TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. announces its financial results for the second quarter of Fiscal 2017

Highlights

- Revenues increased by $1.5 million, or 0.3%.
- Operating earnings increased by $51.5 million, from $16.3 million to $67.8 million. Adjusted operating earnings, which exclude restructuring and other costs (revenues) and impairment of assets, increased by $7.5 million, or 13.3%.
- Net earnings increased by $41.0 million, from $5.4 million to $46.4 million. Adjusted net earnings, which exclude restructuring and other costs (revenues) and impairment of assets, net of related taxes, increased by $8.3 million, or 24.3%.
- Sold the media assets in Atlantic Canada.
- Ongoing process to sell the local newspapers in Quebec and Ontario.
- Renewed the normal course issuer bid in the normal course of business of the Corporation.
- Ranked by Corporate Knights as one of the Best 50 Corporate Citizens in Canada.

Montreal, June 8, 2017 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the second quarter of Fiscal 2017, which ended April 30, 2017.

“We had a very satisfying quarter that reflects once again the soundness of our strategy, and we diligently continue the transformation of the Corporation", said François Olivier, President and Chief Executive Officer of TC Transcontinental.

“In the printing division, the results of our retailer-related services were solid, and we began to provide the new services under the terms of the expanded agreement with Lowe’s Canada. Within our packaging activities, we continued to generate organic growth and develop our North American sales force. In addition, we successfully completed the integration of Flexstar Packaging. As for the Media Sector, the announcement of a process to sell our local newspapers is a turning point in our transformation. This ongoing process generates considerable interest in all the markets where we are present."

"With our excellent financial position and our significant cash flows, we are continuing to focus on our transformation. We are well positioned to ensure our growth and remain very active in our acquisition-based approach to building our North American flexible packaging platform."

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Financial Highlights

(in millions of dollars, except per share amounts)	Q2-2017	Q2-2016	Variation in %	SIX MONTHS 2017	SIX MONTHS 2016	Variation in %
Revenues	$ 498.7	$ 497.2	0.3 %	$ 1,002.3	$ 996.1	0.6 %
Operating earnings before depreciation and amortization (EBITDA)	94.2	43.2	N.M.	183.2	121.6	50.7
Adjusted operating earnings before depreciation and amortization (Adjusted EBITDA) (1)	90.1	83.1	8.4	178.0	167.0	6.6
Operating earnings (EBIT)	67.8	16.3	N.M.	130.2	67.9	91.8
Adjusted operating earnings (Adjusted EBIT) (1)	63.7	56.2	13.3	125.0	113.3	10.3
Net earnings	46.4	5.4	N.M.	89.1	42.7	N.M.
Net earnings per share	0.60	0.07	N.M.	1.15	0.55	N.M.
Adjusted net earnings (1)	42.5	34.2	24.3	83.8	75.6	10.8
Adjusted net earnings per share (1)	0.55	0.44	25.0	1.08	0.97	11.3

(1) Please refer to the table "Reconciliation of Non-IFRS financial measures" in this press release for adjusted data presented above.

2017 Second Quarter Results

Revenues went from $497.2 million in the second quarter of 2016 to $498.7 million in the second quarter of 2017, an increase of 0.3%. The contribution from acquisitions, in particular in the packaging division, more than offset the loss of revenues related to disposals and closures in the Media Sector, as well as the organic decline in revenues. In the printing division, the organic decline in revenues was mitigated by an increase in demand from Canadian retailers for printed flyers, premedia services and in-store marketing printing services, as well as the stable volume for door-to-door distribution services. The additional volume associated with the new expanded agreement with Lowe's Canada was integrated into our platform only at the end of the second quarter of 2017. In addition, the agreement to print the *Toronto Star* mitigated the organic decline by partially offsetting the lower volume in several niches caused by the decline in advertising spending and the completion of the agreement to print Canada's Census forms in 2016. The packaging division, once again, recorded an organic increase in revenues. In the Media Sector, the decline in advertising revenues continued to contribute to the organic decline in revenues of the local newspaper publishing activities.

Operating earnings increased by $51.5 million, from $16.3 million in the second quarter of 2016 to $67.8 million in the second quarter of 2017. Adjusted operating earnings went from $56.2 million in the second quarter of 2016 to $63.7 million in the second quarter of 2017, an increase of 13.3%. This increase is attributable to the contribution from acquisitions, the favourable exchange rate effect and the organic growth in adjusted operating earnings. This organic growth is mostly attributable to the increase in demand from Canadian retailers for above-mentioned services and the agreement to print the *Toronto Star*, the organic growth in revenues from the packaging division, as well as the favourable impact of Corporation-wide cost reduction initiatives. However, the contribution from these items was partially offset by the above-mentioned decrease in revenues and investments made to develop the packaging division's platform and strengthen this division's sales force.

Net earnings increased by $41.0 million, from $5.4 million in the second quarter of 2016 to $46.4 million in the second quarter of 2017. This increase is mostly attributable to a decrease in the asset impairment charge and in restructuring and other costs (revenues) and, to a lesser extent, an increase in adjusted operating earnings, partially offset by the increase in income taxes. On a per share basis, net earnings increased from $0.07 to $0.60. Excluding restructuring and other costs (revenues) and impairment of assets, net of related income taxes, adjusted net earnings increased by $8.3 million, or 24.3%, from $34.2 million in the second quarter of 2016 to $42.5 million in the second quarter of 2017. On a per share basis, adjusted net earnings increased from $0.44 to $0.55.

2017 First Six Months Results

Revenues went from $996.1 million in the first six months of 2016 to $1,002.3 million in the first six months of 2017, an increase of 0.6%. The contribution from acquisitions, in particular in the packaging division, and the favourable exchange rate effect more than offset the loss of revenues related to disposals and closures in the Media Sector, as well as the organic decline in revenues. In the printing division, the organic decline in revenues was mitigated by an increase in demand from Canadian retailers for printed flyers, premedia services and in-store marketing printing services, as well as the stable volume for door-to-door distribution services. In addition, the agreement to print the *Toronto Star* mitigated the organic decline by partially offsetting the lower volume in several niches caused by the decline in advertising spending and the completion of the agreement to print Canada's Census forms in 2016. The packaging division recorded an organic increase in revenues. In the Media Sector, the decline in advertising revenues continued to contribute to the organic decline in revenues of the local newspaper publishing activities.

Operating earnings increased $62.3 million, from $67.9 million in the first six months of 2016 to $130.2 million in the corresponding period in 2017. Adjusted operating earnings went from $113.3 million in the first six months of 2016 to $125.0 million in the first six months of 2017, an increase of 10.3%. Excluding the $9.0 million unfavourable effect of the stock-based compensation expense as a result of the change in the share price in the first six months of 2017 compared to the same period in 2016, adjusted operating earnings increased 18.3%. The contribution from acquisitions, the favourable exchange rate effect and the organic growth in adjusted operating earnings sustained this increase. This organic growth is attributable to the increase in demand from Canadian retailers for above-mentioned services and the agreement to print the *Toronto Star*, the organic growth in revenues from the packaging division, as well as the favourable impact of Corporation-wide cost reduction initiatives. However, the contribution from these items was partially offset by the above-mentioned decrease in revenues and investments made to develop the packaging division's platform and strengthen this division's sales force.

Net earnings increased by $46.4 million, from $42.7 million in the first six months of 2016 to $89.1 million in the corresponding period in 2017. This increase is mostly attributable to a decrease in the asset impairment charge and in restructuring and other costs (revenues) and, to a lesser extent, an increase in adjusted operating earnings, partially offset by the increase in income taxes. On a per share basis, net earnings increased from $0.55 to $1.15. Excluding restructuring and other costs (revenues) and impairment of assets, net of related income taxes, adjusted net earnings increased by $8.2 million, or 10.8%, from $75.6 million in the first six months of 2016 to $83.8 million in the corresponding period in 2017. On a per share basis, adjusted net earnings increased from $0.97 to $1.08.

For more detailed financial information, please see the *Management's Discussion and Analysis for the second quarter ended April 30, 2017* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook for 2017

In the printing division, considering the additional contribution from the expanded agreement with Lowe's Canada, we expect a slight increase in revenues from our services to retailers, in particular flyer and in-store marketing printing, and door-to-door distribution and premedia services. We will also benefit, in part, from the contribution from the agreement to print the *Toronto Star*, which started in July 2016, and we are pursuing, as part of our long-term strategy, our initiatives to secure new newspaper printing outsourcing contracts. Our newspaper and magazine printing revenues will continue to be affected by a decrease in volume resulting from the decrease in circulation and number of printed pages for the publications of several publishers. Furthermore, our commercial printing activities will continue to be affected by the reduction in print advertising. To offset these decreases, we will benefit, in the short term, from the impact of the closure of the Saskatoon and Dartmouth printing plants, which occurred in May and July 2016 respectively, and we will continue our operational efficiency initiatives.

In our packaging division, we will benefit from the contribution from the acquisition of Robbie Manufacturing, which was completed at the end of June 2016, and from the acquisition of Flexstar Packaging, completed in mid-October of last year. Furthermore, once fully integrated, these acquisitions will also generate synergies. We also expect that the investments we made to develop our platform and strengthen our sales force will further contribute to organic growth. Lastly, we will maintain our disciplined acquisition approach in this promising market in order to invest in quality assets that meet our strategic criteria.

In the Media Sector, the sale of our media assets in Atlantic Canada and the continuation of the process to sell our local newspapers in Quebec and Ontario will result in the decrease of the share of our local newspaper publishing activities in our business portfolio. However, we believe that the negative impact of the transformation of the advertising market on our portfolio of publications unsold by the end of the fiscal year will continue, but will be partially offset by changes that would be made to the organizational structure. With respect to the Business and Education group, we will benefit from our acquisition of financial brands and we expect that the organic growth in revenues and adjusted operating earnings of this group will remain strong.

To conclude, we expect to generate significant cash flows and maintain our excellent financial position, which should enable us to continue investing to support our transformation into flexible packaging.

Reconciliation of Non-IFRS Financial Measures

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely the adjusted operating earnings, the adjusted operating earnings before depreciation and amortization, the adjusted net earnings, the adjusted net earnings per share, the net indebtedness and the net indebtedness ratio, for which a complete definition is presented in the *Management's Discussion and Analysis for the second quarter ended April 30, 2017*, and for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many of our readers analyze the financial performance of the Corporation's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

We also believe that the adjusted operating earnings before depreciation and amortization, the adjusted operating earnings, that takes into account the impact of past investments in property, plant and equipment and intangible assets, and the adjusted net earnings are useful indicators of the performance of our operations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

Regarding the net indebtedness and net indebtedness ratio, we believe that these indicators are useful to measure the Corporation's financial leverage and ability to meet its financial obligations.

Reconciliation of operating earnings - Second quarter and cumulative

	Three months ended April 30		Six months ended April 30	
(in millions of dollars)	**2017**	2016	**2017**	2016
Operating earnings	**$ 67.8**	$ 16.3	**$ 130.2**	$ 67.9
Restructuring and other costs (revenues)	**(4.1)**	9.6	**(6.4)**	15.1
Impairment of assets	**—**	30.3	**1.2**	30.3
Adjusted operating earnings	**$ 63.7**	$ 56.2	**$ 125.0**	$ 113.3
Depreciation and amortization	**26.4**	26.9	**53.0**	53.7
Adjusted operating earnings before depreciation and amortization	**$ 90.1**	$ 83.1	**$ 178.0**	$ 167.0

Reconciliation of net earnings - Second quarter

	Three months ended April 30			
	2017		2016	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$ 46.4**	**$ 0.60**	$ 5.4	$ 0.07
Restructuring and other costs (revenues), net of related taxes	**(3.9)**	**(0.05)**	6.9	0.09
Impairment of assets, net of related taxes	**—**	**—**	21.9	0.28
Adjusted net earnings	**$ 42.5**	**$ 0.55**	$ 34.2	$ 0.44

Reconciliation of net earnings - Cumulative

	Six months ended April 30			
	2017		2016	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$ 89.1**	**$ 1.15**	$ 42.7	$ 0.55
Restructuring and other costs (revenues), net of related taxes	**(6.2)**	**(0.08)**	11.0	0.14
Impairment of assets, net of related taxes	**0.9**	**0.01**	21.9	0.28
Adjusted net earnings	**$ 83.8**	**$ 1.08**	$ 75.6	$ 0.97

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	**As at April 30, 2017**	As at October 31, 2016
Long-term debt	**$ 348.0**	$ 347.9
Current portion of long-term debt	**—**	0.2
Cash	**(113.4)**	(16.7)
Net indebtedness	**$ 234.6**	$ 331.4
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 401.1**	$ 390.1
Net indebtedness ratio	**0.6 x**	0.8 x

Dividend

The Corporation's Board of Directors declared a quarterly dividend of $0.20 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on July 19, 2017 to shareholders of record at the close of business on July 3, 2017.

Conference Call

Upon releasing its second quarter 2017 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 its 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 more than 7,000 employees in Canada and the United States, and revenues of C$2.0 billion in 2016. 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 October 31, 2016,* in the latest *Annual Information Form* and have been updated in the *MD&A for the second quarter ended April 30, 2017*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of June 8, 2017.

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

The forward-looking statements in this release are based on current expectations and information available as at June 8, 2017. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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For information:

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the second quarter ended April 30, 2017

The purpose of this Management's Discussion and Analysis is to help the reader better understand the business, development strategy and future prospects of Transcontinental Inc., as well as to analyze the Corporation's results and financial position for the second quarter ended April 30, 2017. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS) and the term "dollar," as well as the symbol "$" designate Canadian dollars.

In addition, in this Management's Discussion and Analysis we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in table #2 entitled "Reconciliation of Non-IFRS Financial Measures". These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

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) and impairment of assets, net of related income taxes, adjustment to deferred income tax assets, reversal of financial expenses resulting from notices of assessment and net earnings from discontinued operations
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues) and impairment of assets
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (revenues) and impairment of assets
Adjusted income taxes	Income taxes before income taxes on restructuring and other costs (revenues) and income taxes on impairment of assets

Finally, 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, 2016 and in the Annual Information Form.

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 disposals, business combinations, mergers or acquisitions which may be announced or concluded after the date of June 8, 2017.

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 June 8, 2017. 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.

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.

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 more than 7,000 employees in Canada and the United States, and revenues of C$2.0 billion in 2016. Website www.tc.tc.

HIGHLIGHTS

Table #1:

(in millions of dollars, except per share amounts)	**Q2-2017**	Q2-2016	Variation in $	Variation in %
Revenues	**$ 498.7**	$ 497.2	$ 1.5	0.3 %
Operating earnings	**67.8**	16.3	51.5	N.M.
Adjusted operating earnings (1)	**63.7**	56.2	7.5	13.3
Net earnings	**46.4**	5.4	41.0	N.M.
Net earnings per share	**0.60**	0.07	0.53	N.M.
Adjusted net earnings (1)	**42.5**	34.2	8.3	24.3
Adjusted net earnings per share (1)	**0.55**	0.44	0.11	25.0

(1) Please refer to table #2 " Reconciliation of Non-IFRS Financial Measures " in this Management's Discussion and Analysis for adjusted data presented above.

- Revenues increased by $1.5 million, or 0.3%.
- Operating earnings increased by $51.5 million, from $16.3 million to $67.8 million. Adjusted operating earnings, which exclude restructuring and other costs (revenues) and impairment of assets, increased by $7.5 million, or 13.3%.
- Net earnings increased by $41.0 million, from $5.4 million to $46.4 million. Adjusted net earnings, which exclude restructuring and other costs (revenues) and impairment of assets, net of related taxes, increased by $8.3 million, or 24.3%.
- On April 11, 2017, the Corporation announced the renewal of its normal course issuer bid for one year as of April 17, 2017.
- On April 12, 2017, the Corporation sold its media assets in Atlantic Canada.
- On April 18, 2017, the Corporation announced the launch of a process for the sale of its local newspapers in Quebec and Ontario.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely the adjusted operating earnings, the adjusted operating earnings before depreciation and amortization, the adjusted net earnings, the adjusted net earnings per share, the net indebtedness and the net indebtedness ratio, for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many of our readers analyze the financial performance of the Corporation's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

We also believe that the adjusted operating earnings before depreciation and amortization, the adjusted operating earnings, that takes into account the impact of past investments in property, plant and equipment and intangible assets, and the adjusted net earnings are useful indicators of the performance of our operations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

Regarding the net indebtedness and net indebtedness ratio, we believe that these indicators are useful to measure the Corporation's financial leverage and ability to meet its financial obligations.

Table #2:

Reconciliation of operating earnings - Second quarter and cumulative

	Three months ended April 30		Six months ended April 30	
(in millions of dollars)	**2017**	2016	**2017**	2016
Operating earnings	**$ 67.8**	$ 16.3	**$ 130.2**	$ 67.9
Restructuring and other costs (revenues)	**(4.1)**	9.6	**(6.4)**	15.1
Impairment of assets	**—**	30.3	**1.2**	30.3
Adjusted operating earnings	**$ 63.7**	$ 56.2	**$ 125.0**	$ 113.3
Depreciation and amortization	**26.4**	26.9	**53.0**	53.7
Adjusted operating earnings before depreciation and amortization	**$ 90.1**	$ 83.1	**$ 178.0**	$ 167.0

Reconciliation of net earnings - Second quarter

	Three months ended April 30			
	2017		2016	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$ 46.4**	**$ 0.60**	$ 5.4	$ 0.07
Restructuring and other costs (revenues), net of related taxes	**(3.9)**	**(0.05)**	6.9	0.09
Impairment of assets, net of related taxes	**—**	**—**	21.9	0.28
Adjusted net earnings	**$ 42.5**	**$ 0.55**	$ 34.2	$ 0.44

Reconciliation of net earnings - Cumulative

	Six months ended April 30			
	2017		2016	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$ 89.1**	**$ 1.15**	$ 42.7	$ 0.55
Restructuring and other costs (revenues), net of related taxes	**(6.2)**	**(0.08)**	11.0	0.14
Impairment of assets, net of related taxes	**0.9**	**0.01**	21.9	0.28
Adjusted net earnings	**$ 83.8**	**$ 1.08**	$ 75.6	$ 0.97

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	**As at April 30, 2017**	As at October 31, 2016
Long-term debt	**$ 348.0**	$ 347.9
Current portion of long-term debt	**—**	0.2
Cash	**(113.4)**	(16.7)
Net indebtedness	**$ 234.6**	$ 331.4
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 401.1**	$ 390.1
Net indebtedness ratio	**0.6 x**	0.8 x

ANALYSIS OF CONSOLIDATED RESULTS - SECOND QUARTER

Operating Earnings

Operating earnings increased by $51.5 million, from $16.3 million in the second quarter of 2016 to $67.8 million in the second quarter of 2017. This increase is mostly attributable to restructuring and other costs (revenues) and the asset impairment charge. In the second quarter of 2016, an expense of $39.9 million was recorded for these two items combined compared to a gain of $4.1 million recorded in the corresponding period in 2017. Excluding these items, adjusted operating earnings increased by $7.5 million, or 13.3%, from $56.2 million to $63.7 million. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Second Quarter" section.

Restructuring and Other Costs (Revenues)

Restructuring and other costs (revenues) decreased by $13.7 million, from an expense of $9.6 million in the second quarter of 2016 to a gain of $4.1 million in the second quarter of 2017. The favourable effect is mainly attributable to revenues related to the sale of certain activities in the Media Sector and lower workforce reduction costs in the second quarter of 2017.

Impairment of Assets

In the second quarter of 2017, no asset impairment charge was recorded. In the corresponding period in 2016, a charge of $30.3 million had been recorded on the intangible assets of daily and weekly newspapers outside Quebec.

Net Financial Expenses

Net financial expenses decreased by $2.0 million, from $6.4 million in the second quarter of 2016 to $4.4 million in the second quarter of 2017, mainly as a result of net foreign exchange losses in 2016.

Income Taxes

Income taxes increased by $12.3 million, from $4.8 million in the second quarter of 2016 to $17.1 million in the second quarter of 2017. Excluding income taxes on restructuring and other costs (revenues) and impairment of assets, income taxes amounted to $15.9 million in the second quarter of 2016, for a tax rate of 31.6%, compared to $16.9 million in the second quarter of 2017, or a rate of 28.5%. This decrease in tax rate stems mostly from favourable differences between the accounting and tax treatment of certain items in 2017.

Net Earnings

Net earnings increased by $41.0 million, from $5.4 million in the second quarter of 2016 to $46.4 million in the second quarter of 2017. This increase is mostly attributable to a decrease in the asset impairment charge and in restructuring and other costs (revenues) and, to a lesser extent, an increase in adjusted operating earnings, partially offset by the increase in income taxes. On a per share basis, net earnings increased from $0.07 to $0.60. Excluding restructuring and other costs (revenues) and impairment of assets, net of related income taxes, adjusted net earnings increased by $8.3 million, or 24.3%, from $34.2 million in the second quarter of 2016 to $42.5 million in the second quarter of 2017. On a per share basis, adjusted net earnings increased from $0.44 to $0.55.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

Operating Earnings

Operating earnings increased by $62.3 million, from $67.9 million in the first six months of 2016 to $130.2 million in the first six months of 2017. This increase is mostly attributable to restructuring and other costs (revenues) and the asset impairment charge. In the first six months of 2016, an expense of $45.4 million was recorded for these two items combined compared to a gain of $5.2 million recorded in the corresponding period in 2017. Excluding these items, adjusted operating earnings increased by $11.7 million, or 10.3%, from $113.3 million to $125.0 million. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Cumulative" section.

Restructuring and Other Costs (Revenues)

Restructuring and other costs (revenues) decreased by $21.5 million, from an expense of $15.1 million in the first six months of 2016 to a gain of $6.4 million in the corresponding period in 2017. The favourable effect is mostly attributable to lower workforce reduction costs, revenues related to the sale of certain activities in the Media Sector and a gain on the sale of a building in 2017.

Impairment of Assets

The asset impairment charge decreased by $29.1 million in the first six months of 2017 compared to the corresponding period in 2016. An asset impairment charge of $1.2 million was recorded on production equipment in the Media Sector during the period in 2017, and an asset impairment charge of $30.3 million had been recorded on the intangible assets of daily and weekly newspapers outside Quebec during the period in 2016.

Net Financial Expenses

Net financial expenses remained stable at $9.5 million in the first six months of 2017 compared to the corresponding period in 2016. The increase in the net interest expense on defined benefit plan assets and liabilities and other expenses was offset by net foreign exchange gains and the decrease in financial expenses on long-term debt.

Income Taxes

Income taxes increased by $15.6 million, from $16.0 million in the first six months of 2016 to $31.6 million in the corresponding period in 2017. Excluding income taxes on restructuring and other costs (revenues) and impairment of assets, income taxes amounted to $28.5 million in the first six months of 2016 compared to $31.7 million in the corresponding period in 2017. The tax rate remained stable at 27.4%.

Net Earnings

Net earnings increased by $46.4 million, from $42.7 million in the first six months of 2016 to $89.1 million in the corresponding period in 2017. This increase is mostly attributable to a decrease in the asset impairment charge and in restructuring and other costs (revenues) and, to a lesser extent, an increase in adjusted operating earnings, partially offset by the increase in income taxes. On a per share basis, net earnings increased from $0.55 to $1.15. Excluding restructuring and other costs (revenues) and impairment of assets, net of related income taxes, adjusted net earnings increased by $8.2 million, or 10.8%, from $75.6 million in the first six months of 2016 to $83.8 million in the corresponding period in 2017. On a per share basis, adjusted net earnings increased from $0.97 to $1.08.

ANALYSIS OF SECTOR RESULTS - SECOND QUARTER

(unaudited)

Table #3:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Second quarter of 2016	**$ 434.0**	**$ 77.5**	**$ (14.3)**	**$ 497.2**
Acquisitions/disposals and closures	24.4	(11.0)	—	13.4
Existing operations				
Exchange rate effect	0.4	—	—	0.4
Organic growth (decline)	(9.3)	(7.5)	4.5	(12.3)
Revenues - Second quarter of 2017	**$ 449.5**	**$ 59.0**	**$ (9.8)**	**$ 498.7**
Adjusted operating earnings (1) - Second quarter of 2016	**$ 68.8**	**$ (3.6)**	**$ (9.0)**	**$ 56.2**
Acquisitions/disposals and closures	2.0	0.8	—	2.8
Existing operations				
Exchange rate effect	2.4	—	—	2.4
Organic growth (decline)	2.5	1.4	(1.6)	2.3
Adjusted operating earnings (1) - Second quarter of 2017	**$ 75.7**	**$ (1.4)**	**$ (10.6)**	**$ 63.7**

(1) Please refer to table #2 "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

Printing & Packaging Sector

Printing and Packaging Sector revenues increased by $15.5 million, or 3.6%, from $434.0 million in the second quarter of 2016 to $449.5 million in the second quarter of 2017. The contribution from our acquisitions and the organic growth in revenues in the packaging division more than offset the organic decline in revenues in the printing division. This organic decline is due to lower commercial printing volume caused by the decline in advertising spending and the completion of the agreement to print Canada's Census forms in 2016. It is also attributable to the lower volume in our newspaper and magazine printing activities resulting from the decrease in circulation and number of printed pages for the publications of several publishers. However, our agreement to print the *Toronto Star* partially offset the effects of such decrease. In addition, the increase in demand from Canadian retailers for printed flyers, premedia services and in-store marketing printing services, as well as the stable volume for door-to-door distribution services also mitigated the organic decline in revenues in the printing division. The additional volume associated with the new expanded agreement with Lowe's Canada was integrated into our platform only at the end of the second quarter of 2017.

Adjusted operating earnings increased by $6.9 million, or 10.0%, from $68.8 million in the second quarter of 2016 to $75.7 million in the second quarter of 2017. The contribution from the acquisitions, the favourable exchange rate effect and the organic growth in adjusted operating earnings sustained the increase. This organic growth is mostly attributable to the increase in demand from Canadian retailers for above-mentioned services and the agreement to print the *Toronto Star*, as well as the favourable impact of cost reduction initiatives in the printing division. In addition, for the packaging division, the organic growth in adjusted operating earnings is attributable to the above-mentioned organic growth in revenues, partially offset by investments made to develop our platform and strengthen our sales force. The sector's adjusted operating earnings margin improved from 15.9% in the second quarter of 2016 to 16.8% in the second quarter of 2017.

Media Sector
Media Sector revenues decreased by $18.5 million, or 23.9%, from $77.5 million in the second quarter of 2016 to $59.0 million in the second quarter of 2017. This decrease is due to disposals and closures of local newspapers and certain products in our interactive marketing solutions offering, partially offset by our acquisition of financial brands, as well as the organic decline in revenues of our other business publications. This organic decline is caused by lower advertising revenues, which continued to affect our local newspaper publishing activities and also decreased the publishing frequency of some of our publications in the Business niche. Educational book publishing activities remained relatively stable.

Adjusted operating earnings went from a loss of $3.6 million in the second quarter of 2016 to a loss of $1.4 million in the second quarter of 2017. The contribution from our cost reduction initiatives, our strategic exit from our interactive marketing solutions offering and our acquisition of financial brands explain this improvement.

Head office and Inter-Segment Eliminations
The increase in stock-based compensation expense as a result of the change in the share price in the second quarter of 2017 compared to the second quarter of 2016 explains, for most part, the decrease of $1.6 million in adjusted operating earnings, which went from -$9.0 million in the second quarter of 2016 to -$10.6 million in the second quarter of 2017.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE
(unaudited)

Table #4:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Six months ended April 30, 2016	**$ 866.3**	**$ 155.3**	**$ (25.5)**	**$ 996.1**
Acquisitions/disposals and closures	49.4	(19.5)	—	29.9
Existing operations				
Exchange rate effect	2.8	—	—	2.8
Organic growth (decline)	(18.9)	(13.7)	6.1	(26.5)
Revenues - Six months ended April 30, 2017	**$ 899.6**	**$ 122.1**	**$ (19.4)**	**$ 1,002.3**
Adjusted operating earnings (1) - Six months ended April 30, 2016	**$ 136.0**	**$ (9.4)**	**$ (13.3)**	**$ 113.3**
Acquisitions/disposals and closures	4.7	3.2	—	7.9
Existing operations				
Exchange rate effect	4.5	—	—	4.5
Organic growth (decline)	1.5	3.5	(5.7)	(0.7)
Adjusted operating earnings (1) - Six months ended April 30, 2017	**$ 146.7**	**$ (2.7)**	**$ (19.0)**	**$ 125.0**

(1) Please refer to table #2 "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

Printing & Packaging Sector
Printing & Packaging Sector revenues increased by $33.3 million, or 3.8%, from $866.3 million in the first six months of 2016 to $899.6 million in the corresponding period in 2017. The contribution from our acquisitions and the organic growth in revenues in the packaging division as well as the favourable exchange rate effect more than offset the organic decline in revenues in the printing division. This organic decline is due to lower commercial printing volume caused by the decline in advertising spending and the completion of the agreement to print Canada's Census forms in 2016. It is also attributable to the lower volume in our newspaper and magazine printing activities resulting from the decrease in circulation and number of printed pages for the publications of several publishers. However, our agreement to print the *Toronto Star* partially offset the effects of such decrease. In addition, the increase in demand from Canadian retailers for printed flyers, premedia services and in-store marketing printing services, as well as the stable volume for door-to-door distribution services also mitigated the organic decline in revenues in the printing division.

Adjusted operating earnings increased by $10.7 million, or 7.9%, from $136.0 million in the first six months of 2016 to $146.7 million in the corresponding period in 2017. The contribution from the acquisitions, the favourable exchange rate effect and the organic growth in adjusted operating earnings sustained the increase. This organic growth is mostly attributable to the increase in demand from Canadian retailers for above-mentioned services and the agreement to print the *Toronto Star*, as well as the favourable impact of cost reduction initiatives in the printing division.

In addition, for the packaging division, the organic growth in adjusted operating earnings is attributable to the above-mentioned organic growth in revenues, partially offset by investments made to develop our platform and strengthen our sales force. The sector's adjusted operating earnings margin improved from 15.7% in the first six months of 2016 to 16.3% in the corresponding period in 2017.

Media Sector

Media Sector revenues decreased by $33.2 million, or 21.4%, from $155.3 million in the first six months of 2016 to $122.1 million in the corresponding period in 2017. This decrease is due to disposals and closures of local newspapers and certain products in our interactive marketing solutions offering, partially offset by our acquisition of financial brands, as well as the organic decline in revenues of our other business publications. This organic decline is caused by lower advertising revenues, which continued to affect our local newspaper publishing activities and also decreased the publishing frequency of some of our publications in the Business niche. Educational book publishing activities remained relatively stable.

Adjusted operating earnings went from a loss of $9.4 million in the first six months of 2016 to a loss of $2.7 million in the corresponding period in 2017. The contribution from our cost reduction initiatives, our strategic exit from our interactive marketing solutions offering and our acquisition of financial brands explain this improvement.

Head office and Inter-Segment Eliminations

The $9.0 million increase in stock-based compensation expense as a result of the change in the share price in the first six months of 2017 compared to the corresponding period in 2016, partially offset by a reduction in head office expenses, resulted in a decrease of $5.7 million in adjusted operating earnings, which went from -$13.3 million in the first six months of 2016 to -$19.0 million in the corresponding period in 2017.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5 summarizes selected consolidated financial information derived from the Corporation's unaudited condensed interim consolidated financial statements and some non-IFRS financial measures for each of the last eight quarters.

Table #5:

	2017		2016				2015	
(in millions of dollars, except per share amounts)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$ 498.7**	$ 503.6	$ 555.6	$ 467.8	$ **497.2**	$ 498.9	$ 540.1	$ 481.9
Operating earnings before depreciation and amortization	**94.2**	89.0	107.8	90.1	**43.2**	78.4	88.4	88.0
Adjusted operating earnings before depreciation and amortization (1)	**90.1**	87.9	133.9	89.2	**83.1**	83.9	114.3	96.4
Adjusted operating earnings margin before depreciation and amortization (1)	**18.1 %**	17.5 %	24.1 %	19.1 %	**16.7** %	16.8 %	21.2 %	20.0 %
Operating earnings	**67.8**	62.4	81.3	63.6	**16.3**	51.6	61.9	63.2
Adjusted operating earnings (1)	**63.7**	61.3	107.4	62.7	**56.2**	57.1	87.8	71.6
Adjusted operating earnings margin (1)	**12.8 %**	12.2 %	19.3 %	13.4 %	**11.3** %	11.4 %	16.3 %	14.9 %
Net earnings attributable to shareholders of the Corporation	**$ 46.4**	$ 42.7	$ 57.7	$ 45.9	$ **5.4**	$ 37.3	$ 100.2	$ 43.3
Net earnings attributable to shareholders of the Corporation per share	**0.60**	0.55	0.75	0.59	**0.07**	0.48	1.28	0.55
Adjusted net earnings attributable to shareholders of the Corporation (1)	**42.5**	41.3	76.6	44.1	**34.2**	41.4	60.6	48.8
Adjusted net earnings attributable to shareholders of the Corporation per share (1)	**0.55**	0.53	0.99	0.57	**0.44**	0.53	0.78	0.62
% of fiscal year	**— %**	— %	39 %	23 %	**17** %	21 %	33 %	26 %

(1) Please refer to table #2 "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

The variability of financial information for interim periods is influenced by many factors, such as:

- The impact of acquisitions, disposals and closures completed in line with our transformation;
- The exchange rate effect;
- The impact of the change in the share price on the stock-based compensation expense (gain);
- The impact of adjusting items presented in Table #2, “Reconciliation of Non-IFRS Financial Measures”.

Excluding the impact of the above-mentioned items, we can see a slight decrease of our consolidated revenues. This decrease is due to lower advertising spending in print media, which has a negative impact on circulation or the number of pages of certain printed publications. The decline in advertising spending results from the impact of new media and the corresponding shift of advertising revenues to new platforms. However, this trend was mitigated by an increase in revenues from our service offering to retailers, in particular printed flyers. Many retailers still consider that printed flyers are the most effective marketing tool to drive traffic to the store. In addition, as a result of the seasonality of advertising activities, we can see that printing volume is higher in the fourth quarter and, to a lesser extent, in the second quarter.

Regarding financial information related to profitability, we can see that they are trending up as a result of the numerous operational efficiency and rationalization measures that were implemented over the last few years as part of our transformation.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

(unaudited)

Table #6

		Three months ended April 30		
(in millions of dollars)		**2017**		2016
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$**	**92.9**	$	95.1
Changes in non-cash operating items		**(14.0)**		14.5
Income taxes paid		**(20.2)**		(17.3)
Cash flows from operating activities	**$**	**58.7**	$	92.3
Investing activities				
Business combinations	**$**	**(7.8)**	$	(9.9)
Business disposals		**25.1**		—
Acquisitions of property, plant and equipment		**(6.3)**		(13.7)
Disposals of property, plant and equipment		**0.3**		0.2
Increase in intangible assets		**(6.1)**		(6.3)
Cash flows from investing activities	**$**	**5.2**	$	(29.7)
Financing activities				
Reimbursement of long-term debt	**$**	**(0.1)**	$	(13.5)
Net decrease in credit facility		**—**		(14.0)
Financial expenses on long-term debt		**(2.7)**		(2.8)
Interest received related to previous tax reassessments		**—**		2.5
Exercise of stock options		**0.2**		0.4
Dividends		**(15.5)**		(14.4)
Cash flows from financing activities	**$**	**(18.1)**	$	(41.8)
Effect of exchange rate changes on cash denominated in foreign currencies	**$**	**0.6**	$	(3.5)
Net change in cash	**$**	**46.4**	$	17.3

Financial position		**As at April 30, 2017**		As at October 31, 2016
Net indebtedness [(1)]	**$**	**234.6**	$	331.4
Net indebtedness ratio [(1)]		**0.6 x**		0.8 x
Credit rating				
DBRS		**BBB (low)**		BBB (low)
Outlook		**Stable**		Stable
Standard and Poor's		**BBB-**		BBB-
Outlook		**Stable**		Stable
Balance sheet		**As at April 30, 2017**		As at October 31, 2016
Current assets	**$**	**604.8**	$	559.9
Current liabilities		**331.7**		395.3
Total assets		**2,046.1**		2,062.2
Total liabilities		**889.6**		993.5

(1) Please refer to table #2 " Reconciliation of Non-IFRS Financial Measures " in this Management's Discussion and Analysis for adjusted data presented above.

Cash Flows from Operating Activities

Cash flows from operating activities decreased from $92.3 million in the second quarter of 2016 to $58.7 million in the second quarter of 2017. This decline is primarily explained by timing differences of our payments to certain suppliers.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $29.7 million in the second quarter of 2016 to a cash inflow of $5.2 million in the second quarter of 2017, mainly as a result of the receipt of a portion of the proceeds from the sale of our media assets in Atlantic Canada combined with lower investments in property, plant and equipment.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $41.8 million in the second quarter of 2016 to a cash outflow of $18.1 million in the second quarter of 2017. This change is mainly due to a decrease in cash outflows for the reimbursement of debt instruments.

Debt Instruments

Net indebtedness decreased from $331.4 million as at October 31, 2016 to $234.6 millions as at April 30, 2017 as a result of our excess cash flows from operations and the sale of our media assets in Atlantic Canada, as well as the lower investments in capital assets. Consequently, our net indebtedness ratio stood at 0.6x (0.8x as at October 31, 2016).

Share Capital

Under the share repurchase program that expired in April 2017 and which was renewed for one year as of April 17, 2017, no shares have been repurchased in the second quarter of 2017. Under this renewed program, the Corporation is allowed to purchase for cancellation, on the open market, up to 2,000,000 of its Class A Subordinate Voting Shares and up to 442,349 of its Class B Shares.

Table #7:

Shares Issued and Outstanding	As at April 30, 2017	As at May 31, 2017
Class A (Subordinate Voting Shares)	**63,377,836**	**63,378,036**
Class B (Multiple Voting Shares)	**14,010,726**	**14,010,526**

CHANGES IN ACCOUNTING STANDARDS

Clarification of acceptable methods of depreciation and amortization

The Corporation has adopted the amendments to IAS 16 "Property, Plant and Equipment" and to IAS 38 "Intangible Assets" on November 1, 2016. The adoption of these modifications had no significant impact on the consolidated financial statements of the Corporation. Please see Note 2 to the condensed interim consolidated financial statements for more information.

New or amended accounting standards not yet adopted

The Corporation has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of the new standard or the amendment to the standard is still ongoing. Please see Note 2 to the condensed interim consolidated financial statements for more information.

- IFRS 15 "Revenue from Contracts with Customers"
- IAS 18 "Revenue"
- IFRIC 13 "Customer Loyalty Programs"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 18 "Transfer of Assets from Customers"
- SIC 31 "Revenue - Barter Transactions Involving Advertising Services"

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 April 30, 2017, Management excluded Robbie Manufacturing 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.

Robbie Manufacturing is a supplier of flexible packaging that has close to 175 employees. Acquired on June 30, 2016, Robbie Manufacturing generated revenues of $15.1 million and operating earnings of $1.3 million in the second quarter of 2017, or 3.0% and 2.0%, respectively, of the Corporation's consolidated results.

Additional information about this acquisition, for the second quarter of 2017, are presented in table #8.

Table #8:

(in millions of dollars)	Robbie Manufacturing
Statement of financial position	**As at April 30, 2017**
Current assets	14.4
Non-current assets	52.0
Current liabilities	4.2
Long-term liabilities	-
Statement of earnings	**For the three months ended April 30, 2017**
Revenues	15.1
Adjusted operating earnings before depreciation and amortization	2.0
Adjusted operating earnings	1.3

Please refer to Note 4 of the consolidated financial statements for the fiscal year ended October 31, 2016 for additional information on this acquisition.

During the second quarter ended April 30, 2017, except for the information provided above, no change that has materially affected or is reasonably likely to materially affect the 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 2017

In the printing division, considering the additional contribution from the expanded agreement with Lowe's Canada, we expect a slight increase in revenues from our services to retailers, in particular flyer and in-store marketing printing, and door-to-door distribution and premedia services. We will also benefit, in part, from the contribution from the agreement to print the *Toronto Star*, which started in July 2016, and we are pursuing, as part of our long-term strategy, our initiatives to secure new newspaper printing outsourcing contracts. Our newspaper and magazine printing revenues will continue to be affected by a decrease in volume resulting from the decrease in circulation and number of printed pages for the publications of several publishers. Furthermore, our commercial printing activities will continue to be affected by the reduction in print advertising. To offset these decreases, we will benefit, in the short term, from the impact of the closure of the Saskatoon and Dartmouth printing plants, which occurred in May and July 2016 respectively, and we will continue our operational efficiency initiatives.

In our packaging division, we will benefit from the contribution from the acquisition of Robbie Manufacturing, which was completed at the end of June 2016, and from the acquisition of Flexstar Packaging, completed in mid-October of last year. Furthermore, once fully integrated, these acquisitions will also generate synergies. We also expect that the investments we made to develop our platform and strengthen our sales force will further contribute to organic growth. Lastly, we will maintain our disciplined acquisition approach in this promising market in order to invest in quality assets that meet our strategic criteria.

In the Media Sector, the sale of our media assets in Atlantic Canada and the continuation of the process to sell our local newspapers in Quebec and Ontario will result in the decrease of the share of our local newspaper publishing activities in our business portfolio. However, we believe that the negative impact of the transformation of the advertising market on our portfolio of publications unsold by the end of the fiscal year will continue, but will be partially offset by changes that would be made to the organizational structure. With respect to the Business and Education group, we will benefit from our acquisition of financial brands and we expect that the organic growth in revenues and adjusted operating earnings of this group will remain strong.

To conclude, we expect to generate significant cash flows and maintain our excellent financial position, which should enable us to continue investing to support our transformation into flexible packaging.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

June 8, 2017

CONSOLIDATED STATEMENTS OF EARNINGS
Unaudited

		Three months ended April 30		Six months ended April 30	
(in millions of Canadian dollars, except per share data)	Notes	**2017**	2016	**2017**	2016
Revenues		**$ 498.7**	$ 497.2	**$ 1,002.3**	$ 996.1
Operating expenses	5	**408.6**	414.1	**824.3**	829.1
Restructuring and other costs (revenues)	6	**(4.1)**	9.6	**(6.4)**	15.1
Impairment of assets	7	**—**	30.3	**1.2**	30.3
Operating earnings before depreciation and amortization		**94.2**	43.2	**183.2**	121.6
Depreciation and amortization	8	**26.4**	26.9	**53.0**	53.7
Operating earnings		**67.8**	16.3	**130.2**	67.9
Net financial expenses	9	**4.4**	6.4	**9.5**	9.5
Earnings before share of net earnings in interests in joint ventures and income taxes		**63.4**	9.9	**120.7**	58.4
Share of net earnings in interests in joint ventures, net of related taxes		**0.1**	0.3	**—**	0.3
Income taxes	10	**17.1**	4.8	**31.6**	16.0
Net earnings		**$ 46.4**	$ 5.4	**$ 89.1**	$ 42.7
Net earnings per share - basic		**$ 0.60**	$ 0.07	**$ 1.15**	$ 0.55
Net earnings per share - diluted		**$ 0.60**	$ 0.07	**$ 1.15**	$ 0.55
Weighted average number of shares outstanding - basic (in millions)		**77.4**	77.6	**77.3**	77.8
Weighted average number of shares - diluted (in millions)	14	**77.6**	77.9	**77.5**	78.1

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited

		Three months ended April 30		Six months ended April 30	
(in millions of Canadian dollars)	Note	**2017**	2016	**2017**	2016
Net earnings		**$ 46.4**	$ 5.4	**$ 89.1**	$ 42.7
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		**(2.3)**	12.8	**(0.9)**	6.3
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		**0.4**	4.1	**0.8**	6.1
Related income taxes		**(0.5)**	4.6	**—**	3.3
		(1.4)	12.3	**(0.1)**	9.1
Cumulative translation differences					
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**19.7**	(34.8)	**10.3**	(15.2)
Net change in the fair value of derivatives designated as hedges of net investments in foreign operations		**(2.2)**	3.7	**(1.0)**	3.0
Related income taxes		**(0.6)**	1.0	**(0.3)**	0.8
		18.1	(32.1)	**9.6**	(13.0)
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		**(1.2)**	(5.4)	**18.6**	(23.3)
Related income taxes		**(0.4)**	(1.4)	**5.0**	(6.2)
		(0.8)	(4.0)	**13.6**	(17.1)
Other comprehensive income (loss)	16	**15.9**	(23.8)	**23.1**	(21.0)
Comprehensive income (loss)		**$ 62.3**	$ (18.4)	**$ 112.2**	$ 21.7

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited

(in millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance as at October 31, 2016	**$ 361.9**	**$ 3.2**	**$ 700.9**	**$ 2.7**	**$ 1,068.7**
Net earnings	**—**	**—**	**89.1**	**—**	**89.1**
Other comprehensive income	**—**	**—**	**—**	**23.1**	**23.1**
Shareholders' contributions and distributions to shareholders					
Exercise of stock options (Note 13)	**6.7**	**(1.3)**	**—**	**—**	**5.4**
Dividends (Note 13)	**—**	**—**	**(29.8)**	**—**	**(29.8)**
Balance as at April 30, 2017	**$ 368.6**	**$ 1.9**	**$ 760.2**	**$ 25.8**	**$ 1,156.5**
Balance as at October 31, 2015	$ 368.2	$ 3.2	$ 625.5	$ 19.4	$ 1,016.3
Net earnings	—	—	42.7	—	42.7
Other comprehensive loss	—	—	—	(21.0)	(21.0)
Shareholders' contributions and distributions to shareholders					
Share redemptions (Note 13)	(3.0)	—	(6.4)	—	(9.4)
Exercise of stock options (Note 13)	0.5	(0.1)	—	—	0.4
Dividends (Note 13)	—	—	(27.6)	—	(27.6)
Balance as at April 30, 2016	$ 365.7	$ 3.1	$ 634.2	$ (1.6)	$ 1,001.4

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at April 30, 2017	As at October 31, 2016
Current assets			
Cash		**$ 113.4**	$ 16.7
Accounts receivable		**345.5**	401.9
Income taxes receivable		**12.3**	5.8
Inventories		**116.3**	119.6
Prepaid expenses and other current assets		**17.3**	15.9
		604.8	559.9
Property, plant and equipment		**535.7**	566.0
Intangible assets		**192.2**	217.0
Goodwill	4	**514.8**	509.7
Investments in joint ventures		**2.9**	2.9
Deferred taxes		**158.7**	171.3
Other assets		**37.0**	35.4
		$ 2,046.1	$ 2,062.2
Current liabilities			
Accounts payable and accrued liabilities		**$ 272.1**	$ 326.4
Provisions	12	**5.2**	9.8
Income taxes payable		**1.3**	3.5
Deferred revenues and deposits		**53.1**	55.4
Current portion of long-term debt		**—**	0.2
		331.7	395.3
Long-term debt		**348.0**	347.9
Deferred taxes		**41.6**	43.4
Provisions	12	**1.9**	2.9
Other liabilities		**166.4**	204.0
		889.6	993.5
Equity			
Share capital	13	**368.6**	361.9
Contributed surplus		**1.9**	3.2
Retained earnings		**760.2**	700.9
Accumulated other comprehensive income	16	**25.8**	2.7
		1,156.5	1,068.7
		$ 2,046.1	$ 2,062.2

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

		Three months ended April 30		Six months ended April 30	
(in millions of Canadian dollars)	Notes	**2017**	2016 [2]	**2017**	2016 [2]
Operating activities					
Net earnings		**$ 46.4**	$ 5.4	**$ 89.1**	$ 42.7
Adjustments to reconcile net earnings and cash flows from operating activities:					
Impairment of assets	7	**—**	30.3	**1.2**	30.3
Depreciation and amortization	8	**32.5**	34.2	**65.5**	67.8
Financial expenses on long-term debt	9	**4.3**	4.4	**8.7**	9.0
Net losses (gains) on disposal of assets		**0.2**	0.3	**(2.8)**	0.7
Income taxes	10	**17.1**	4.8	**31.6**	16.0
Net foreign exchange differences and other		**(7.6)**	15.7	**(7.3)**	1.3
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**92.9**	95.1	**186.0**	167.8
Changes in non-cash operating items [1]		**(14.0)**	14.5	**(14.5)**	3.4
Income taxes paid		**(20.2)**	(17.3)	**(31.8)**	(44.6)
Cash flows from operating activities		**58.7**	92.3	**139.7**	126.6
Investing activities					
Business combinations	4	**(7.8)**	(9.9)	**(16.0)**	(9.9)
Business disposals	4	**25.1**	—	**25.2**	0.5
Acquisitions of property, plant and equipment		**(6.3)**	(13.7)	**(16.8)**	(27.8)
Disposals of property, plant and equipment		**0.3**	0.2	**7.0**	0.2
Increase in intangible assets		**(6.1)**	(6.3)	**(10.2)**	(10.9)
Cash flows from investing activities		**5.2**	(29.7)	**(10.8)**	(47.9)
Financing activities					
Reimbursement of long-term debt		**(0.1)**	(13.5)	**(0.2)**	(13.6)
Net decrease in credit facility		**—**	(14.0)	**—**	(22.0)
Financial expenses on long-term debt		**(2.7)**	(2.8)	**(8.2)**	(8.2)
Interest received related to previous tax reassessments		**—**	2.5	**—**	7.9
Exercise of stock options	13	**0.2**	0.4	**5.4**	0.4
Dividends	13	**(15.5)**	(14.4)	**(29.8)**	(27.6)
Share redemptions	13	**—**	—	**—**	(9.4)
Cash flows from financing activities		**(18.1)**	(41.8)	**(32.8)**	(72.5)
Effect of exchange rate changes on cash denominated in foreign currencies		**0.6**	(3.5)	**0.6**	(1.9)
Net change in cash		**46.4**	17.3	**96.7**	4.3
Cash at beginning of period		**67.0**	25.6	**16.7**	38.6
Cash at end of period		**$ 113.4**	$ 42.9	**$ 113.4**	$ 42.9
Non-cash investing activities					
Net change in capital asset acquisitions financed by accounts payable		**$ (1.4)**	$ 4.0	**$ (1.4)**	$ 3.2

[1] During the three-month period ended January 31, 2016, an amount of $31.0 million was received and recognized as deferred revenues.

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

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 3240, Montreal, Quebec, Canada H3B 0G1.

The Corporation is Canada's largest printer, with operations 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 Corporation changed its fiscal year end date from a calendar year end to a floating year end, thus the end of the quarter will always be the last Sunday of the month. This change was effective at the beginning of the fiscal year.

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 condensed interim consolidated financial statements on June 8, 2017.

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, 2016, 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 April 30, 2017. Any subsequent changes to the accounting policies, that will take effect in the Corporation's annual consolidated financial statements for the year ending October 29, 2017 or after, could result in a retrospective restatement of these condensed interim consolidated financial statements.

New or amended accounting standards adopted

Clarification of acceptable methods of depreciation and amortization
In May 2014, the IASB issued modifications to IAS 16 "Property, Plant and Equipment" and to IAS 38 "Intangible Assets". The amendments to IAS 16 explicitly mention that depreciation method based on revenues cannot be used for property and equipment. The reason being that the depreciation method reflects factors other than the consumption of the economic benefits of the asset. Amendments to IAS 38 introduces a refutable presumption that the use of amortization methods based on revenues is inappropriate in the case of intangible assets. This presumption may be refuted only when products and consumption of economic benefits of the intangible assets have a "high correlation" or when the intangible asset is expressed as a measure of revenues. The Corporation adopted these amendments on November 1, 2016. The adoption of these modifications had no significant impact on the consolidated financial statements of the Corporation.

New or amended accounting standards not yet adopted

Revenue from Contracts with Customers
In May, 2014 the IASB issued IFRS 15 "Revenue from Contracts with Customers". IFRS 15 will replace IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers", and SIC 31 "Revenue - Barter Transactions Involving Advertising Services".

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 will be applicable in financial statements for the annual period beginning on January 1, 2018, with earlier application permitted.

The analysis of this standard requires the Corporation to compile historical data for all of its contracts. Accordingly, the Corporation expects to devote, during the year 2017, the time and effort necessary to develop and implement the accounting policies, estimates, judgments and accounting processes (including incremental requirements of information technology systems) needed to have in place in order to comply with this standard.

At this time, the Corporation is performing a detailed impact assessment that this standard and its amendments will have on its consolidated financial statements. The Corporation will provide further updates during the year of 2017 as the assessment progresses.

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

3 SEGMENTED INFORMATION

During the year ended October 31, 2016 the Corporation revised its organizational structure to combine its services offered to retailers within the printing division. As a result, door-to-door distribution and premedia services have been transferred under the responsibility of the Printing & Packaging Sector. Accordingly, the comparative data for our operating sectors have been restated to reflect these changes.

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, premedia and geotargeted door-to-door distribution services 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 and specialized publications for professionals. Inter-segment sales of the Corporation are recognized at agreed transfer price, which approximates 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 April 30, 2017	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 449.5**	**$ 59.0**	**$ (9.8)**	**$ 498.7**
Operating expenses	**351.3**	**58.3**	**(1.0)**	**408.6**
Adjusted operating earnings before depreciation and amortization [(1)]	**98.2**	**0.7**	**(8.8)**	**90.1**
Restructuring and other costs (revenues)	**1.6**	**(6.0)**	**0.3**	**(4.1)**
Operating earnings before depreciation and amortization	**96.6**	**6.7**	**(9.1)**	**94.2**
Depreciation and amortization	**22.5**	**2.1**	**1.8**	**26.4**
Operating earnings	**$ 74.1**	**$ 4.6**	**$ (10.9)**	**$ 67.8**
Adjusted operating earnings [(1)]	**$ 75.7**	**$ (1.4)**	**$ (10.6)**	**$ 63.7**
Acquisitions of non-current assets [(2)]	**$ 5.9**	**$ 3.5**	**$ 1.6**	**$ 11.0**

For the three-month period ended April 30, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 434.0	$ 77.5	$ (14.3)	$ 497.2
Operating expenses	343.1	78.1	(7.1)	414.1
Adjusted operating earnings before depreciation and amortization [(1)]	90.9	(0.6)	(7.2)	83.1
Restructuring and other costs	1.9	7.2	0.5	9.6
Impairment of assets	0.2	29.7	0.4	30.3
Operating earnings before depreciation and amortization	88.8	(37.5)	(8.1)	43.2
Depreciation and amortization	22.1	3.0	1.8	26.9
Operating earnings	$ 66.7	$ (40.5)	$ (9.9)	$ 16.3
Adjusted operating earnings [(1)]	$ 68.8	$ (3.6)	$ (9.0)	$ 56.2
Acquisitions of non-current assets [(2)]	$ 14.5	$ 8.4	$ 1.1	$ 24.0

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

3 SEGMENTED INFORMATION (CONTINUED)

For the six-month period ended April 30, 2017	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 899.6**	**$ 122.1**	**$ (19.4)**	**$ 1,002.3**
Operating expenses	**707.6**	**120.7**	**(4.0)**	**824.3**
Adjusted operating earnings before depreciation and amortization (1)	**192.0**	**1.4**	**(15.4)**	**178.0**
Restructuring and other costs (revenues)	**2.8**	**(7.1)**	**(2.1)**	**(6.4)**
Impairment of assets	**0.1**	**1.1**	**—**	**1.2**
Operating earnings before depreciation and amortization	**189.1**	**7.4**	**(13.3)**	**183.2**
Depreciation and amortization	**45.3**	**4.1**	**3.6**	**53.0**
Operating earnings	**$ 143.8**	**$ 3.3**	**$ (16.9)**	**$ 130.2**
Adjusted operating earnings (1)	**$ 146.7**	**$ (2.7)**	**$ (19.0)**	**$ 125.0**
Acquisitions of non-current assets (2)	**$ 16.4**	**$ 6.6**	**$ 2.6**	**$ 25.6**

For the six-month period ended April 30, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 866.3	$ 155.3	$ (25.5)	$ 996.1
Operating expenses	686.4	158.7	(16.0)	829.1
Adjusted operating earnings before depreciation and amortization (1)	179.9	(3.4)	(9.5)	167.0
Restructuring and other costs	6.1	8.8	0.2	15.1
Impairment of assets	0.2	29.7	0.4	30.3
Operating earnings before depreciation and amortization	173.6	(41.9)	(10.1)	121.6
Depreciation and amortization	43.9	6.0	3.8	53.7
Operating earnings	$ 129.7	$ (47.9)	$ (13.9)	$ 67.9
Adjusted operating earnings (1)	$ 136.0	$ (9.4)	$ (13.3)	$ 113.3
Acquisitions of non-current assets (2)	$ 27.4	$ 12.2	$ 2.3	$ 41.9

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

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

(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 April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Printing and packaging products	**$ 389.7**	$ 368.6	**$ 780.5**	$ 740.5
Publishing and content products	**73.0**	87.3	**147.2**	169.7
Other products and services	**36.0**	41.3	**74.6**	85.9
	$ 498.7	$ 497.2	**$ 1,002.3**	$ 996.1

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

	As at April 30, 2017	As at October 31, 2016
Printing and Packaging Sector	**$ 1,699.3**	$ 1,775.9
Media Sector	**181.8**	209.9
Head office and inter-segment eliminations (1)	**165.0**	76.4
	$ 2,046.1	$ 2,062.2

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

4 BUSINESS COMBINATIONS AND DISPOSITIONS

Business combination
On December 1, 2016, the Corporation acquired of all B2B brands of the Advisor and Financial Services Groups from Rogers Media Inc. for a total consideration of $3.9 million paid in cash. During the three-month period ended January 29, 2017, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed related to this combination. The assets acquired are mainly comprised of intangible assets of $3.7 million and goodwill of $0.7 million, partially offset by a negligible amount of liabilities assumed. This acquisition is in line with the Corporation strategy to grow specialized products and services offering, reinforcing actual B2B brands portfolio.

During the three-month period ended April 30, 2017 and amount of $7.8 million was paid for a contingent consideration related to an acquisition realized in 2016. During the three-month period ended January 29, 2017, an amount of $4.7 million was also for a contingent consideration related to an acquisition realized in 2015 and an amount of $0.4 million was received related to an acquisition realized in 2016.

During the three-month period ended April 30, 2017 the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of Flexstar Packaging Inc., acquired on October 14, 2016. Changes in the fair value of assets acquired and liabilities assumed are negligible.

Business disposition
On April 12, 2017 the Corporation sold its Atlantic media assets for a cash consideration and an amount receivable. The transaction includes 28 brands and web-related properties, four printing plants operated within the Media Sector, commercial printing activities in the province of Newfoundland and Labrador and distribution activities in Atlantic Canada.

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

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Employee-related costs	**$ 152.3**	$ 161.2	**$ 309.8**	$ 325.5
Supply chain and logistics [1]	**224.1**	222.4	**448.9**	445.8
Other goods and services [2]	**32.2**	30.5	**65.6**	57.8
	$ 408.6	$ 414.1	**$ 824.3**	$ 829.1

[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 telecommunications 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 April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Workforce reductions	**$ 3.1**	$ 8.4	**$ 4.9**	$ 14.0
Gain on the sale of a building	**—**	—	**(3.8)**	—
Other costs (revenues) related to the sale of certain Media Sector activities	**(7.5)**	—	**(9.1)**	—
Onerous contracts	**—**	0.2	**0.7**	(0.6)
Business acquisition costs [1]	**0.1**	—	**0.5**	0.2
Other costs	**0.2**	1.0	**0.4**	1.5
	$ (4.1)	$ 9.6	**$ (6.4)**	$ 15.1

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

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

7 IMPAIRMENT OF ASSETS

Impairment of assets by major headings is as follows:

	Three months ended April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Property, plant and equipment	**$ —**	$ 0.7	**$ 1.2**	$ 0.7
Intangible assets	**—**	29.6	**—**	29.6
	$ —	$ 30.3	**$ 1.2**	$ 30.3

2017 Impairment test
The sale of Atlantic Canada media assets and the announcement of a process for the sale of newspaper in Quebec and Ontario conducted the Corporation to perform an impairment test on all the assets in the Media Sector's Local Solutions Group during the six-month period ended April 30, 2017. The Corporation concluded that there was no impairment on the residual net assets.

2016 Impairment test
Due to financial results of certain daily and weekly newspapers outside of Quebec that were lower than the forecasts for the six-month period ended April 30, 2016, the Corporation performed an interim impairment test on certain intangible assets with an indefinite useful life. These intangible assets with an indefinite useful life consist of trade names acquired in business combinations for newspaper publishing activities. The Corporation has concluded that the recoverable values of certain cash generating units ("CGU") in the Media Sector’s Local Solutions Group, determined on the basis of value in use, were less than their carrying amounts due to a decline in profitability, as a result of a decrease in advertising revenues. Therefore, the Corporation recorded a $28.7 million impairment charge during the second quarter of 2016. The Corporation also recorded an impairment charge of $0.9 million during the second quarter, mainly due to costs relating to technology projects in the Media Sector. These impairment charges had no effect on the Corporation’s activities, on cash or on meeting the requirements of debt covenants.

The Corporation also performed an interim impairment test on goodwill with respect to the Local Solutions Group CGU's and concluded that there was no impairment on the residual net assets.

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Property, plant and equipment	**$ 19.5**	$ 20.0	**$ 39.3**	$ 40.1
Intangible assets	**6.9**	6.9	**13.7**	13.6
	26.4	26.9	**53.0**	53.7
Intangible assets and other assets, recognized in revenues and operating expenses	**6.1**	7.3	**12.5**	14.1
	$ 32.5	$ 34.2	**$ 65.5**	$ 67.8

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

9 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows:

	Three months ended April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Financial expenses on long-term debt	**$ 4.3**	$ 4.4	**$ 8.7**	$ 9.0
Net interest on defined benefit plans asset and liability	**0.5**	0.1	**1.0**	0.3
Other expenses (revenues)	**0.1**	(0.1)	**0.1**	(0.6)
Net foreign exchange losses (gains)	**(0.5)**	2.0	**(0.3)**	0.8
	$ 4.4	$ 6.4	**$ 9.5**	$ 9.5

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 April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 63.4**	$ 9.9	**$ 120.7**	$ 58.4
Canadian statutory tax rate [1]	**26.82 %**	26.90 %	**26.82 %**	26.90 %
Income taxes at the statutory tax rate	**17.0**	2.7	**32.4**	15.7
Effect of differences in tax rates in other jurisdictions	**0.6**	—	**0.9**	0.4
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**(0.6)**	1.9	**(1.1)**	0.6
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**—**	—	**(0.3)**	—
Other	**0.1**	0.2	**(0.3)**	(0.7)
Income taxes at effective tax rate	**$ 17.1**	$ 4.8	**$ 31.6**	$ 16.0
Income taxes before the following items:	**$ 16.9**	$ 15.9	**$ 31.7**	$ 28.5
Income taxes on restructuring and other costs (revenues)	**0.2**	(2.7)	**0.2**	(4.1)
Income taxes on impairment of assets	**—**	(8.4)	**(0.3)**	(8.4)
Income taxes at effective tax rate	**$ 17.1**	$ 4.8	**$ 31.6**	$ 16.0

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

11 LONG-TERM DEBT

Credit facility extension
On January 9, 2017, the Corporation extended the maturity of its credit facility, in the available amount of $400.0 million or the U.S dollar equivalent, for one additional year, to February 2022, on the same terms.

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

12 PROVISIONS

The following table presents changes in provisions for the six-month period ended April 30, 2017:

	Restructuring costs	Onerous contracts	Other [1]	Total
Balance as at October 31, 2016	$ 6.2	$ 5.5	$ 1.0	$ 12.7
Provisions recorded	5.4	0.7	—	6.1
Amounts used	(9.2)	(1.9)	(0.1)	(11.2)
Provisions reversed	(0.5)	—	—	(0.5)
Balance as at April 30, 2017	$ 1.9	$ 4.3	$ 0.9	$ 7.1
Current portion	$ 1.9	$ 2.7	$ 0.6	$ 5.2
Non-current portion	—	1.6	0.3	1.9
	$ 1.9	$ 4.3	$ 0.9	$ 7.1

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

13 SHARE CAPITAL

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

	Three months ended April 30			
	2017		2016	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of period	**63,349,972**	**$ 349.4**	62,900,709	$ 345.4
Conversion of Class B Shares into Class A Subordinate Voting Shares	**15,100**	**—**	618,600	0.8
Exercise of stock options	**12,764**	**0.2**	19,163	0.3
Balance, end of period	**63,377,836**	**349.6**	63,538,472	346.5
Class B Shares				
Balance, beginning of period	**14,025,826**	**19.0**	14,740,126	20.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(15,100)**	**—**	(618,600)	(0.8)
Balance, end of period	**14,010,726**	**19.0**	14,121,526	19.2
	77,388,562	**$ 368.6**	77,659,998	$ 365.7

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

13 SHARE CAPITAL (CONTINUED)

	Six months ended April 30					
	2017			2016		
	Number of shares		**Amount**	Number of shares		Amount
Class A Subordinate Voting Shares						
Balance, beginning of period	**62,886,445**	**$**	**342.8**	63,363,281	$	348.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**63,900**		**0.1**	685,490		0.9
Shares redeemed and cancelled	**(2,663)**		**—**	(543,500)		(3.0)
Exercise of stock options	**430,154**		**6.7**	33,201		0.5
Balance, end of period	**63,377,836**		**349.6**	63,538,472		346.5
Class B Shares						
Balance, beginning of period	**14,074,626**		**19.1**	14,807,016		20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(63,900)**		**(0.1)**	(685,490)		(0.9)
Balance, end of period	**14,010,726**		**19.0**	14,121,526		19.2
	77,388,562	**$**	**368.6**	77,659,998	$	365.7

Shares 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 17, 2017 and April 16, 2018, or at an earlier date if the Corporation concludes or cancels the offer, up to 2,000,000 of its Class A Subordinate Voting Shares and up to 237,250 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

The Corporation had 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, 2016 and April 14, 2017, or at an earlier date if the Corporation concludes or cancels the offer, up to 2,000,000 of its Class A Subordinate Voting Shares and up to 226,344 of its Class B Shares. The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange.

During the six-month period ended April 30, 2017, the Corporation repurchased and cancelled 2,663 of its Class A Subordinate Voting Shares at a weighted average price of $17.48, for a total negligible consideration. The excess of the total consideration paid over the carrying amount of the shares, of a negligible amount, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at April 30, 2017.

During the six-month period ended April 30, 2016, the Corporation repurchased and cancelled 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.

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 April 30, 2017, the consideration received was $0.2 million and a negligible amount was transferred from contributed surplus to share capital. For the three-month period ended April 30, 2016, the consideration received was $0.2 million and an amount of $0.1 million was transferred from contributed surplus to share capital. For the six-month periods ended April 30, 2017 and 2016, considerations received were $5.4 million and $0.4 million, respectively. Amounts of $1.3 million and $0.1 million were transferred from contributed surplus to share capital for the six-month periods ended April 30, 2017 and 2016, respectively.

Dividends

Dividends of $0.20 and $0.185 per share were declared and paid to holders of shares for the three-month periods ended April 30, 2017 and 2016, respectively. Dividends of $0.385 and $0.355 per share were declared and paid to holders of shares for the six-month periods ended April 30, 2017 and 2016, respectively.

14 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:

	Three months ended April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Numerator				
Net earnings	**$ 46.4**	$ 5.4	**$ 89.1**	$ 42.7
Denominator (in millions)				
Weighted average number of shares outstanding - basic	**77.4**	77.6	**77.3**	77.8
Dilutive effect of stock options	**0.2**	0.3	**0.2**	0.3
Weighted average number of shares - diluted	**77.6**	77.9	**77.5**	78.1

As at April 30, 2017 and 2016, all the stock options are included in the calculation of the diluted net earnings per share due to their potential dilutive effect.

15 STOCK-BASED COMPENSATION

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

For the three-month and six-month periods ended April 30, 2017 and 2016, negligible amounts of stock-based compensation expenses were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	Three months ended April 30			
	2017		2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**312,112**	**$ 12.93**	748,665	$ 12.59
Exercised	**(12,764)**	**12.07**	(19,163)	11.98
Options outstanding, end of period	**299,348**	**$ 12.97**	729,502	$ 12.60

	Six months ended April 30			
	2017		2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**729,502**	**$ 12.60**	762,703	$ 12.57
Exercised	**(430,154)**	**12.34**	(33,201)	11.82
Options outstanding, end of period	**299,348**	**$ 12.97**	729,502	$ 12.60
Options exercisable, end of period	**299,348**	**$ 12.97**	637,148	$ 12.78

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

15 STOCK-BASED COMPENSATION (CONTINUED)

Share unit plan for certain officers and senior executives

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

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

	Three months ended April 30			
Number of units	**2017**	2016	**2017**	2016
	DSU		RSU	
Balance, beginning of period	**285,506**	284,892	**945,950**	1,081,064
Units granted	**—**	—	**—**	7,485
Units cancelled	**—**	—	**—**	(46,152)
Units paid	**—**	(18,384)	**—**	—
Dividends paid in units	**2,374**	2,195	**7,806**	9,834
Balance, end of period	**287,880**	268,703	**953,756**	1,052,231

	Six months ended April 30			
Number of units	**2017**	2016	**2017**	2016
	DSU		RSU	
Balance, beginning of period	**274,168**	279,162	**1,069,860**	1,064,655
Units granted	**13,545**	—	**248,371**	352,403
Units cancelled	**—**	—	**—**	(113,222)
Units paid	**(4,414)**	(18,384)	**(377,942)**	(266,379)
Units converted	**—**	2,586	**—**	(2,586)
Dividends paid in units	**4,581**	5,339	**13,467**	17,360
Balance, end of period	**287,880**	268,703	**953,756**	1,052,231

As at April 30, 2017, the liability related to the share unit plan for certain officers and senior executives was $17.3 million ($16.5 million as at October 31, 2016). The expense recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2017 were $3.2 million and $8.6 million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2016 were $2.5 million and $2.0 million, respectively. No amount was paid under this plan for the three-month period ended April 30, 2017. An amount of $7.8 million was paid under this plan for the six-month period ended April 30, 2017. Amounts of $0.3 million and $5.5 million were paid under this plan for the three-month and six-month periods ended April 30, 2016, 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 April 30		Six months ended April 30	
Number of units	**2017**	2016	**2017**	2016
Balance, beginning of period	**321,580**	376,447	**377,901**	363,514
Directors' compensation	**5,942**	7,422	**12,876**	16,585
Units paid	**—**	—	**(65,806)**	—
Dividends paid in units	**2,645**	3,426	**5,196**	7,196
Balance, end of period	**330,167**	387,295	**330,167**	387,295

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

15 STOCK-BASED COMPENSATION (CONTINUED)

As at April 30, 2017, the liability related to the share unit plan for directors was $7.9 million ($6.8 million as at October 31, 2016). The expense recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2017 were $0.8 million and $2.6 million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2016 were $0.8 million and $0.2 million, respectively. No amount was paid under this plan for the three-month period ended April 30, 2017. An amount of $1.5 million was paid under this plan for the six-month period ended April 30, 2017. No amount was paid under this plan for the three-month and six-month periods ended April 30, 2016.

16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 31, 2016	**$ (1.6)**	**$ 38.7**	**$ (34.4)**	**$ 2.7**
Net change in gains (losses), net of income taxes	**(0.1)**	**9.6**	**13.6**	**23.1**
Balance as at April 30, 2017	**$ (1.7)**	**$ 48.3**	**$ (20.8)**	**$ 25.8**
Balance as at October 31, 2015	$ (7.0)	$ 24.3	$ 2.1	$ 19.4
Net change in gains (losses), net of income taxes	9.1	(13.0)	(17.1)	(21.0)
Balance as at April 30, 2016	$ 2.1	$ 11.3	$ (15.0)	$ (1.6)

As at April 30, 2017, the amounts expected to be reclassified to net earnings in future years are as follows:

	2017	2018	2019	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ (0.8)	$ (1.2)	$ (0.3)	$ (2.3)
Income taxes	(0.2)	(0.3)	(0.1)	(0.6)
	$ (0.6)	$ (0.9)	$ (0.2)	$ (1.7)

Actuarial gains (losses) in respect of defined benefit plans
The actuarial gains (losses) in respect of defined benefit plans recognized in other comprehensive income reflect the following items:

	Three months ended April 30		Six months ended April 30	
	2017	2016	**2017**	2016
Actuarial gains (losses) on obligation - change in discount rate	**$ (31.1)**	$ (26.2)	**$ 35.7**	$ (62.2)
Actuarial gains (losses) on plan assets - excluding interest income	**27.0**	20.4	**(12.7)**	34.5
Effect of the asset ceiling	**2.9**	0.4	**(4.4)**	4.4
	$ (1.2)	$ (5.4)	**$ 18.6**	$ (23.3)

Actuarial gains (losses) on obligation recognized in Statements of Comprehensive Income for the three-month and six-month periods ended April 30, 2017 are explained by the change in the discount rate, which increased from 3.3% as at October 31, 2016, to 3.9% as at January 29, 2017 and 3,6% as at April 30, 2017. Actuarial gains (losses) on plan assets are due to actual rates of return on assets that was greater than expected return for the three-month period ended April 30, 2017 and lower than expected return for the six-month period ended April 30, 2017.

Actuarial losses on obligation recognized in Statements of Comprehensive Income for the three-month and six-month periods ended April 30, 2016 are explained by the change in the discount rate, which decreased from 4.4% as at October 31, 2015, to 4.0% as at January 31, 2016 and 3.7% as at April 30, 2016. Actuarial gains on plan assets are due to actual rates of return on assets that was greater than expected return for three-month and six-month periods ended April 30, 2016.

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

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to their short term maturities.

The 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 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 and contingent considerations payable related to business combinations. 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 valuation model of the contingent considerations considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering various scenarios of achievement of pre-established financial performance thresholds, the amount to be paid under each scenario and the probability of each scenario.

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 April 30, 2017		As at October 31, 2016	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 1.2**	**$ 1.2**	$ 2.5	$ 2.5
Contingent considerations	**(2.4)**	**(2.4)**	(15.0)	(15.0)
Long-term debt	**(366.1)**	**(348.0)**	(366.1)	(348.1)
Foreign exchange forward contracts in liabilities	**(2.6)**	**(2.6)**	(2.3)	(2.3)

These financial instruments are classified in Level 2 of the fair value hierarchy, with the exception of contingent considerations payable with respect to the business combinations which are classified in Level 3. For the six-month period ended April 30, 2017, no financial instruments were transferred between levels 1, 2 and 3.

The changes in Level 3 financial instruments are as follows for the six-month period ended:

	April 30, 2017
Balance, beginning of period	**$ (15.0)**
Amount paid	**12.5**
Exchange rate change	**0.1**
Balance, end of period	**$ (2.4)**

Sensitivity analysis of the Level 3 financial instruments
On April 30, 2017, all other things being equal, a 10.0% increase of pre-established financial performance thresholds of acquired businesses would have resulted in a decrease of $3,4 million in net earnings. A 10.0% decrease of pre-established financial performance thresholds would have resulted in an increase of $2,4 million in net earnings.