in our results over the past eight quarters and reflects a certain stability in revenues as well as an improvement in earnings. The acquisition of Capri Packaging, in May 2014, and Ultra Flex Packaging, on September 30, 2015, as well as the favourable impact of the exchange rate and new contracts in several of the company's niches offset the decrease in existing operations related to the transformation of the printing and publishing industries. With respect to net earnings, the items noted above as well as operational efficiencies in both our sectors improved profitability and margins. Lastly, it should be noted that our volume of activity is cyclical, since it is mainly influenced by our customers' marketing spending, which is higher in the fourth quarter.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES
(unaudited)

The financial information 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 of our management discussion & analysis 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:

	First quarter ended January 31	
(in millions of dollars, except per share amounts)	**2016**	2015
Net earnings attributable to shareholders of the Corporation	**$ 37.3**	$ 37.9
Non-controlling interests	**—**	(0.2)
Net earnings from discontinued operations	**—**	2.2
Income taxes	**11.2**	12.4
Share of net earnings in interests in joint ventures, net of related taxes	**—**	(0.1)
Net financial expenses	**3.1**	3.9
Restructuring and other costs (revenues)	**5.5**	(0.4)
Adjusted operating earnings	**$ 57.1**	$ 55.7
Depreciation and amortization	**26.8**	25.1
Adjusted operating earnings before depreciation and amortization	**$ 83.9**	$ 80.8
Net earnings attributable to shareholders of the Corporation	**$ 37.3**	$ 37.9
Net earnings from discontinued operations	**—**	2.2
Restructuring and other costs (revenues), net of related taxes	**4.1**	(1.9)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 41.4**	$ 38.2
Weighted average number of shares outstanding	**78.0**	78.0
Adjusted net earnings attributable to shareholders of the Corporation per share	**$ 0.53**	$ 0.49

	As at January 31, 2016	As at October 31, 2015
Long-term debt	**$ 347.5**	$ 347.7
Current portion of long-term debt	**30.2**	36.4
Cash	**(25.6)**	(38.6)
Net indebtedness	**$ 352.1**	$ 345.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 381.8**	$ 378.7
Net indebtedness ratio	**0.9 x**	0.9 x

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

(unaudited)

Table #5:

(in millions of dollars)		**2016**		2015
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$**	**73.5**	$	78.8
Changes in non-cash operating items		**(11.9)**		(13.1)
Income taxes paid		**(27.3)**		(40.8)
Cash flows from continuing operating activities	**$**	**34.3**	$	24.9
Investing activities				
Business disposals	**$**	**0.5**	$	0.3
Acquisitions of property, plant and equipment		**(14.1)**		(13.0)
Disposals of property, plant and equipment		**—**		0.2
Increase in intangible assets		**(4.6)**		(5.5)
Cash flows from investments in continuing operations	**$**	**(18.2)**	$	(18.0)
Financing activities				
Reimbursement of long-term debt	**$**	**(0.1)**	$	(65.0)
Net increase (decrease) in credit facility		**(8.0)**		59.2
Financial expenses on long-term debt		**(5.4)**		(7.8)
Interest received related to previous tax reassessments		**5.4**		—
Exercise of stock options		**—**		0.7
Dividends		**(13.2)**		(12.5)
Share redemptions		**(9.4)**		—
Cash flows from the financing of continuing operations	**$**	**(30.7)**	$	(25.4)
Financial position		**As at January 31, 2016**		As at October 31, 2015
Net indebtedness	**$**	**352.1**	$	345.5
Net indebtedness ratio		**0.9 x**		0.9 x
Credit rating				
DBRS		**BBB (low)**		BBB (low)
Outlook		**Stable**		Stable
Standard and Poor's		**BBB-**		BBB-
Outlook		**Stable**		Stable
Balance sheet		**As at January 31, 2016**		As at October 31, 2015
Current assets	**$**	**500.7**	$	579.3
Current liabilities		**372.7**		458.4
Total assets		**2,056.9**		2,113.5
Total liabilities		**1,022.9**		1,097.2

Cash Flows from Continuing Operating Activities

Cash flows generated from continuing operating activities increased from $24.9 million in the first quarter of 2015 to $34.3 million in the first quarter of 2016. This favourable change is primarily explained by the receipt of $31.0 million in December 2015 following the renegotiation of the agreement with The Globe and Mail Inc. and by a decrease in income taxes paid, partly offset by greater settlements of accounts payable in 2016.

Cash Flows from Investments in Continuing Operations

Cash flows from investments in continuing operations went from a cash outflow of $18.0 million in the first quarter of 2015 to a cash outflow of $18.2 million in the first quarter of 2016. These amounts are mostly related to purchases of property, plant and equipment in order to improve the capacity and efficiency of the Printing & Packaging Sector.

Cash Flows from the Financing of Continuing Operations

Cash flows from the financing of continuing operations went from a cash outflow of $25.4 million in the first quarter of 2015 to a cash outflow of $30.7 million in the first quarter of 2016. This change is mainly due to the repurchase of 543,500 Class A Subordinate Voting Shares at a weighted average price of $17.23, for a total cash consideration of $9.4 million. It should also be noted that, in the first quarter of 2015, the Corporation had reimbursed the second tranche of the Senior Notes Series 2002 A amounting to US$50.0 million with its credit facility.

Debt Instruments

As at January 31, 2016, our net indebtedness ratio stood at 0.9x (0.9x as at October 31, 2015), and net indebtedness increased from $345.5 million as at October 31, 2015 to $352.1 million as at January 31, 2016. Our excess cash flows and the receipt of $31.0 million following the renegotiation of the agreement with The Globe and Mail Inc. were offset by higher settlements of our accounts payable, quarterly income tax payments, the payment of our quarterly dividend and share redemptions during the quarter.

Share Capital

Under the share repurchase program that will expire in April 2016, the Corporation repurchased 543,500 of its Class A Subordinate Voting Shares during the first quarter of 2016, for a total of 585,800 shares since the beginning of the program. The change in Class B Shares during the first quarter of 2016 is explained by the conversion of 66,890 Class B Shares into Class A Shares. In addition, certain stock options were exercised during the quarter, which explains an increase of 14,038 in the number of Class A Shares issued and outstanding.

Table #6:

Shares Issued and Outstanding	As at January 31, 2016	As at February 29, 2016
Class A (Subordinate Voting Shares)	62,900,709	63,400,709
Class B (Multiple Voting Shares)	14,740,126	14,240,126

CHANGES IN ACCOUNTING STANDARDS

New or amended accounting standards not yet adopted

In January 2016, the IASB issued IFRS 16, "Leases", and amendments to IAS 7, "Statement of Cash Flows". The Corporation has not yet completed its assessment of the impact of adopting these changes on its consolidated financial statements. Please see Note 2 to the condensed interim consolidated financial statements for the three months ended January 31, 2016 in order to obtain more information.

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).

As at January 31, 2016, Management excluded Ultra Flex Packaging from its evaluation 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.

Ultra Flex Packaging is a supplier of printed flexible packaging that employs close to 300 people. For the first quarter of 2016, Ultra Flex Packaging, acquired on September 30, 2015, generated revenues of $21.1 million and adjusted operating earnings of $1.5 million, or 4.2% and 2.6%, respectively, of the Corporation's consolidated results.

The following table provides additional information about this acquisition:

Statement of financial position	**As at January 31, 2016**
Current assets	$33.4 M
Non-current assets	$114.4 M
Current liabilities	$3.5 M
Long-term liabilities	$25.1 M
Statement of earnings	**For the three months ended January 31, 2016**
Revenues	$21.1 M
Adjusted operating earnings before depreciation and amortization	$2.5 M
Adjusted operating earnings	$1.5 M

Please see Note 4 to the condensed interim consolidated financial statements for more information on this acquisition.

In the quarter ended January 31, 2016, 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.

OUTLOOK FOR 2016

Flyer printing volume is expected to remain stable throughout the remainder of fiscal 2016. In addition, the success of our in-store marketing product offering for retailers and the impact of the previously announced new contracts, including those to print the Toronto Star and the Census of Canada, should act as positive catalysts during the year. However, these items should be offset by the negative impact of the advertising market on our magazine, newspaper and marketing product printing activities. Lastly, we will continue to improve our operational efficiency in order to ensure that we maintain the long-term profitability of the printing division.

We successfully completed our 100-day integration plan with respect to the acquisition of Ultra Flex Packaging and the evolution of our national sales force enables us to continue developing new business opportunities. Furthermore, the recent investments in order to promote and support our acquisition and sales development strategy will have an unfavourable impact on results for the remainder of fiscal 2016.

Within the Media Sector, the significant impact of the transformation of the advertising market should continue to affect our newspaper publishing activities. In order to reduce costs and better adapt to these market dynamics, we have put in place a new operational structure that allows for the necessary agility with a particular focus on the profitability of our products which will ensure their viability and perenity.

Lastly, we expect to continue generating significant cash flows during the next quarters, and our excellent financial position should permit us to continue our transformation in the flexible packaging industry. We will maintain our disciplined acquisition approach in this promising market in order to invest in quality assets that meet our strategic criteria.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

March 9, 2016

CONSOLIDATED STATEMENTS OF EARNINGS
Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended January 31 **2016**	2015
Revenues		**$ 498.9**	$ 489.7
Operating expenses	5	**415.0**	408.9
Restructuring and other costs (revenues)	6	**5.5**	(0.4)
Operating earnings before depreciation and amortization		**78.4**	81.2
Depreciation and amortization	7	**26.8**	25.1
Operating earnings		**51.6**	56.1
Net financial expenses	8	**3.1**	3.9
Earnings before share of net earnings in interests in joint ventures and income taxes		**48.5**	52.2
Share of net earnings in interests in joint ventures, net of related taxes		**—**	0.1
Income taxes	9	**11.2**	12.4
Net earnings from continuing operations		**37.3**	39.9
Net earnings from discontinued operations	10	**—**	(2.2)
Net earnings		**37.3**	37.7
Non-controlling interests	10	**—**	(0.2)
Net earnings attributable to shareholders of the Corporation		**$ 37.3**	$ 37.9
Net earnings per share - basic			
Continuing operations	15	**$ 0.48**	$ 0.51
Discontinued operations		**—**	(0.02)
		$ 0.48	$ 0.49
Net earnings per share - diluted			
Continuing operations	15	**$ 0.48**	$ 0.51
Discontinued operations		**—**	(0.03)
		$ 0.48	$ 0.48
Weighted average number of shares outstanding - basic (in millions)		**78.0**	78.0
Weighted average number of shares - diluted (in millions)	15	**78.2**	78.2

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

		Three months ended January 31	
(in millions of Canadian dollars)	Notes	**2016**	2015
Net earnings		**$ 37.3**	$ 37.7
Other comprehensive income			
Items that will be reclassified to net earnings			
Net change related to cash flow hedges			
Net change in the fair value of derivatives designated as cash flow hedges		**(6.5)**	(9.1)
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		**2.0**	0.5
Related income taxes		**(1.3)**	(2.3)
		(3.2)	(6.3)
Cumulative translation differences			
Net unrealized exchange gains on the translation of the financial statements of foreign operations		**19.6**	19.0
Net change in the fair value of derivatives designated as hedges of net investments in foreign operations		**(0.7)**	—
Related income taxes		**(0.2)**	—
		19.1	19.0
Items that will not be reclassified to net earnings			
Changes in actuarial gains and losses in respect of defined benefit plans			
Actuarial gains (losses) in respect of defined benefit plans		**(17.9)**	7.5
Related income taxes		**(4.8)**	2.0
		(13.1)	5.5
Other comprehensive income (1)	17	**2.8**	18.2
Comprehensive income		**$ 40.1**	$ 55.9
Attributable to:			
Shareholders of the Corporation		**$ 40.1**	$ 56.1
Non-controlling interests	10	**—**	(0.2)
		$ 40.1	$ 55.9

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests (Note 10)	Total equity
Balance as at October 31, 2015	**$ 368.2**	**$ 3.2**	**$ 625.5**	**$ 19.4**	**$ 1,016.3**	**$ —**	**$ 1,016.3**
Net earnings	**—**	**—**	**37.3**	**—**	**37.3**	**—**	**37.3**
Other comprehensive income	**—**	**—**	**—**	**2.8**	**2.8**	**—**	**2.8**
Shareholders' contributions and distributions to shareholders							
Share redemptions (Note 14)	**(3.0)**	**—**	**(6.4)**	**—**	**(9.4)**	**—**	**(9.4)**
Exercise of stock options (Note 14)	**0.2**	**—**	**—**	**—**	**0.2**	**—**	**0.2**
Dividends (Note 14)	**—**	**—**	**(13.2)**	**—**	**(13.2)**	**—**	**(13.2)**
Balance as at January 31, 2016	**$ 365.4**	**$ 3.2**	**$ 643.2**	**$ 22.2**	**$ 1,034.0**	**$ —**	**$ 1,034.0**
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 14)	—	—	(12.5)	—	(12.5)	—	(12.5)
Stock-option based compensation (Note 16)	—	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

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, 2016**	As at October 31, 2015
Current assets			
Cash		**$ 25.6**	$ 38.6
Accounts receivable		**338.8**	393.0
Income taxes receivable		**9.4**	15.2
Inventories		**107.8**	116.3
Prepaid expenses and other current assets		**19.1**	16.2
		500.7	579.3
Property, plant and equipment		**571.3**	567.5
Intangible assets		**260.6**	257.5
Goodwill		**468.8**	459.5
Investments in joint ventures		**2.5**	2.5
Deferred taxes		**212.2**	197.1
Other assets		**40.8**	50.1
		$ 2,056.9	$ 2,113.5
Current liabilities			
Accounts payable and accrued liabilities		**$ 259.0**	$ 339.7
Provisions	12	**9.0**	10.2
Income taxes payable		**13.1**	20.7
Deferred revenues and deposits	13	**61.4**	51.4
Current portion of long-term debt		**30.2**	36.4
		372.7	458.4
Long-term debt		**347.5**	347.7
Deferred taxes		**69.0**	79.9
Provisions	12	**4.2**	5.7
Other liabilities	13	**229.5**	205.5
		1,022.9	1,097.2
Equity			
Share capital	14	**365.4**	368.2
Contributed surplus		**3.2**	3.2
Retained earnings		**643.2**	625.5
Accumulated other comprehensive income	17	**22.2**	19.4
		1,034.0	1,016.3
		$ 2,056.9	$ 2,113.5

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

		Three months ended January 31	
(in millions of Canadian dollars)	Notes	**2016**	2015
Operating activities			
Net earnings		**$ 37.3**	$ 37.7
Less: Net earnings from discontinued operations	10	**—**	(2.2)
Net earnings from continuing operations		**37.3**	39.9
Adjustments to reconcile net earnings from continuing operations and cash flows from operating activities:			
Depreciation and amortization	7	**33.6**	31.5
Financial expenses on long-term debt	8	**4.6**	5.6
Net losses (gains) on disposal of assets		**0.4**	(6.9)
Income taxes	9	**11.2**	12.4
Net foreign exchange differences and other		**(13.6)**	(3.7)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**73.5**	78.8
Changes in non-cash operating items [(1)]		**(11.9)**	(13.1)
Income taxes paid		**(27.3)**	(40.8)
Cash flows from continuing operating activities		**34.3**	24.9
Investing activities			
Business disposals		**0.5**	0.3
Acquisitions of property, plant and equipment		**(14.1)**	(13.0)
Disposals of property, plant and equipment		**—**	0.2
Increase in intangible assets		**(4.6)**	(5.5)
Cash flows from investments in continuing operations		**(18.2)**	(18.0)
Financing activities			
Reimbursement of long-term debt		**(0.1)**	(65.0)
Net increase (decrease) in credit facility		**(8.0)**	59.2
Financial expenses on long-term debt		**(5.4)**	(7.8)
Interest received related to previous tax reassessments		**5.4**	—
Exercise of stock options	14	**—**	0.7
Dividends	14	**(13.2)**	(12.5)
Share redemptions	14	**(9.4)**	—
Cash flows from the financing of continuing operations		**(30.7)**	(25.4)
Effect of exchange rate changes on cash denominated in foreign currencies		**1.6**	3.4
Net change in cash from continuing operations		**(13.0)**	(15.1)
Net change in cash from discontinued operations	10	**—**	4.3
Cash at beginning of period		**38.6**	35.2
Cash at end of period		**$ 25.6**	$ 24.4
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ (0.8)**	$ (0.6)

(1) Includes an amount of $31.0 millions that was received and recognized as deferred revenues during the three-month period ended January 31, 2016 (Note 13 "Deferred Revenues").

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 is the most important printer in Canada and operates in print, flexible packaging, publishing and digital media. 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 influenced by the advertising market, which is stronger in the fourth quarter.

The Corporation's Board of Directors approved these consolidated financial statements on March 9, 2016.

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, 2015, 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, 2016. 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, 2016 or after, could result in a retrospective restatement of these condensed interim consolidated financial statements.

Net investment hedge
During the three-month period ended January 31, 2016, the Corporation designated certain foreign exchange forward contracts denominated in U.S. dollars as hedging instruments for an equivalent amount of its net investment in certain foreign establishments, that have the U.S. dollar as their functional currency. Thus, the effective portion of changes in fair value of hedging instruments, net of related income taxes, is recognized in other comprehensive income and the ineffective portion is recognized in net earnings. Cumulative gains and losses recognized in accumulated other comprehensive income, are reclassified in net earnings in the period in which the related net investment in foreign operations is subject to a total or partial disposal.

New or amended accounting standards not yet adopted

a) Leases
In January 2016, the IASB issued IFRS 16 "Leases". IFRS 16 will replace IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease".

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases. The only exemption to this treatment is for lease contracts with duration of less than one year and those with a low value of the underlying asset. This accounting treatment will result in the grossing up of the statement of financial position due to a right-of-use asset being recognized with an offsetting liability representing the obligation to make lease payments. Lessor accounting under the standard remains largely unchanged. IFRS 16 is to be applied retrospectively or on a modified retrospective basis and is effective for years beginning on or after January 1, 2019, with earlier application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

b) Statement of cash flow
In January 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows", which will require specific disclosures for movements in certain liabilities on the statement of cash flows. These amendments will be applicable for the annual period beginning on or after January 1, 2017, with earlier application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

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

3 SEGMENTED INFORMATION

The operating segments were determined and grouped by management in two separate sectors, according to the type of activity, which are manufacturing and publishing activities. The Printing and Packaging Sector includes the manufacturing activities of the Corporation and 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 Canada and the United States. The Media Sector generates revenues through print and digital publishing products, in French and English, of the following type: newspapers, educational books, specialized publications for professionals, retail promotional content, mass and personalized marketing, mobile and interactive applications, and geotargeted door-to-door and digital distribution services. The Media Sector's consumer magazines were reclassified as discontinued operations, as described in Note 10 "Discontinued Operations", and segmented information excludes these operations. 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:

For the three-month period ended January 31, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 382.2**	**$ 127.0**	**$ (10.3)**	**$ 498.9**
Operating expenses	**303.5**	**119.5**	**(8.0)**	**415.0**
Adjusted operating earnings before depreciation and amortization (1)	**78.7**	**7.5**	**(2.3)**	**83.9**
Restructuring and other costs (revenues)	**4.2**	**1.6**	**(0.3)**	**5.5**
Operating earnings before depreciation and amortization	**74.5**	**5.9**	**(2.0)**	**78.4**
Depreciation and amortization	**21.0**	**3.8**	**2.0**	**26.8**
Operating earnings	**$ 53.5**	**$ 2.1**	**$ (4.0)**	**$ 51.6**
Adjusted operating earnings (1)	**$ 57.7**	**$ 3.7**	**$ (4.3)**	**$ 57.1**
Acquisitions of non-current assets (2)	**$ 12.2**	**$ 4.5**	**$ 1.2**	**$ 17.9**

For the three-month period ended January 31, 2015 (3)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 361.5	$ 140.2	$ (12.0)	$ 489.7
Operating expenses	288.1	127.2	(6.4)	408.9
Adjusted operating earnings before depreciation and amortization (1)	73.4	13.0	(5.6)	80.8
Restructuring and other costs (revenues)	4.6	1.7	(6.7)	(0.4)
Operating earnings before depreciation and amortization	68.8	11.3	1.1	81.2
Depreciation and amortization	19.5	3.6	2.0	25.1
Operating earnings	$ 49.3	$ 7.7	$ (0.9)	$ 56.1
Adjusted operating earnings (1)	$ 53.9	$ 9.4	$ (7.6)	$ 55.7
Acquisitions of non-current assets (2)	$ 9.8	$ 7.1	$ 1.0	$ 17.9

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

3 SEGMENTED INFORMATION (CONTINUED)

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

(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.

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

	Three months ended January 31	
	2016	2015
Printing and packaging products	**$ 371.9**	$ 349.8
Publishing and content products	**82.4**	89.3
Other products and services	**44.6**	50.6
	$ 498.9	$ 489.7

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

	As at January 31, 2016	As at October 31, 2015 (2)
Printing and Packaging Sector	**$ 1,472.9**	$ 1,478.4
Media Sector	**484.6**	489.2
Head office and inter-segment eliminations (1)	**99.4**	145.9
	$ 2,056.9	$ 2,113.5

(1) This heading includes cash and defined benefit asset, as well as items not allocated to segments.

(2) 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.

4 BUSINESS COMBINATION

Ultra Flex Packaging

On September 30, 2015, the Corporation acquired all the shares of Ultra Flex Packaging, a supplier of flexible packaging located in Brooklyn, New York, for a purchase price of US$84.9 million ($113.0 million), subject to adjustments and including a contingent consideration payable in cash at the first and second anniversaries of the acquisition date, following the achievement of pre-established income thresholds.

The preliminary assessment of the estimated fair value of assets acquired and liabilities assumed at the acquisition made as at October 31, 2015 has not significantly changed during the three-month period ended January 31, 2016. The final purchase price allocation is expected to be completed as soon as management has gathered all of the significant information, available and considered necessary in order to finalize its fair value measurement of machinery and equipment and intangible assets, such as customer relationships and non-compete agreements. The Corporation will finalize the accounting for this acquisition during the current year.

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

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended January 31	
	2016	2015
Employee-related costs	**$ 164.3**	$ 163.5
Supply chain and logistics [(1)]	**223.4**	218.3
Other goods and services [(2)]	**27.3**	27.1
	$ 415.0	$ 408.9

[(1)] "Supply chain and logistics" includes mainly 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 (REVENUES)

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

	Three months ended January 31	
	2016	2015
Workforce reductions	**$ 5.6**	$ 5.3
Other costs related to restructuring	**0.5**	0.9
Onerous contracts	**(0.8)**	—
Business acquisition costs [(1)]	**0.2**	0.1
Gain on the sale of a building	**—**	(6.8)
Other costs	**—**	0.1
	$ 5.5	$ (0.4)

[(1)] Business acquisition costs include transaction costs, primarily legal fees and other professional fees, for potential or realized business combinations.

7 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended January 31	
	2016	2015
Property, plant and equipment	**$ 20.1**	$ 19.7
Intangible assets	**6.7**	5.4
	26.8	25.1
Intangible assets and other assets, recognized in revenues and operating expenses	**6.8**	6.4
	$ 33.6	$ 31.5

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

8 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows:

	Three months ended January 31	
	2016	2015
Financial expenses on long-term debt	**$ 4.6**	$ 5.6
Net interest on defined benefit plans asset and liability	**0.2**	—
Other expenses (revenues)	**(0.5)**	0.8
Net foreign exchange gains	**(1.2)**	(2.5)
	$ 3.1	$ 3.9

9 INCOME TAXES

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

	Three months ended January 31	
	2016	2015
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 48.5**	$ 52.2
Canadian statutory tax rate [1]	**26.90 %**	26.90 %
Income taxes at the statutory tax rate	**13.0**	14.0
Effect of differences in tax rates in other jurisdictions	**0.4**	1.0
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**(1.3)**	(0.7)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**—**	(1.5)
Other	**(0.9)**	(0.4)
Income taxes at effective tax rate	**$ 11.2**	$ 12.4
Income taxes before the following items:	**$ 12.6**	$ 13.9
Income taxes on restructuring and other costs (revenues)	**(1.4)**	(1.5)
Income taxes at effective tax rate	**$ 11.2**	$ 12.4

[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)

10 DISCONTINUED OPERATIONS

Discontinued consumer magazines
On April 12, 2015, the Corporation sold its consumer magazine publishing activities produced in Montreal and Toronto and their associated websites, as well as their brand-related products, to Groupe TVA Inc. for a total cash consideration of $56.0 million. These products were included in the Media Sector. Discontinued operations also include other consumer magazines that have been discontinued or sold during the year ended October 31, 2015, but which were not part of the transaction with Groupe TVA Inc. These items are not significant.

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

The following table presents the results from discontinued operations for the three-month period ended January 31, 2015:

		2015
Revenues [1]	$	14.9
Operating expenses [1]		17.2
Restructuring and other costs		0.2
Depreciation and amortization		0.5
Earnings before share of net earnings in interests in joint ventures and income taxes		(3.0)
Share of net earnings in interests in joint ventures, net of related taxes		—
Income taxes recovered		(0.8)
Net earnings and comprehensive income from discontinued operations	$	(2.2)
Attributable to:		
Shareholders of the Corporation	$	(2.0)
Non-controlling interests		(0.2)
	$	(2.2)

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

The following table presents cash flows from discontinued operations for the three-month period ended January 31, 2015:

		2015
Cash flows related to operations	$	4.7
Cash flows related to investments		(0.4)
Net change in cash flows from discontinued operations	$	4.3

11 LONG-TERM DEBT

Credit facility extension
On December 7, 2015, the Corporation extended its credit facility, in the amount of $400.0 million or the U.S dollar equivalent, for one additional year, thus deferring its maturity to February 2021, on the same terms.

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

12 PROVISIONS

The following table presents changes in provisions for the three-month period ended January 31, 2016:

	Restructuring costs	Onerous contracts	Other [1]	Total
Balance as at October 31, 2015	$ 5.6	$ 9.2	$ 1.1	$ 15.9
Provisions recorded	6.0	0.2	0.1	6.3
Amounts used	(7.0)	(0.8)	(0.2)	(8.0)
Provisions reversed	—	(1.1)	(0.1)	(1.2)
Other	—	0.2	—	0.2
Balance as at January 31, 2016	$ 4.6	$ 7.7	$ 0.9	$ 13.2
Current portion	$ 4.6	$ 4.1	$ 0.3	$ 9.0
Non-current portion	—	3.6	0.6	4.2
	$ 4.6	$ 7.7	$ 0.9	$ 13.2

[1] Other provisions include provisions for asset retirement obligations and provisions related to claims and litigations.

13 DEFERRED REVENUES

On December 7, 2015, the Corporation renegotiated its agreement with The Globe and Mail Inc. relating to the printing of *The Globe and Mail* newspaper. The Corporation received a single payment of $31.0 million to compensate for price reductions on future services in certain markets. The amount received was classified as deferred revenues and will be recognized in revenues over the estimated duration of printing for these markets. For the three-month period ended January 31, 2016, an amount of $1.2 million was recognized as revenues, with no effect on cash flows. As at January 31, 2016, amounts of $7.0 million and $22.8 million are presented in deferred revenues and deposits and in other liabilities, respectively, in the Consolidated Statement of Financial Position.

14 SHARE CAPITAL

The following table presents changes in the Corporation's share capital:

	Three months ended January 31			
	2016		2015	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of period	**63,363,281**	**$ 348.1**	63,189,351	$ 345.9
Conversion of Class B Shares into Class A Subordinate Voting Shares	**66,890**	**0.1**	2,400	—
Participating shares redeemed and cancelled	**(543,500)**	**(3.0)**	—	—
Exercise of stock options	**14,038**	**0.2**	50,357	0.8
Balance, end of period	**62,900,709**	**345.4**	63,242,108	346.7
Class B Shares				
Balance, beginning of period	**14,807,016**	**20.1**	14,832,416	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(66,890)**	**(0.1)**	(2,400)	—
Balance, end of period	**14,740,126**	**20.0**	14,830,016	20.1
	77,640,835	**$ 365.4**	78,072,124	$ 366.8

14 SHARE CAPITAL (CONTINUED)

Share redemptions

The Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between April 15, 2015 and April 14, 2016, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 Class A Subordinate Voting Shares, representing 1.6% of its 63,244,208 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2015, and up to 237,250 Class B Shares, representing 1.6% of its 14,827,916 Class B Shares issued and outstanding as at April 2, 2015. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the three-month period ended January 31, 2016, the Corporation repurchased 543,500 of its Class A Subordinate Voting Shares at a weighted average price of $17.23, for a total cash consideration of $9.4 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $6.4 million, was applied against retained earnings. The Corporation was under no obligations to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 31, 2016.

During the three-month period ended January 31, 2015, the Corporation did not repurchase any of its Class A Subordinate Voting Shares and Class B Shares, and was under no obligation as such at that date.

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, 2016, the consideration receivable was $0.2 million and a negligible amount was transferred from contributed surplus to share capital. For the three-month period ended January 31, 2015, the consideration received was $0.7 million and $0.1 million were transferred from contributed surplus to share capital (Note 16 "Stock-based Compensation").

Dividends

Dividends of $0.17 and $0.16 per share were declared and paid to participating shareholders for the three-month periods ended January 31, 2016 and 2015, respectively.

15 NET EARNINGS PER SHARE

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

	Three months ended January 31	
	2016	2015
Numerator		
Net earnings from continuing operations	**$ 37.3**	$ 39.9
Denominator (in millions)		
Weighted average number of shares outstanding - basic	**78.0**	78.0
Dilutive effect of stock options	**0.2**	0.2
Weighted average number of shares - diluted	**78.2**	78.2

As at January 31, 2016, all stock options are included in the calculation of the diluted net earnings per share from continuing operations due to their potential dilutive effect. As at January 31, 2015, 119,244 stock options were excluded from the calculation of the diluted net earnings per share from continuing operations since they were anti-dilutive, their exercise price being higher than the average share price of Class A Subordinate Voting Shares during the period.

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

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

For the three-month periods ended January 31, 2016 and 2015, a negligible amount of stock-based compensation expenses and $0.1 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			
	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**762,703**	**$ 12.57**	1,160,296	$ 13.33
Exercised	**(14,038)**	**11.60**	(50,357)	13.09
Expired	**—**	**—**	(181,100)	19.32
Options outstanding, end of period	**748,665**	**$ 12.59**	928,839	$ 12.18
Options exercisable, end of period	**656,311**	**$ 12.76**	687,247	$ 12.39

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	**2016**	2015	**2016**	2015
	DSU		RSU	
Balance, beginning of period	**279,162**	241,812	**1,064,655**	924,627
Units granted	**—**	3,121	**344,918**	378,396
Units cancelled	**—**	—	**(67,070)**	(12,969)
Units paid	**—**	(1,624)	**(266,379)**	(205,894)
Units converted	**2,586**	27,174	**(2,586)**	(27,174)
Dividends paid in units	**3,144**	2,980	**7,526**	4,204
Balance, end of period	**284,892**	273,463	**1,081,064**	1,061,190

As at January 31, 2016, the liability related to the share unit plan for certain officers and senior executives was $12.1 million ($17.8 million as at October 31, 2015). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 31, 2016 and 2015 were $(0.5) million and $1.3 million, respectively. Amounts of $5.2 million and $3.1 million were paid under this plan for the three-month periods ended January 31, 2016 and 2015, respectively.

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

16 STOCK-BASED COMPENSATION (CONTINUED)

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

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

	Three months ended January 31	
Number of units	**2016**	2015
Balance, beginning of period	**363,514**	371,086
Directors' compensation	**9,163**	8,241
Units paid	**—**	(48,678)
Dividends paid in units	**3,770**	3,341
Balance, end of period	**376,447**	333,990

As at January 31, 2016, the liability related to the share unit plan for directors was $6.8 million ($7.4 million as at October 31, 2015). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 31, 2016 and 2015 were $(0.6) million and $0.2 million, respectively. No amount was paid under this plan for the three-month period ended January 31, 2016. An amount of $0.7 million was paid under this plan for the three-month period ended January 31, 2015.

17 ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income
Balance as at October 31, 2015	**$ (7.0)**	**$ 24.3**	**$ 2.1**	**$ 19.4**
Net change in gains (losses), net of income taxes	**(3.2)**	**19.1**	**(13.1)**	**2.8**
Balance as at January 31, 2016	**$ (10.2)**	**$ 43.4**	**$ (11.0)**	**$ 22.2**
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

As at January 31, 2016, the amounts expected to be reclassified to net earnings in future years are as follows:

	2016	2017	2018	2019	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ (8.8)	$ (4.2)	$ (0.8)	$ (0.3)	$ (14.1)
Income taxes	(2.4)	(1.2)	(0.2)	(0.1)	(3.9)
	$ (6.4)	$ (3.0)	$ (0.6)	$ (0.2)	$ (10.2)

Actuarial gains (losses) in respect of defined benefit plans
The actuarial losses in respect of defined benefit plans of $17.9 million ($13.1 million after tax), recognized in other comprehensive income for the three-month period ended January 31, 2016, reflect the following items:

- Loss of $36.0 million on defined benefit obligation due to the change in discount rate, which decreased by 0.4%, from 4.4% as at October 31, 2015 to 4.0% as at January 31, 2016.
- Gain of $14.1 million on the actual return on assets which was higher than expected return.
- Gain of $4.0 million on the effect of the asset ceiling.

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

18 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 fair value of long-term debt is determined using the discounted future cash flow method and at discount rates based on market interest rates for identical or similar issuances as 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 measured at fair value on a recurring basis subsequent to their initial recognition are derivative financial instruments, including foreign exchange forward contracts.

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

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

The following table presents the fair value and the carrying amount of long-term debt and derivative financial instruments:

	As at January 31, 2016		As at October 31, 2015	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 2.0**	**$ 2.0**	$ —	$ —
Long-term debt	**(393.5)**	**(377.7)**	(400.5)	(384.1)
Foreign exchange forward contracts in liabilities	**(12.1)**	**(12.1)**	(6.5)	(6.5)

These financial instruments are classified in Level 2 of the fair value hierarchy. For the three-month period ended January 31, 2016, no financial instruments were transferred between levels 1, 2 and 3.