tc • TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. announces its financial results for fiscal 2017

Fiscal 2017 Highlights

- Revenues decreased by $12.3 million, or 0.6%.
- Operating earnings increased by $89.2 million, from $212.8 million to $302.0 million. Adjusted operating earnings, which exclude restructuring and other costs (gains) and impairment of assets, increased by $9.9 million, from $283.4 million to $293.3 million, or 3.5%.
- Net earnings increased by $65.2 million, from $146.3 million to $211.5 million. Adjusted net earnings, which exclude restructuring and other costs (gains) and impairment of assets, net of related taxes, increased by $5.9 million, from $196.3 million to $202.2 million, or 3.0%.
- Maintained a solid financial position, with a net indebtedness ratio of 0.3x.
- Concluded an expanded agreement with Lowe's Canada which includes the renewal of the agreement with RONA and the addition of the printing of Lowe's flyers in Canada. This agreement represents revenues of $200 million over five years and includes all services to retailers for all Lowe's and RONA banners in the country.
- Sold its media assets in Atlantic Canada and launched a process for the sale of its local and regional newspapers in Québec and Ontario. To date, close to 60% of these newspapers have been sold.
- Acquired, subsequent to the end of the fiscal year, Les Industries Flexipak Inc., a flexible packaging supplier located in Montréal, Québec.

Montréal, December 14, 2017 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for fiscal 2017, which ended October 29, 2017.

"I am very proud of our performance in 2017," said François Olivier, President and Chief Executive Officer of TC Transcontinental. "While pursuing our transformation with determination, we recorded, for a third consecutive year, the highest profitability in our history."

"The printing division posted excellent results in 2017 and continued to improve its profitability, notably as a result of increased demand from Canadian retailers for our integrated service offering. We also renewed and expanded our long-term agreements with large retailers. Finally, we implemented measures to optimize the utilization of our printing platform."

"In the packaging division, we successfully integrated Robbie Manufacturing and Flexstar Packaging. With the investments made in our platform and the development of our sales force, many business opportunities came to fruition this year. As a result, this division generated sustained organic growth in 2017. Lastly, we pursued numerous acquisition initiatives and recently announced the acquisition of Les Industries Flexipak Inc., located in Montréal."

"In the Media Sector, we continued to strategically transform our asset portfolio to refocus on our most promising niches. Our specialty media and educational book publishing activities generated solid results in 2017. In addition, we disposed of our publications in Atlantic Canada and have already sold close to 60% of our local and regional newspapers in Québec and Ontario."

"To conclude, with our sound financial position and our significant cash flows, we are very well positioned to continue building our North American flexible packaging platform."

Transcontinental Inc.
1 Place Ville Marie
Suite 3240
Montréal, Québec H3B 0G1

Telephone: 514-954-4000
Fax: 514-954-4160
www.tc.tc

Financial Highlights

(in millions of dollars, except per share amounts)	Q4-2017	Q4-2016	Variation in %	2017	2016	Variation in %
Revenues	$ 527.2	$ 555.6	(5.1) %	$ 2,007.2	$ 2,019.5	(0.6) %
Operating earnings before depreciation and amortization	128.5	107.8	19.2	405.4	319.5	26.9
Adjusted operating earnings before depreciation and amortization (1)	123.3	133.9	(7.9)	396.7	390.1	1.7
Operating earnings	103.6	81.3	27.4	302.0	212.8	41.9
Adjusted operating earnings (1)	98.4	107.4	(8.4)	293.3	283.4	3.5
Net earnings	73.4	57.7	27.2	211.5	146.3	44.6
Net earnings per share	0.94	0.75	25.3	2.73	1.89	44.4
Adjusted net earnings (1)	68.3	76.6	(10.8)	202.2	196.3	3.0
Adjusted net earnings per share (1)	0.88	0.99	(11.1)	2.61	2.53	3.2

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

Fiscal 2017 Results

Revenues went from $2,019.5 million in fiscal 2016 to $2,007.2 million in fiscal 2017, a decrease of $12.3 million, or 0.6%. Excluding the unfavourable impact from the sale of newspapers and other media assets in 2016 and 2017 related to the Corporation's strategy, as well as the favourable exchange rate effect, revenues increased by $58.6 million, or 3.0%. This increase is mostly due to the contribution from acquisitions, particularly in the packaging division, higher demand for all services to Canadian retailers, notably under the expanded agreement with Lowe's Canada, higher volume in the packaging division and additional volume resulting from the agreement to print the *Toronto Star*. However, the contribution of these factors was mitigated by lower volume in printing verticals not related to services to Canadian retailers, notably as a result of the completion of the non-recurring agreement to print Canada's Census forms in 2016, and reduced activity in the local and regional newspaper publishing niche in Québec and Ontario in the Media Sector.

Operating earnings increased by $89.2 million, or 41.9%, from $212.8 million in fiscal 2016 to $302.0 million in fiscal 2017. This increase is mostly attributable to the decrease in the asset impairment charge as a result of a charge related to intangible assets of daily and weekly newspapers outside Québec in 2016, as well as to the decrease in restructuring costs as a result of gains on the sale of certain activities in the Media Sector and lower costs due to workforce reduction in 2017. Adjusted operating earnings increased by $9.9 million, or 3.5%, from $283.4 million in fiscal 2016 to $293.3 million in fiscal 2017. Excluding the $16.7 million unfavourable effect of the stock-based compensation expense as a result of the change in the share price in fiscal 2017 compared to fiscal 2016, the unfavourable impact from the sale of newspapers and other media assets in 2016 and 2017, as well as the favourable exchange rate effect, adjusted operating earnings increased by $23.9 million, or 8.5%. This increase is mostly attributable to the contribution from acquisitions and the favourable impact of cost reduction initiatives in the printing division and in the local and regional newspaper publishing activities in the Media Sector, partially offset by the effect of lower volume in printing verticals that are not related to Canadian retailer services.

Net earnings increased by $65.2 million, from $146.3 million in fiscal 2016 to $211.5 million in fiscal 2017. This increase is mostly attributable to the increase in operating earnings, as explained above, partially offset by the increase in income taxes. On a per share basis, net earnings went from $1.89 to $2.73. Excluding restructuring and other costs (gains) and impairment of assets, net of related income taxes, adjusted net earnings increased by $5.9 million, or 3.0%, from $196.3 million in fiscal 2016 to $202.2 million in fiscal 2017. This increase is attributable to the increase in adjusted operating earnings, as explained above. On a per share basis, adjusted net earnings went from $2.53 to $2.61.

2017 Fourth Quarter Results

Revenues went from $555.6 million in the fourth quarter of 2016 to $527.2 million in the fourth quarter of 2017, a decrease of $28.4 million, or 5.1%. Excluding the unfavourable impact from the sale of newspapers and other media assets in 2017 related to the Corporation's strategy and the unfavourable exchange rate effect, revenues increased by $3.3 million, or 0.6%. This increase is mostly due to the contribution from acquisitions, particularly in the packaging division, and to higher volume in this division. However, the contribution of these factors was mitigated by lower volume in printing verticals that are not related to services to Canadian retailers and reduced activity in the local and regional newspaper publishing niche in Québec and Ontario in the Media Sector.

Operating earnings increased by $22.3 million, or 27.4%, from $81.3 million in the fourth quarter of 2016 to $103.6 million in the fourth quarter of 2017. This increase is mostly attributable to the decrease in the asset impairment charge as a result of a lower charge in the fourth quarter of 2017 in the local and regional newspaper publishing niche in Québec and Ontario in the Media Sector, as well as to the decrease in restructuring costs as a result of gains on the sale of certain activities in that same sector and lower costs due to workforce reduction in the fourth quarter of 2017. Adjusted operating earnings decreased by $9.0 million, or 8.4%, from $107.4 million in the fourth quarter of 2016 to $98.4 million in the fourth quarter of 2017. Excluding the $3.6 million unfavourable effect of the stock-based compensation expense as a result of the change in the share price in the fourth quarter of 2017 compared to the corresponding period in 2016, the unfavourable impact from the sale of newspapers and other media assets in 2017, as well as the unfavourable exchange rate effect, adjusted operating earnings only decreased by $0.4 million, or 0.4%. This slight decrease is mostly attributable to the effect of lower volume in printing verticals that are not related to services to Canadian retailers, mitigated by the contribution from acquisitions and the favourable effect of cost reduction initiatives in the printing division and in the local and regional newspaper publishing niche in Québec and Ontario in the Media Sector.

Net earnings increased by $15.7 million, from $57.7 million in the fourth quarter of 2016 to $73.4 million in the fourth quarter of 2017. This increase is mostly attributable to the increase in operating earnings, as explained above, partially offset by the increase in income taxes. On a per share basis, net earnings went from $0.75 to $0.94. Excluding restructuring and other costs (gains) and impairment of assets, net of related income taxes, adjusted net earnings decreased by $8.3 million, or 10.8%, from $76.6 million in the fourth quarter of 2016 to $68.3 million in the fourth quarter of 2017. This decrease is attributable to the decline in adjusted operating earnings, as explained above. On a per share basis, adjusted net earnings went from $0.99 to $0.88.

For more detailed financial information, please see the *Management's Discussion and Analysis for the fiscal year ended October 29, 2017* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Subsequent Events

Sale of local and regional newspapers in Québec and Ontario

In November and December 2017, the Corporation disposed of several groups of local and regional newspapers in the province of Québec, representing a total of 34 newspapers and related web properties, as well as one website in exchange for cash consideration and an amount receivable.

These sales of newspapers are in the context of the sale process of local and regional newspapers in Québec and Ontario announced by the Corporation on April 18, 2017.

Business combination

On October 31, 2017, the Corporation acquired all the shares of Les Industries Flexipak Inc. ("Flexipak"), a flexible packaging supplier located in Montréal, Québec. The Corporation will perform the assessment of the fair value of assets acquired and liabilities assumed of Flexipak during the next fiscal year.

This acquisition allows the Corporation to pursue its development in the packaging industry.

Outlook for 2018

In the printing division, we expect revenues from all our services to Canadian retailers to remain relatively stable in fiscal 2018 compared to fiscal 2017. We will benefit, in the first months of the fiscal year, from the additional contribution from the expanded agreement with Lowe's Canada, and we intend to seize the opportunities to expand our services to our retail customers. In all the other printing verticals, we expect that our revenues will continue to be affected by a decline in volume caused by the same trends in the advertising market. In addition, in the newspaper printing activities, we will experience a volume decrease as a result of the end of the printing of *La Presse* as of January 2018 and *The Globe and Mail* in the Maritimes as of December, 2017. To partially offset the lower volume, we will continue with our operational efficiency initiatives, in particular the previously announced consolidation of our newspaper printing activities in Québec.

In our packaging division, the acquisition of Les Industries Flexipak Inc., completed in October 2017, will contribute to results in fiscal 2018, and we expect to maintain our disciplined acquisition approach. We also rely on our sales force to continue developing our funnel of potential customers and we expect for other sales to materialize. As a result of the temporary disruption in resin supply caused by the hurricane in the Gulf Coast of the United States in summer 2017, the price of several plastic resins increased and could have an unfavourable impact on costs in the first half of fiscal 2018.

In the Media Sector, we expect that the Business and Education Group will continue to perform well by diversifying its revenues in niches that depend little on advertising, while a reduction in advertising revenues will have an unfavourable impact on the print version of our specialty publications. In addition, our Sector revenues will be affected in 2018 by the sale of our media assets related to local and regional newspapers, but we will continue to adjust our cost structure based on the volume of activity.

To conclude, in fiscal 2018, we expect to continue generating significant cash flows from our operating activities and maintaining our excellent financial position, which should enable us to continue making acquisitions to support our transformation into 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 fiscal year ended October 29, 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 - Fourth quarter and fiscal year

	Three months ended		Year ended	
(in millions of dollars)	**October 29, 2017**	October 31, 2016	**October 29, 2017**	October 31, 2016
Operating earnings	**$ 103.6**	$ 81.3	**$ 302.0**	$ 212.8
Restructuring and other costs (gains)	**(7.6)**	2.9	**(13.6)**	17.0
Impairment of assets	**2.4**	23.2	**4.9**	53.6
Adjusted operating earnings	**$ 98.4**	$ 107.4	**$ 293.3**	$ 283.4
Depreciation and amortization	**24.9**	26.5	**103.4**	106.7
Adjusted operating earnings before depreciation and amortization	**$ 123.3**	$ 133.9	**$ 396.7**	$ 390.1

Reconciliation of net earnings - Fiscal year

	Year ended			
	October 29, 2017		October 31, 2016	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$ 211.5**	**$ 2.73**	$ 146.3	$ 1.89
Restructuring and other costs (gains), net of related taxes	**(12.8)**	**(0.17)**	10.4	0.13
Impairment of assets, net of related taxes	**3.5**	**0.05**	39.6	0.51
Adjusted net earnings	**$ 202.2**	**$ 2.61**	$ 196.3	$ 2.53

Reconciliation of net earnings - Fourth quarter

	Three months ended			
	October 29, 2017		October 31, 2016	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$ 73.4**	**$ 0.94**	$ 57.7	$ 0.75
Restructuring and other costs (gains), net of related taxes	**(6.8)**	**(0.08)**	1.7	0.02
Impairment of assets, net of related taxes	**1.7**	**0.02**	17.2	0.22
Adjusted net earnings	**$ 68.3**	**$ 0.88**	$ 76.6	$ 0.99

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	**As at October 29, 2017**	As at October 31, 2016
Long-term debt	**$ 348.3**	$ 347.9
Current portion of long-term debt	**—**	0.2
Cash	**(247.1)**	(16.7)
Net indebtedness	**$ 101.2**	$ 331.4
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 396.7**	$ 390.1
Net indebtedness ratio	**0.3 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 January 23, 2018 to shareholders of record at the close of business on January 4, 2018.

Conference Call

Upon releasing its fiscal 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, Corporate Communications of TC Transcontinental, at 514 954-3581.

Profile

TC Transcontinental is Canada's largest printer and a key supplier of flexible packaging in North America. The Corporation is also a leader in its specialty media segments. 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 activities in a responsible manner.

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 6,500 employees in Canada and the United States, and revenues of C$2.0 billion in 2017. 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, concentration of its sales in certain segments, cybersecurity and data protection, recruiting and retaining qualified personnel in certain geographic areas, taxation and interest rate. 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 29, 2017* and in the latest *Annual Information Form.*

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 December 14, 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 December 14, 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.

- 30 -

For information:

Media

Nathalie St-Jean
Senior Advisor, Corporate Communications
TC Transcontinental
Telephone: 514-954-3581
nathalie.st-jean@tc.tc
www.tc.tc

Financial Community

Shirley Chenny
Advisor, Investor Relations
TC Transcontinental
Telephone: 514-954-4166
shirley.chenny@tc.tc
www.tc.tc

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended October 29, 2017

The purpose of this Management's Discussion and Analysis is to help the reader better understand the business, development strategy and future outlook of Transcontinental Inc., how we manage risk, as well as to analyze the Corporation's results and financial position for the year ended October 29, 2017. It should be read in conjunction with the information in the annual 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 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note #3 "Segmented Information" in the annual consolidated financial statements for the year ended October 29, 2017. 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
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as restructuring and other costs (gains) and impairment of assets
Adjusted operating earnings	Operating earnings before restructuring and other costs (gains) and impairment of assets
Adjusted operating earnings margin	Adjusted operating earnings divided by revenues
Adjusted income taxes	Income taxes before income taxes on restructuring and other costs (gains) and income taxes on impairment of assets
Adjusted net earnings	Net earnings before restructuring and other costs (gains) and impairment of assets, net of related income taxes
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

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 29, 2017 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 December 14, 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 December 14, 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

TC Transcontinental is Canada's largest printer and a key supplier of flexible packaging in North America. The Corporation is also a leader in its specialty media segments. 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 activities in a responsible manner.

Transcontinental Inc. (TSX: TCL.A, TCL.B), known as TC Transcontinental, has over 6,500 employees in Canada and the United States, and revenues of C$2.0 billion in 2017. Website www.tc.tc.

Printing and Packaging Sector

Largest printer in Canada and one of the largest in North America, TC Transcontinental Printing has over 4,500 employees and possesses a network of 18 state-of-the-art plants. The division provides an integrated service offering for retailers, including flyer and in-store marketing product printing, premedia services, and door-to-door distribution through Publisac in Québec and Targeo, a pan-Canadian distribution brokerage service. TC Transcontinental Printing also offers an array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products.

TC Transcontinental Packaging, with close to 900 employees in the United States and Canada, is a key supplier of flexible packaging in North America. Its coast-to-coast platform comprises one premedia studio and six production plants specializing in flexographic printing, lamination of plastic films, and converting, including bags and pouches. The division offers an array of innovative solutions for a variety of industries, including dairy, coffee, pet food, bakery, snacks and confectionery, supermarket fresh perimeter, frozen foods, and cigars.

Media Sector

TC Media, which employs over 600 people, is a leader in its specialty media segments in Canada, with flagship brands catering to the business, financial and construction sectors, including an event planning component. TC Media is also positioned as Canada's largest publisher of French-language educational resources. Furthermore, TC Media publishes local and regional multiplatform newspapers in Québec and Ontario.

STRATEGY

TC Transcontinental's growth strategy is focused on four basic principles:

1. Be the leader in the markets served.
2. Establish a competitive advantage.
3. Build a loyal clientele.
4. Maintain a disciplined approach to acquisitions and financial management.

Over time, the Corporation has developed solid expertise in manufacturing and the creation, organization and distribution of print and digital content. It has successfully cultivated long-term business relationships, particularly with the major Canadian retailers. Close to half of the Corporation's revenues come from our service offering for retailers.

Market Forces

The ongoing transformation in the media and marketing industries has had a profound impact on the entire printing and publishing industry. Nonetheless, print products remain a key component of the marketing mix used by marketers, but their growth is limited by the increasing emphasis placed on new media and communication platforms such as mobile devices and digital channels. The printers who will emerge from this evolving market are those who possess efficient technologies in order to reduce their production costs, who offer a national network that brings them close to their customers, and who provide a comprehensive set of integrated solutions.

Avenues of Growth

TC Transcontinental has always sought to grow by creating products and services that allow businesses to attract, reach and retain their target customers and by making strategic acquisitions. The primary factors in its success have been listening to the needs of its customers and supporting them in their own development. The Corporation intends to continue on this path by implementing a development plan that is designed to maintain and strengthen its leadership position in its core operations, and to leverage its manufacturing skills and know-how to build a strong avenue of growth in the packaging industry.

The Corporation's plan is built around three objectives:

Maximize the printing platform

TC Transcontinental operates its printing division by maximizing the use of its state-of-the-art manufacturing platform to drive efficiencies for the Corporation and its customers and by focusing on specific niches, such as retail flyer printing.

Grow the packaging division

TC Transcontinental seeks to diversify its traditional print offering by establishing a significant foothold in flexible packaging. The goal is to increase market share, through both acquisitions and organic growth, mainly by being present in food packaging verticals.

Strengthen the media Offering

The Corporation continues to diversify its media offering by focusing more on niche products and services attracting a growing number of audiences of interest to its customers and advertisers. In addition, it develops revenue streams that are less advertising based in the business, financial and construction information niches and in educational content.

HIGHLIGHTS FOR FISCAL 2017

Table #1:

(in millions of dollars, except per share amounts)	**2017**	2016	Variation in $	Variation in %
Revenues	**$ 2,007.2**	$ 2,019.5	$ (12.3)	(0.6) %
Operating earnings	**302.0**	212.8	89.2	41.9
Adjusted operating earnings (1)	**293.3**	283.4	9.9	3.5
Net earnings	**211.5**	146.3	65.2	44.6
Net earnings per share	**2.73**	1.89	0.84	44.4
Adjusted net earnings (1)	**202.2**	196.3	5.9	3.0
Adjusted net earnings per share (1)	**2.61**	2.53	0.08	3.2

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

- Revenues decreased by $12.3 million, or 0.6%.
- Operating earnings increased by $89.2 million, from $212.8 million to $302.0 million. Adjusted operating earnings, which exclude restructuring and other costs (gains) and impairment of assets, increased by $9.9 million, from $283.4 million to $293.3 million, or 3.5%.
- Net earnings increased by $65.2 million, from $146.3 million to $211.5 million. Adjusted net earnings, which exclude restructuring and other costs (gains) and impairment of assets, net of related taxes, increased by $5.9 million, from $196.3 million to $202.2 million, or 3.0%.
- On March 3, 2017, the Corporation announced the conclusion of an expanded agreement with Lowe's Canada which includes the renewal of the agreement with RONA and the addition of the printing of Lowe's flyers in Canada. This agreement represents revenues of $200 million over five years and includes all services to retailers for all Lowe's and RONA banners in the country.
- On April 12, 2017, the Corporation sold its media assets in Atlantic Canada and on April 18, 2017, it announced the launch of a process for the sale of its local and regional newspapers in Québec and Ontario. As at December 14, 2017, close to 60% of these newspapers had been sold.
- On October 31, 2017, subsequent to the end of the fiscal year, the Corporation acquired Les Industries Flexipak Inc., a flexible packaging supplier located in Montréal, Québec.

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 - Fourth quarter and fiscal year

	Three months ended		Year ended	
(in millions of dollars)	**October 29, 2017**	October 31, 2016	**October 29, 2017**	October 31, 2016
Operating earnings	**$ 103.6**	$ 81.3	**$ 302.0**	$ 212.8
Restructuring and other costs (gains)	**(7.6)**	2.9	**(13.6)**	17.0
Impairment of assets	**2.4**	23.2	**4.9**	53.6
Adjusted operating earnings	**$ 98.4**	$ 107.4	**$ 293.3**	$ 283.4
Depreciation and amortization	**24.9**	26.5	**103.4**	106.7
Adjusted operating earnings before depreciation and amortization	**$ 123.3**	$ 133.9	**$ 396.7**	$ 390.1

Reconciliation of net earnings - Fiscal year

	Year ended			
	October 29, 2017		October 31, 2016	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$ 211.5**	**$ 2.73**	$ 146.3	$ 1.89
Restructuring and other costs (gains), net of related taxes	**(12.8)**	**(0.17)**	10.4	0.13
Impairment of assets, net of related taxes	**3.5**	**0.05**	39.6	0.51
Adjusted net earnings	**$ 202.2**	**$ 2.61**	$ 196.3	$ 2.53

Reconciliation of net earnings - Fourth quarter

	Three months ended			
	October 29, 2017		October 31, 2016	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings	**$ 73.4**	**$ 0.94**	$ 57.7	$ 0.75
Restructuring and other costs (gains), net of related taxes	**(6.8)**	**(0.08)**	1.7	0.02
Impairment of assets, net of related taxes	**1.7**	**0.02**	17.2	0.22
Adjusted net earnings	**$ 68.3**	**$ 0.88**	$ 76.6	$ 0.99

Reconciliation of net indebtedness

(in millions of dollars, except ratios)		**As at October 29, 2017**		As at October 31, 2016
Long-term debt	**$**	**348.3**	$	347.9
Current portion of long-term debt		**—**		0.2
Cash		**(247.1)**		(16.7)
Net indebtedness	**$**	**101.2**	$	331.4
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$**	**396.7**	$	390.1
Net indebtedness ratio		**0.3 x**		0.8 x

ANALYSIS OF CONSOLIDATED RESULTS - FISCAL YEAR

Revenues

Revenues decreased by $12.3 million, or 0.6%, from $2,019.5 million in fiscal 2016 to $2,007.2 million in fiscal 2017. This decrease is mainly due to the effect of disposals and closures as well as the organic decline in revenues in certain printing division verticals and in the local and regional newspaper publishing niche in Québec and Ontario in the Media Sector, partially offset by the contribution from acquisitions and the favourable exchange rate effect. A more detailed analysis of revenues is presented in the "Analysis of Sector Results - Fiscal Year" section.

Operating and Other Expenses

Operating expenses decreased by $18.9 million, or 1.2%, in fiscal 2017 compared to fiscal 2016. Excluding the stock-based compensation expense, which increased by $16.7 million as a result of the change in the share price during these same periods, operating expenses decreased by $35.6 million, or 2.2%. The decline in operating expenses is mostly attributable to the effect of disposals and closures and to the favourable impact of Corporation-wide cost reduction initiatives, partially offset by the contribution from acquisitions.

Restructuring and other costs (gains) decreased by $30.6 million, from an expense of $17.0 million in fiscal 2016 to a gain of $13.6 million for fiscal 2017. The favourable impact is mostly attributable to gains on the sale of certain activities in the Media Sector and lower costs due to workforce reduction.

The asset impairment charge decreased by $48.7 million in fiscal 2017 compared to fiscal 2016. An asset impairment charge of $4.9 million was recorded on intangible assets in the newspaper publishing activities and production equipment in 2017, compared to a charge of $53.6 million in 2016, which was mostly related to the intangible assets of daily and weekly newspapers outside Québec.

Depreciation and amortization decreased by $3.3 million, from $106.7 million in fiscal 2016 to $103.4 million in fiscal 2017, mainly due to the effect of fully depreciated assets in the printing division and the effect of media asset disposals, partially offset by the effect of completed acquisitions.

Operating Earnings

Operating earnings increased by $89.2 million, from $212.8 million in fiscal 2016 to $302.0 million in fiscal 2017. This increase is mostly attributable to the decrease in restructuring costs and asset impairment charge. Adjusted operating earnings was up by $9.9 million, or 3.5%, from $283.4 million to $293.3 million. In addition, excluding the $16.7 million unfavourable effect of the stock-based compensation expense as a result of the change in the share price in fiscal 2017 compared to fiscal 2016, adjusted operating earnings increased by $26.6 million, or 9.4%. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Fiscal Year" section.

Net Financial Expenses

Net financial expenses increased by $1.8 million, from $15.9 million in fiscal 2016 to $17.7 million in fiscal 2017. This increase is mostly due to higher net interest on defined benefit plans asset and liability and lower net foreign exchange gains, partially offset by an increase in interest income.

Income Taxes

Income taxes increased by $22.0 million, from $51.1 million in fiscal 2016 to $73.1 million in fiscal 2017. Excluding income taxes on restructuring and other costs (gains) and impairment of assets, adjusted income taxes amounted to $71.7 million in fiscal 2016, for an effective tax rate of 26.8%, compared to $73.7 million for fiscal 2017, for an effective tax rate of 26.7%.

Net Earnings

Net earnings increased by $65.2 million, from $146.3 million in fiscal 2016 to $211.5 million for fiscal 2017. This increase is mostly attributable to the increase in operating earnings, partially offset by the increase in income taxes. On a per share basis, net earnings went from $1.89 to $2.73. Excluding restructuring and other costs (gains) and impairment of assets, net of related income taxes, adjusted net earnings increased by $5.9 million, or 3.0%, from $196.3 million in fiscal 2016 to $202.2 million in fiscal 2017. On a per share basis, adjusted net earnings went from $2.53 to $2.61.

ANALYSIS OF CONSOLIDATED RESULTS - FOURTH QUARTER

Revenues

Revenues decreased by $28.4 million, or 5.1%, from $555.6 million in the fourth quarter of 2016 to $527.2 million in the corresponding period in 2017. This decrease is mainly due to the effect of disposals and closures, to the organic decline in revenues in certain printing division verticals, the unfavourable exchange rate effect and reduced activity in the local and regional newspaper publishing niche in Québec and Ontario in the Media Sector, partially offset by the contribution from acquisitions. A more detailed analysis of revenues is presented in the "Analysis of Sector Results - Fourth Quarter" section.

Operating and Other Expenses

Operating expenses decreased by $17.8 million, or 4.2%, in the fourth quarter of 2017 compared to the corresponding period in 2016. Excluding the stock-based compensation expense, which increased by $3.6 million as a result of the change in the share price in the fourth quarter of 2017 compared to the fourth quarter of 2016, operating expenses decreased by $21.4 million, or 5.1%. The decline in operating expenses is mostly attributable to the effect of disposals and closures and to the favourable impact of Corporation-wide cost reduction initiatives, partially offset by the contribution from acquisitions.

Restructuring and other costs (gains) decreased by $10.5 million, from an expense of $2.9 million in the fourth quarter of 2016 to a gain of $7.6 million in the fourth quarter of 2017. The favourable impact is mostly attributable to gains on the sale of certain activities in the Media Sector and lower costs due to workforce reduction in the fourth quarter of 2017. In addition, no expense related to onerous contracts was recorded in the fourth quarter of 2017 compared to an expense of $0.3 million in the fourth quarter of 2016.

The asset impairment charge decreased by $20.8 million in the fourth quarter of 2017 compared to the corresponding period in 2016. An asset impairment charge of $2.4 million was recorded on production equipment and intangible assets in the newspaper publishing activities in the Media Sector during the period in 2017, compared to a charge of $23.2 million for the Sector in the fourth quarter of 2016.

Depreciation and amortization decreased by $1.6 million, from $26.5 million in the fourth quarter of 2016 to $24.9 million in the fourth quarter of 2017, mostly as a result of the effect of fully depreciated assets in the printing division.

Operating Earnings

Operating earnings increased by $22.3 million, from $81.3 million in the fourth quarter of 2016 to $103.6 million in the fourth quarter of 2017. This increase is mostly attributable to the decrease in asset impairment charge and operating expenses. Adjusted operating earnings decreased by $9.0 million, or 8.4%, from $107.4 million to $98.4 million. Excluding the $3.6 million unfavourable impact of the stock-based compensation expense as a result of the change in the share price in the fourth quarter of 2017 compared to the corresponding period in 2016, adjusted operating earnings decreased by $5.4 million, or 5.0%. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Fourth Quarter" section.

Net Financial Expenses

Net financial expenses increased by $0.4 million, from $3.9 million in the fourth quarter of 2016 to $4.3 million in the fourth quarter of 2017, mainly as a result of net foreign exchange losses in the fourth quarter of 2017 compared to net foreign exchange gains in the fourth quarter of 2016. The increase is also due to higher net interest on defined benefit plans asset and liability in the fourth quarter of 2017, partially offset by interest income in that same period in 2017.

Income Taxes

Income taxes increased by $6.4 million, from $19.8 million in the fourth quarter of 2016 to $26.2 million in the fourth quarter of 2017. Excluding income taxes on restructuring and other costs (gains) and impairment of assets, adjusted income taxes amounted to $27.0 million in the fourth quarter of 2016, for an effective tax rate of 26.2 %, compared with $26.1 million in the fourth quarter of 2017, for an effective tax rate of 27.7%. This increase in the effective tax rate is mostly due to the geographic distribution of earnings before taxes.

Net Earnings

Net earnings increased by $15.7 million, from $57.7 million in the fourth quarter of 2016 to $73.4 million in the fourth quarter of 2017. This increase is mostly attributable to the increase in operating earnings, partially offset by the increase in income taxes. On a per share basis, net earnings went from $0.75 to $0.94. Excluding restructuring and other costs (gains) and impairment of assets, net of related income taxes, adjusted net earnings decreased by $8.3 million, or 10.8%, from $76.6 million in the fourth quarter of 2016 to $68.3 million in the fourth quarter of 2017. On a per share basis, adjusted net earnings went from $0.99 to $0.88.

ANALYSIS OF SECTOR RESULTS - FISCAL YEAR

(unaudited)

Table #3:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Year ended October 31, 2016	**$ 1,754.6**	**$ 312.3**	**$ (47.4)**	**$ 2,019.5**
Acquisitions/disposals and closures	77.6	(60.8)	—	16.8
Existing operations				
Exchange rate effect	2.7	—	—	2.7
Organic growth (decline)	(25.7)	(19.2)	13.1	(31.8)
Revenues - Year ended October 29, 2017	**$ 1,809.2**	**$ 232.3**	**$ (34.3)**	**$ 2,007.2**
Adjusted operating earnings (1) - Year ended October 31, 2016	**$ 303.5**	**$ 5.1**	**$ (25.2)**	**$ 283.4**
Acquisitions/disposals and closures	7.7	1.1	—	8.8
Existing operations				
Exchange rate effect	5.1	—	—	5.1
Organic growth (decline)	1.1	7.2	(12.3)	(4.0)
Adjusted operating earnings (1) - Year ended October 29, 2017	**$ 317.4**	**$ 13.4**	**$ (37.5)**	**$ 293.3**

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

Note: Data pertaining to the exchange rate effect and organic growth lines have been restated for the first nine months of 2017.

Printing & Packaging Sector

Printing and Packaging revenues increased by $54.6 million, or 3.1%, from $1,754.6 million in fiscal 2016 to $1,809.2 million in fiscal 2017. This increase is attributable to the contribution from our acquisitions in the packaging division and the favourable exchange rate effect, partially offset by the organic decline in revenues. This organic decline in revenues is due to lower commercial printing volume caused by the reduction in advertising spending and by the impact of the completion of the non-recurring agreement to print Canada's Census forms in 2016, as well as lower volume in the magazine and newspaper printing verticals resulting from the decrease in circulation and number of printed pages. However, higher volume in the packaging division, higher demand for all our services to Canadian retailers and the additional volume from our agreement to print the *Toronto Star* mitigated the organic decline in revenues.

Adjusted operating earnings increased by $13.9 million, or 4.6%, from $303.5 million in fiscal 2016 to $317.4 million in fiscal 2017. This increase is attributable to the contribution from the acquisitions in the packaging division, the favourable exchange rate effect and the favourable effect of cost reduction initiatives in the printing division, which more than offset the above-mentioned organic decline in revenues. The Sector's adjusted operating earnings margin improved from 17.3% in fiscal 2016 to 17.5% in fiscal 2017.

Media Sector

Media Sector revenues decreased by $80.0 million, or 25.6%, from $312.3 million in fiscal 2016 to $232.3 million in fiscal 2017. This decrease is mostly due to the impact of the sale of our media assets in Atlantic Canada and several local and regional newspapers in Québec, as well as the sale of certain products in our interactive marketing solutions offering, partially offset by the contribution from our acquisition of specialty financial brands. The decrease in revenues is also due to the organic decline in revenues. This decline results from reduced activity in the local and regional newspaper publishing niche in Québec and Ontario caused by lower advertising revenues and the impact of our initiative, implemented at the end of fiscal 2016, aimed at reducing the publishing frequency of some of our publications in the Business niche, partially offset by the increase in revenues from our educational book publishing activities.

Adjusted operating earnings increased by $8.3 million, from $5.1 million in fiscal 2016 to $13.4 million in fiscal 2017. This increase is attributable to the contribution from our cost reduction initiatives related to our newspaper publishing activities, the contribution from our acquisition of specialty financial brands, the impact of our strategic exit from our interactive marketing solutions offering and the organic growth in revenues from our educational book publishing activities, partially offset by the impact of the sale of newspapers.

Head Office and Inter-Segment Eliminations

Inter-segment revenue eliminations went from -$47.4 million in fiscal 2016 to -$34.3 million in fiscal 2017. This change is mostly attributable to disposals and closures of newspapers in our Media Sector that we were printing. Adjusted operating earnings decreased by $12.3 million, from -$25.2 million in fiscal 2016 to -$37.5 million in fiscal 2017. This decrease is due to the $16.7 million increase in stock-based compensation expense as a result of the change in the share price in fiscal 2017 compared to fiscal 2016, which more than offset the reduction in head office expenses.

ANALYSIS OF SECTOR RESULTS - FOURTH QUARTER

(unaudited)

Table #4:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Fourth quarter of 2016	**$ 484.6**	**$ 82.1**	**$ (11.1)**	**$ 555.6**
Acquisitions/disposals and closures	9.5	(23.0)	—	(13.5)
Existing operations				
Exchange rate effect	(5.1)	—	—	(5.1)
Organic growth (decline)	(9.7)	(5.0)	4.9	(9.8)
Revenues - Fourth quarter of 2017	**$ 479.3**	**$ 54.1**	**$ (6.2)**	**$ 527.2**
Adjusted operating earnings [(1)] - Fourth quarter of 2016	**$ 102.7**	**$ 10.5**	**$ (5.8)**	**$ 107.4**
Acquisitions/disposals and closures	1.6	(0.8)	—	0.8
Existing operations				
Exchange rate effect	(3.1)	—	—	(3.1)
Organic growth (decline)	(4.1)	0.7	(3.3)	(6.7)
Adjusted operating earnings [(1)] - Fourth quarter of 2017	**$ 97.1**	**$ 10.4**	**$ (9.1)**	**$ 98.4**

(1) Please refer to Table #2 in the section entitled "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 decreased by $5.3 million, or 1.1%, from $484.6 million in the fourth quarter of 2016 to $479.3 million in the corresponding period in 2017. This decrease is due to the organic decline in revenues in our printing division verticals that are not related to our services to Canadian retailers, and to the unfavourable exchange rate effect. However, the organic decline in revenues was mitigated by higher volume in the packaging division and by the contribution from our acquisition of Flexstar Packaging.

Adjusted operating earnings decreased by $5.6 million, or 5.5%, from $102.7 million in the fourth quarter of 2016 to $97.1 million in the fourth quarter of 2017. This decrease is due to the above-mentioned organic decline in revenues and the unfavourable exchange rate effect. However, the favourable impact of cost reduction initiatives in the printing division and the contribution from our acquisition in the packaging division mitigated the decrease. The Sector's adjusted operating earnings margin went from 21.2% in the fourth quarter of 2016 to 20.3% in the fourth quarter of 2017.

Media Sector

Media Sector revenues decreased by $28.0 million, or 34.1%, from $82.1 million in the fourth quarter of 2016 to $54.1 million in the fourth quarter of 2017. This decrease is mainly due to the impact of the sale of our media assets in Atlantic Canada and several local and regional newspapers in Québec, as well as certain products in our interactive marketing solutions offering, partially offset by the contribution from our acquisition of specialty financial brands. In addition, the decrease in revenues is also attributable to the organic decline in revenues. This decline is related to a decrease in activity in the local and regional newspaper publishing niche in Québec and Ontario caused by lower advertising revenues and the

impact of our initiative, implemented at the end of fiscal 2016, aimed at reducing the publishing frequency of some of our publications in the Business niche, partially offset by the increase in revenues from our educational book publishing activities.

Adjusted operating earnings remained relatively stable, from $10.5 million in the fourth quarter of 2016 to $10.4 million in the fourth quarter of 2017. The unfavourable impact of the sale of our media assets in Atlantic Canada and several local and regional newspapers in Québec was offset by the contribution from our cost reduction initiatives related to our newspaper publishing activities, our acquisition of specialty financial brands and the impact of our strategic exit from our interactive marketing solutions offering.

Head Office and Inter-Segment Eliminations

Inter-segment revenue eliminations went from -$11.1 million in the fourth quarter of 2016 to -$6.2 million in the fourth quarter of 2017. This change is mostly attributable to disposals and closures of newspapers in our Media Sector that we were printing. Adjusted operating earnings decreased by $3.3 million, from -$5.8 million in the fourth quarter of 2016 to -$9.1 million in the fourth quarter of 2017. This decrease is due to the increase of $3.6 million in stock-based compensation expense as a result of the change in the share price in the fourth quarter of 2017 compared to the fourth quarter of 2016.

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			
(in millions of dollars, except per share amounts)	**Q4**	Q3	Q2	Q1	**Q4**	Q3	Q2	Q1
Revenues	**$ 527.2**	$ 477.7	$ 498.7	$ 503.6	**$ 555.6**	$ 467.8	$ 497.2	$ 498.9
Operating earnings before depreciation and amortization	**128.5**	93.7	94.2	89.0	**107.8**	90.1	43.2	78.4
Adjusted operating earnings before depreciation and amortization (1)	**123.3**	95.4	90.1	87.9	**133.9**	89.2	83.1	83.9
Adjusted operating earnings margin before depreciation and amortization (1)	**23.4 %**	20.0 %	18.1 %	17.5 %	**24.1 %**	19.1 %	16.7 %	16.8 %
Operating earnings	**103.6**	68.2	67.8	62.4	**81.3**	63.6	16.3	51.6
Adjusted operating earnings (1)	**98.4**	69.9	63.7	61.3	**107.4**	62.7	56.2	57.1
Adjusted operating earnings margin (1)	**18.7 %**	14.6 %	12.8 %	12.2 %	**19.3 %**	13.4 %	11.3 %	11.4 %
Net earnings	**$ 73.4**	$ 49.0	$ 46.4	$ 42.7	**$ 57.7**	$ 45.9	$ 5.4	$ 37.3
Net earnings per share	**0.94**	0.64	0.60	0.55	**0.75**	0.59	0.07	0.48
Adjusted net earnings (1)	**68.3**	50.1	42.5	41.3	**76.6**	44.1	34.2	41.4
Adjusted net earnings per share (1)	**0.88**	0.65	0.55	0.53	**0.99**	0.57	0.44	0.53
% of fiscal year	**34 %**	25 %	21 %	20 %	**39 %**	23 %	17 %	21 %

(1) Please refer to Table #2 in the section entitled "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;
- 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 note a slight decrease in our consolidated revenues. This decrease is mostly due to lower advertising spending in print media, which has a negative impact on circulation or the number of pages of certain print 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 Canadian retailers, in particular printed flyers. Many retailers still

consider printed flyers as the marketing tool of choice for generating traffic to the store. In addition, as a result of the seasonality of printing activities, we note that volume is higher in the fourth quarter.

The upward trend in financial data related to profitability results from 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 STRUCTURE

(unaudited)

Table #6

(in millions of dollars)	Three months ended		Year ended	
	October 29, 2017	October 31, 2016	**October 29, 2017**	October 31, 2016
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$ 126.3**	$ 135.6	**$ 410.9**	$ 396.0
Changes in non-cash operating items	**0.5**	(59.4)	**(31.0)**	(48.3)
Income taxes paid	**(15.4)**	(15.4)	**(55.8)**	(74.4)
Cash flows from operating activities	**$ 111.4**	$ 60.8	**$ 324.1**	$ 273.3
Investing activities				
Business combinations	**$ —**	$ (40.0)	**$ (15.9)**	$ (86.3)
Business disposals	**9.3**	1.6	**33.7**	4.2
Acquisitions of property, plant and equipment	**(8.7)**	(11.6)	**(33.2)**	(58.5)
Disposals of property, plant and equipment	**0.1**	0.3	**7.1**	7.1
Increase in intangible assets	**(1.7)**	(2.4)	**(15.6)**	(18.2)
Cash flows from investing activities	**$ (1.0)**	$ (52.1)	**$ (23.9)**	$ (151.7)
Financing activities				
Reimbursement of long-term debt	**$ —**	$ (4.6)	**$ (0.2)**	$ (34.4)
Net decrease in credit facility	**—**	—	**—**	(24.0)
Financial expenses on long-term debt	**(2.8)**	(2.8)	**(16.2)**	(16.2)
Interest received related to previous tax reassessments	**—**	—	**—**	7.9
Exercise of stock options	**2.3**	—	**7.6**	0.4
Dividends	**(15.6)**	(14.3)	**(60.9)**	(56.2)
Share redemptions	**—**	(6.2)	**—**	(21.5)
Cash flows from financing activities	**$ (16.1)**	$ (27.9)	**$ (69.7)**	$ (144.0)
Effect of exchange rate changes on cash denominated in foreign currencies	**$ —**	$ 0.9	**$ (0.1)**	$ 0.5
Net change in cash	**$ 94.3**	$ (18.3)	**$ 230.4**	$ (21.9)

Financial position	**As at October 29, 2017**	As at October 31, 2016
Net indebtedness [(1)]	**$ 101.2**	$ 331.4
Net indebtedness ratio [(1)]	**0.3 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 October 29, 2017**	As at October 31, 2016
Current assets	**$ 780.2**	$ 559.9
Current liabilities	**365.3**	384.9
Total assets	**2,136.7**	2,062.2
Total liabilities	**918.0**	993.5

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

ANALYSIS OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE - FISCAL YEAR

Cash Flows from Operating Activities

Cash flows from operating activities increased from $273.3 million in fiscal 2016 to $324.1 million in fiscal 2017. This increase is explained by an increase in cash flow generated by operating activities before changes in non-cash operating items and income taxes paid, by lower income taxes paid in 2017 as well as unfavourable timing differences in the collection of a few significant accounts receivable in 2016.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $151.7 million in fiscal 2016 to a cash outflow of $23.9 million in fiscal 2017. This decrease is mostly attributable to our acquisitions in the packaging division and higher investments in property, plant and equipment in fiscal 2016, partially offset by higher cash inflows related to the sale of our media assets in Atlantic Canada and several local and regional newspapers in Québec in fiscal 2017.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $144.0 million in fiscal 2016 to a cash outflow of $69.7 million in fiscal 2017. This decrease is mostly attributable to cash outflows related to the repayment of debt instruments and share repurchases in fiscal 2016.

Debt Instruments

Net indebtedness went from $331.4 million as at October 31, 2016 to $101.2 million as at October 29, 2017 as a result of our excess cash flows from operations as well as lower cash outflows related to our investing and financing activities. Consequently, our net indebtedness ratio stood at 0.3x as at October 29, 2017 compared to 0.8x as at October 31, 2016.

Contractual Obligations and Business Commitments

Table #7 :

Contract type (in millions of dollars)	2018	2019	2020	2021	2022 and thereafter	Total
Long-term debt	$ —	$ 300.0	$ 50.0	$ —	$ —	$ 350.0
Leasing of premises and other commitments	30.8	21.6	18.9	17.2	33.7	122.2
Accounts payable and accrued liabilities	304.7	—	—	—	—	304.7
Total obligations	**$ 335.5**	**$ 321.6**	**$ 68.9**	**$ 17.2**	**$ 33.7**	**$ 776.9**

The Corporation expects to contribute $4.9 million to its defined benefit plans during the year ending October 28, 2018, considering that it plans to use letters of credit from its credit facilities, as collateral for unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

Share Capital

Table #8:

Shares Issued and Outstanding	As at October 29, 2017	As at November 30, 2017
Class A (Subordinate Voting Shares)	**63,567,144**	**63,567,644**
Class B (Multiple Voting Shares)	**13,985,526**	**13,985,026**

The Corporation had been authorized to repurchase for cancellation on the open market or, subject to the approval of securities regulators, by private agreements, between April 15, 2016 and April 14, 2017, or at an earlier date if the Corporation concludes or cancels the bid, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 226,344 of its Class B Shares.

In December 2016, the Corporation received approval from the Toronto Stock Exchange to amend its normal course issuer bid ("NCIB') in order to increase the maximum number of Class A Subordinate Voting Shares that may be repurchased for cancellation on the open market or, subject to the approval of securities regulators, by private agreements, between April 15, 2016 and April 14, 2017, or at an earlier date if the Corporation concludes or cancels the bid, from 1,000,000 Class A Subordinate Voting Shares to 2,000,000 Class A Subordinate Voting Shares. The other terms

of the NCIB remained unchanged, including the repurchase of up to 226,344 Class B Shares. Under this NCIB, the Corporation repurchased 701 590 Class A Subordinate Voting Shares at a weighted average price of $17.42, for a total cash consideration of $12.2 million, of which 2,663 shares were repurchased in fiscal 2017 at a weighted average price of $17.48, for an insignificant total cash consideration.

This NCIB was renewed for one year as of April 17, 2017 and allows the Corporation to repurchase 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. No shares have been repurchased under that NCIB.

During fiscal 2017, certain executives of the Corporation exercised their stock options, which increased share capital by 594,262 Class A Subordinate Voting Shares.

The change in Class B Shares during fiscal 2017 is explained by the conversion of 89,100 Class B Shares into Class A Subordinate Voting Shares.

ANALYSIS OF LIQUIDITY - FOURTH QUARTER

Cash Flows from Operating Activities

Cash flows from operating activities increased from $60.8 million in the fourth quarter of 2016 to $111.4 million in the fourth quarter of 2017. This increase is mostly explained by unfavourable timing differences in the collection of a few significant accounts receivable in the fourth quarter of 2016 and by the increase in stock-based compensation expense as a result of the change in the share price in the fourth quarter of 2017 compared to the same period in 2016.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $52.1 million in the fourth quarter of 2016 to a cash outflow of $1.0 million in the fourth quarter of 2017. This decrease is mostly attributable to the acquisition of Flexstar Packaging in the fourth quarter of 2016 to the sale of local and regional newspapers in Québec in the fourth quarter of 2017.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $27.9 million in the fourth quarter of 2016 to a cash outflow of $16.1 million in the fourth quarter of 2017. This decrease is mostly attributable to share repurchases and to cash outflows related to the repayment of debt instruments in the fourth quarter of 2016.

MAIN ACCOUNTING ESTIMATES

Management of the Corporation is required to formulate estimates and assumptions that affect the amounts reported on the consolidated financial statements. Although Management regularly reviews its estimates, actual results may differ. The impact of changes to accounting estimates is recognized in the period during which the change occurs, and in the affected future periods, when applicable. The elements for which important or complex estimates and hypotheses are required are presented in Note 2 of the consolidated financial statements for the year ended October 29, 2017.

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 annual consolidated financial statements for more information.

New or amended accounting standards not yet adopted

The Corporation is assessing the extent of the impact of the changes in the following accounting standards on its consolidated financial statements:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"

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.

- IFRS 16 "Leases"
- Amendments to IAS 7 "Statement of Cash Flow"
- Amendments to IFRS 2 "Share-based Payment Transactions"

Please see Note 2 to the consolidated financial statements in order to obtain more information.

RISKS AND UNCERTAINTIES

Managing the risks to which the Corporation is exposed in the normal course of operations plays an important role in the decisions taken by Management with regards to acquisitions, capital investments, asset divestitures, plant consolidation and efforts to create synergies among operating sectors or other operating activities. This also guides decisions regarding cost reduction measures, product diversification, new market penetration and certain cash movements.

In addition to periodically re-examining current risks and the effectiveness of control and preventive measures already in place, Management assesses new risk factors. It determines the likelihood that these will occur and their potential impact, and implements strategies and processes to proactively manage these new risks. A report on the risk management program is presented regularly to the Audit Committee and Board of Directors.

The main risks and uncertainties to which the Corporation is exposed and our mitigation measures are described hereinafter. These risks and uncertainties are strategic, operational or financial in nature, and may have a material impact on our operations, our financial results, our financial position, our cash flows or our reputation. Readers are cautioned that this list is not exhaustive and that the risks and uncertainties are not presented in a specific order.

Changes to the Latest Risks Reported

As part of our business strategy aimed at transforming the Corporation, we sold our Saskatchewan media assets in 2016 and our Atlantic Canada media properties in April 2017. We continued with our strategy to exit the local and regional newspaper publishing niche during fiscal 2017 by putting in place a sale process for our 93 local and regional newspapers in Québec and Ontario. Accordingly, any references to risks related to this publishing activity have been removed. However, our related printing activities remain exposed to the digital advertising risk described hereinafter.

Strategic Risks

Printed Flyers - Impact of digital product development and adoption on the demand for retailer-related services

Over the past few years, certain Canadian retailers have experimented with interactive flyers, digital campaigns and loyalty programs. The impact of these initiatives on our flyer printing operations and our premedia and distribution services has so far been minimal as printed flyers continue to be, for retailers, an essential marketing vehicle for generating traffic to the store. However, a major change in consumer habits, including the use of e-commerce to purchase current consumer goods, could result in a significant decrease in the number of pages or frequency for the flyers printed by the Corporation, which could have an adverse impact on our financial results. To mitigate this risk, we remain alert to consumer trends and investments in e-commerce platform development planned by retailers. In addition, we continue to develop and enhance our offering to retailers and continuously strive to improve operational efficiency, in particular by maximizing the utilization of our most productive equipment.

Digital Advertising - Impact of digital product development and adoption on the demand for our other printed products

Digital platforms have become an essential means to reach consumers, and advertisers have a more diverse selection of media channels in which to spend their advertising dollars. A decline in the share of printed products in aggregate advertising spending and in the number of readers of printed products towards digital products could result in a decrease in the demand for printed products. This lower demand could have an adverse impact on the financial results of our newspaper, magazine and commercial product printing activities. To mitigate this risk, we continuously aim to optimize our platform based on the rate of decrease in printing volume.

Competition in the Printing Industry - Increase in foreign competition in the Canadian market

Competition is based on price, quality of products and services, lead times and the range of services offered. Some of the printing niches in which the Corporation operates are highly competitive; in addition, the presence of US-based competitors could increase as a result, among other things, of their excess capacity. An increase in foreign competition in the Canadian market could have an adverse impact on our market shares and financial results. To reduce this risk and remain competitive, the Corporation continuously strives to improve operational efficiency, in particular by maximizing the utilization of its most productive equipment. Furthermore, the Corporation continuously works to secure its customer relationships through long-term contracts and to improve the quality of its products.

Acquisitions - Our ability to properly identify opportunities and complete acquisitions in packaging

Our growth strategy in packaging is mainly based on our ability to complete acquisitions and on organic growth in existing operations. We must be able to target attractive opportunities, at a reasonable value, and compete with private equity companies and other companies operating in the packaging industry that are actively seeking acquisitions. The inability to properly identify opportunities and complete acquisitions could have an adverse impact on the development of our avenue of growth. To mitigate this risk, the company relies on an experienced team dedicated to the development of opportunities and that is strongly supported by senior management.

Long-term Organic Growth - Our ability to generate growth in our packaging division

The long sales cycle characterizing certain verticals represents a significant challenge for our ability to rapidly generate organic growth in our packaging division. This could have an adverse impact on our ability to expand this division quickly to offset the potential decline in our printing operations. To mitigate this risk, the Corporation has invested its North American sales force, which focuses on developing business with existing customers and increasing our sales funnel. We have also recruited various marketing, technical and other talents having experience with different verticals.

Competition in the Packaging Industry - Large companies with integrated operations have more expertise and resources for product development

The packaging industry is highly competitive. Some of our competitors have more experience and technical know-how, significant production facilities, a larger sales force and other resources dedicated to product development, especially in terms of formats and types of packaging. Our ability to evolve with technological changes and make appropriate research and development investments could result in significant costs for the Corporation and have an adverse impact on our growth rate in this industry. We have already invested in new capacity, our sales force and talent acquisition.

Major Customers - Change in consumption habits or loss of a major customer

Certain niches in which the Corporation operates have customers representing a significant portion of our revenues. It is the case for the flyer printing niche, where a few Canadian retailers may individually represent a significant portion of the printing division’s revenues. In addition, in the packaging division, Schreiber Foods, Inc. represents a substantial portion of current revenues, and we have a ten-year contract with them expiring in 2024. A change in consumption habits of a major customer or the loss of a major customer could have an adverse impact on net earnings. To mitigate this risk, the Corporation maintains solid, long-term relations with its main customers and, in the printing division, renews its significant contracts preemptively.

Customer Base - Impact of customer consolidation on our packaging operations

Our current or potential customers could be acquired. The acquirer may transfer production into its current supplier operations. Customer consolidation could have an impact on our net earnings. The Corporation mitigates this risk by renewing its significant contracts preemptively and by qualifying its packaging products. In addition, we may be temporarily protected by the length of the sales cycle in some packaging markets.

Control Held - Conflict of interest between the controlling shareholder and the other shareholders

As at October 29, 2017, Capinabel inc., a company controlled by Rémi Marcoux, directly or indirectly held 16.20% of shares outstanding and 73.19% of voting rights attached to the participating shares outstanding of Transcontinental Inc. Given the controlling stake of this shareholder, it is possible that in some situations the interests of the controlling shareholder might not correspond to the interests of other holders of participating shares of Transcontinental Inc.

Operational Risks

Integration of Acquisitions - Integrating acquisitions could disrupt our operating activities

Acquisitions have been and continue to be a key element in the Corporation’s growth strategy. However, integrating acquisitions generally involves risks, and these risks may increase with the size, sector and type of acquisition. Integrating businesses could cause temporary disruptions to production, make us lose major contracts and influence our personnel retention or our customer relationships. In addition, the identified synergies may not be fully realized or may take longer to realize. However, to limit the impact of the risks related to integrating acquisitions, the Corporation relies on strict acquisition criteria as well as experienced due diligence teams and rigorous integration methods.

Cybersecurity and Data Protection - An intrusion into our information systems could disrupt our operating activities, damage our reputation and result in legal actions

In the normal course of its activities, the Corporation relies on the continuous and uninterrupted operation of its systems, data hosting centers, cloud computing systems and computer hardware. In addition, it receives, processes and transfers sensitive data, including confidential information about the Corporation, its customers and its suppliers, as well as personal information about its employees.

If the Corporation were to experience cyber threats, breaches, unauthorized accesses, viruses or other security breaches, human errors, sabotage or other similar events, it could have an adverse impact on its activities, including system disruptions or breakdowns. This could also have an adverse impact on results and cause considerable damage to the Corporation's reputation, and could potentially result in legal actions.

Cyberattack attempts occur more and more frequently, and their nature continuously evolves and becomes more refined, which increases the risk that our operations could be disrupted and our data be compromised. In addition, it is possible that such an event might not be detected quickly enough to limit the scope of the information that could be stolen or compromised. Furthermore, regulators' requirements with respect to protection against potential intrusions are becoming stricter. The obligation to comply with new requirements could also have a financial impact on the Corporation. Customers' confidence in the security of the information held by the Corporation and transactions is crucial to maintain our reputation and competitiveness on the market.

We mitigate these risks by ensuring that we maintain a quality and reliable technology environment for our internal and external customers, in particular by adjusting our security policy, deploying security measures and investing in our computer infrastructure. We acquired a tool that maps our potential vulnerabilities, thereby helping us prioritize corrective measures. We also periodically run tests simulating an attack against our computer systems to verify our various security controls. In addition, we periodically assess our computer controls to ensure they comply with standards. Finally, to better prevent and control the impact of this risk, the Corporation has taken various measures, including employee training and awareness programs.

Operational Disruption - An operational disruption could affect our ability to meet deadlines

The Corporation increasingly concentrates the production of certain products in high-volume plants and, in the event of a disaster at one of these facilities, it could miss production deadlines. Our ability to meet deadlines could also be affected by major equipment failure, human error, labour disputes, transportation problems and supply difficulties. The magnitude of the impact of these risks on our results will depend on certain factors, including the nature of the disruption, its duration and the plant affected by the disrupting event. However, the Corporation has implemented contingency plans for facilities that deliver products daily and holds insurance policies that could indemnify it against a portion of the costs related to certain disasters.

Recruiting and Retaining Talent - Difficulty to attract and retain key employees in our main operating sectors

Social and demographic trends are making it more challenging to hire and retain qualified personnel in certain geographic areas. There is a diminishing pool of talent, an increase in professional mobility, an increase in technology use and a high demand for emerging skillsets. Considering the transformation of the Corporation, this risk is all the more important as the Corporation needs specific skills, including technical skills for product development to grow the packaging division. As a result, as part of an ongoing leadership review process, the Corporation established development plans for high-potential and promotable managers. Specific objectives are established, and managers are provided with operational growth opportunities and new challenges to further accelerate their development. Lastly, members of senior management are evaluated on their implementation of succession plans for key positions and the Corporation conducts a leadership review to face organizational challenges and ensure ongoing identification of successors.

Operational Efficiency - Inability to maintain or improve our operational efficiency

Due to the strong trends that affect the printing and publishing industry, the Corporation must continuously improve its operational efficiency to remain competitive. Regardless of the efficiency level it has already reached, there is no guarantee that the Corporation will be able to do this on an ongoing basis. As well, the need to reduce operating expenses could result in costs to downsize the workforce, close or consolidate facilities, or upgrade equipment and technology. Over the last few years, the Corporation significantly reduced its manufacturing assets in its printing division to improve efficiency at its most productive plants. Although there are always opportunities to improve operational efficiency at each plant and the Corporation has experienced managers to develop and execute such improvement plans, the initiatives available to react to a volume decrease could be insufficient and have a less favourable impact on the fixed cost structure.

Compliance with Governmental Regulations - Amendments to regulations or adoption of new regulations

The Corporation is subject to many regulations that may be amended by governmental authorities. Complying with amendments to regulations or stricter new regulations could result in a material cost increase for the Corporation. The Corporation could have to increase its workforce and enhance compensation, or invest in raw materials or equipment. Possible minimum wage increases in the province of Québec, for example, could significantly increase our costs in our door-to-door distribution niche. The Corporation also benefits from certain government subsidy programs. Any change in the rules for applying to these government programs could have a significant impact on the Corporation's net earnings.

Regulations - Safety and quality of packaging products for the food industry

The Corporation is a supplier of flexible packaging products that are used in the food industry, among others. It is therefore exposed to this industry's risks, such as labelling errors and transfers of foreign bodies, as well as certain health problems, including food contamination by organisms that cause illness, or pathogens, such as the bacteria E.coli, Salmonella and Listeria. The Corporation could thus be involved in a possible product recall. Such a situation could expose the Corporation to civil liability claims, negative publicity, investigations or governmental intervention, which would have a material adverse impact on the Corporation's financial position, net earnings and reputation. The Corporation actively manages these risks by using appropriate materials, ensuring that controls and processes are in place in its manufacturing facilities and maintaining civil liability insurance coverage. We also ensure that our products comply with the various regulations. Our finished products are subject to regulations issued by certain government agencies, including Health Canada and the United States Food and Drug Administration (FDA), which are responsible for protecting public health in the food industry. In the United States, the Consumer Product Safety Commission (CPSC) also regulates certain packaging products through various laws including the *Consumer Product Safety Act* and the *Poison Prevention Packaging Act*. In Canada, the packaging and labelling of food products as well as the safety of materials used in food packaging are regulated by Health Canada through laws such as the *Consumer Packaging and Labelling Act* and the *Food and Drugs Act*. Also, as a part of the food supply chain, we recognize the need to support our food based customers with specific information and assurances. We are committed to working with our customers to provide all the information needed in order to understand and minimize risk in their processes. For this purpose, and to further mitigate these risks and ensure consumer confidence in our products, some of our plants obtained SQF (Safe Quality Food) certification, are certified AIB International or have the GMI (Graphic Measures International) certification.

Environmental Risks - Amendments to regulations or adoption of new regulations and changes to consumption habits

The Corporation is subject to many environmental regulations that may be amended by governmental authorities. Complying with amendments to regulations or stricter new regulations could result in a material cost increase for the Corporation. Examples of such regulations include more restrictive air emissions limits, lower water contamination thresholds and additional requirements for soil decontamination or paper and plastic recycling. The advent of regulations on the extended producer responsibility (EPR) in several Canadian provinces also influenced the printing and packaging industry's landscape. These regulations use financial incentives to encourage producers to design eco-friendly products by making them responsible for end-of-life management of their products. Lastly, there is a trend toward phasing out single-use lightweight plastic bags in many jurisdictions around the world.

Also, the Corporation's printing and publishing operations require the daily use of large quantities of paper. Our distribution and flexible packaging operations require the use of large quantities of plastic. Certain consumers and certain of our customers could be concerned by the possible impact of increased use of paper and plastic on the environment and could become more vocal advocates of environment protection and sustainability promotion. Such concerns could result in damage to our reputation, revisions and adjustments to our practices and additional operating costs.

To mitigate environmental risks, the Corporation tries to be at the forefront of its industry in terms of commitment to environment protection and implements, in collaboration with its stakeholders, new initiatives to reduce its environmental footprint. In that respect, we adopted our environmental policy in 1993, and we adopted our paper purchasing policy in 2007 and broadened its scope in 2012. We are also a member of the *Sustainable Packaging Coalition*, an organization that brings together businesses, educational institutions and government agencies to expand our collective understanding of environmentally-friendly packaging. Also, our participation to initiatives favoring transparency, such as the Carbon Disclosure Project, confirms our renewed commitment to disclose our governance and our performance with respect to climate change issues.

Litigation - The Corporation is subject to legal risks related to its activities

The Corporation could be involved in litigation or legal proceedings resulting from our activities. The Media Sector could be involved in defamation cases related to statements in our publications. In addition, in connection with our restructuring activities, we may be involved in litigation regarding labour relations cases. In the Printing and Packaging Sector, the printing of incorrect information by the Corporation could lead to legal claims. In addition, in our acquisition activities, unidentified liabilities and significant legal obligations also represent a risk to us as the succesor. Although the Corporation establishes provisions for such litigation, we cannot ensure that the provisions for all claims correspond to the settlement amount and, as a result, this could potentially have an adverse impact on net earnings.

Raw Materials and Energy - A significant increase in the cost of raw materials and energy consumed

Paper, ink, plastic film and plates are the primary raw materials used by the Printing and Packaging Sector, and they represent a significant portion of our costs. In addition, this Sector consumes energy, more specifically electricity, natural gas and oil. A significant increase in raw materials and energy prices has an adverse impact on operations. To mitigate this risk, certain agreements with our customers provide for sales price indexation based on fluctuations in raw materials prices. However, in the short term, the impact on our net earnings will be influenced by our ability to change prices and improve our operational efficiency to offset the increases in raw materials prices. In addition, the increase in the price of these raw materials could have an adverse impact if it changes the purchasing habits of customers. Lastly, the increase in paper and ink prices also negatively affects the profitability of the Media Sector. With respect to a significant increase in energy prices, the Corporation continuously seeks new ways to reduce energy costs.

To ensure stable supplies at competitive prices for our Printing and Packaging Sector, we have deliberately consolidated our paper, ink and resin suppliers. Accordingly, the Corporation could also be exposed to a supply risk if some of our suppliers would experience financial instability or disruptions in their own operations. However, the Corporation does business with major suppliers that are well-established in their respective industries to ensure a ready supply of our raw materials.

Respect of Privacy and Copyrights - Violating users' privacy or copyrights could damage our reputation

The Canadian anti-spam legislation states that businesses that send commercial electronic messages must obtain the consent of the person to whom the message is sent. In addition, the Corporation must comply with copyright legislation. However, there could be situations in which some of the Corporation's activities would infringe on the privacy of users and others or some copyright rules would be contravened with the publication of different types of content in the various media used by the Corporation. While the Corporation has implemented strict controls in these areas, any breach with respect to the collection, use, disclosure or security of personal information, protection of copyright or other confidentiality issues could damage its reputation and adversely affect its earnings.

Financial Risks

Economic Cycles - Impact of economic cycles on the demand for our products

The Corporation's activities are exposed to economic cycles and difficult market conditions as a significant portion of their revenues depends, directly or indirectly, on spending by advertisers. Advertising spending tends to be cyclical as a result of global economic conditions and changes in consumers' buying habits. In addition, significant structural changes, in particular the consolidation in some industries and the adoption of digital platforms, also affect the industries of our main customers, which could have an adverse impact on the products offered by the Corporation. However, the Corporation believes it mitigates this risk through the very composition of its operations, since a substantial segment of its customer base operates in less cyclical markets, such as food. In addition, as the Corporation is a leader in its markets, we believe we can limit our exposure to economic cycles without, however, eliminating their adverse impact or magnitude.

Credit - Bad debts from certain customers

Certain factors, such as economic conditions and changes within certain industries, could expose the Corporation to credit risk with respect to receivables from certain of its customers, thereby affecting its ability to collect in accordance with the established terms of payment. To limit this risk, the Corporation maintains strict controls on credit. Senior management regularly analyzes and examines the financial position of customers and applies rigorous evaluation procedures to all new customers. The Corporation established a specific credit limit for each customer and periodically reviews the limits for major customers or customers considered risk-prone. As well, the Corporation believes that it is protected against any concentration of credit through its products, customer base and geographic diversity. The Corporation also has a credit insurance policy covering several of its major customers, for a maximum amount of $20.0 million in aggregate losses per year. The policy contains the usual clauses and limits regarding the amounts that can be claimed by event and year of coverage.

Liquidity - Availability of capital at a reasonable cost

The Corporation and its subsidiaries are exposed to liquidity risk, which is the risk that they will not be able to meet their financial obligations as they become due, or that they will be able to meet them, but at an excessive cost. This risk is however mitigated by the fact that the Corporation has a very good financial position, with a net indebtedness ratio of 0.3x as at October 29, 2017, and expects to continue generating significant cash flows from operations. In addition, as at October 29, 2017, the Corporation can access the full amount of its $400.0 million revolving credit facility, which matures in February 2021. However, it should be noted that the Corporation's financing ability and cost of financing depend on the credit ratings assigned by the various credit agencies.

Interest Rate - Increase in market interest rates with respect to our financial instruments

The Corporation is exposed to market risks related to increases in interest rates. The floating rate portion of the debt bears interest at rates based on LIBOR or bankers' acceptance rates. At the end of fiscal 2017, considering the derivative financial instruments used, the fixed rate portion of the Corporation's long-term debt represented 100% of total debt.

Exchange rates - Exchange rate fluctuations

The depreciation of the Canadian dollar against the US dollar in the last few years has increased the value of sales in the United States and created certain business opportunities, because the Corporation incurs the majority of its costs in Canadian dollars. In addition, our recent acquisitions in the United Stated have increased the share of the Corporation's revenues and profits in US dollars. The appreciation of the US dollar provides the Corporation with some protection against foreign competition. However, a potential recovery in the value of the Canadian dollar would have an adverse impact on net earnings. To minimize the risk of short-term foreign currency fluctuations, the Corporation attempts to match cash inflows and outflows in the same currency and has in place a currency hedging program that uses derivatives.

Taxation - Disputes with tax authorities or amendments to statutory tax rates in force

The Corporation believes that all expenses claimed by the various group entities are reasonable and deductible and the cost and capital cost deduction used for the depreciable properties of these entities have been calculated correctly. In the normal course of the Corporation's business, tax authorities conduct ongoing audits and, in that respect, there is no guarantee that tax authorities will not dispute the Corporation's position regarding certain tax issues. If rulings in such disputes favour the tax authorities, it could have a material adverse impact on the Corporation, its activities, its net earnings, its financial position and shareholders' returns.

If income tax rates increase or decrease in future periods in a jurisdiction, our provision for income taxes for future periods will increase or decrease accordingly. Furthermore, our deferred tax assets and liabilities will increase or decrease as income tax rates increase or decrease, respectively, and will result in an income tax impact. In addition, a reduction or an increase in the tax rate is expected to increase or decrease our annual net income from what it would have otherwise been.

Pension Plans - Impact of major market fluctuations on pension plan solvency

As at October 29, 2017, almost all of TC Transcontinental's active employees were participating in defined contribution pension plans. However, the risks related to the defined benefit pension plans that were in place prior to the migration, in 2010, to defined contribution plans are still assumed by the Corporation. Funding for defined benefit plans is based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the expected long-term rate of return on pension plan assets. The defined benefit obligation, fair value of plan assets and plan asset composition are measured at the date of the annual financial statements. The Corporation continues to apply its investment strategy to limit the exposure of our assets to major fluctuations that would affect pension plan solvency.

Impairment Tests - Impact of impairment tests on the value of assets

Under IFRS, the Corporation must test non-current assets for impairment if there is any indication that an asset or group of assets may have depreciated. Any asset write-downs from impairment testing would have an adverse impact on the Corporation's net earnings, but it would not have any major impact on the Corporation's compliance with the indebtedness ratio it must meet under the terms of its current credit facilities or on its borrowing capacity.

DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Chief Financial and Development Officer of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures.

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management to allow timely decisions regarding required disclosure.

The effectiveness of the design and operation of the Corporation's disclosure controls and procedures was evaluated as defined by *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* ("Regulation 52-109") as at October 29, 2017. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial and Development Officer of the Corporation concluded that the design and operation of disclosure controls and procedures were effective as at October 29, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Chief Financial and Development Officer of the Corporation are responsible for establishing and maintaining adequate internal controls. The purpose of internal control over financial reporting (“ICFR”) 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. The effectiveness of the design and operation of the Corporation’s ICFR was evaluated as at October 29, 2017, in accordance with the framework and criteria set out in the document entitled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in 2013, a recognized control model, and the requirements of Regulation 52-109. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial and Development Officer of the Corporation concluded that the design and operation of ICFR were effective as at October 29, 2017.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial reporting and the preparation of financial statements.

During the year ended October 29, 2017, no change that has materially affected or is reasonably likely to materially affect the ICFR was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

SUBSEQUENT EVENTS

Sale of local and regional newspapers in Québec and Ontario

In November and December 2017, the Corporation disposed of several groups of local and regional newspapers in the province of Québec, representing a total of 34 newspapers and related web properties, as well as one website in exchange for cash consideration and an amount receivable.

These sales of newspapers are in the context of the sale process of local and regional newspapers in Québec and Ontario announced by the Corporation on April 18, 2017.

Business combination

On October 31, 2017, the Corporation acquired all the shares of Les Industries Flexipak Inc. ("Flexipak"), a flexible packaging supplier located in Montréal, Québec. The Corporation will perform the assessment of the fair value of assets acquired and liabilities assumed of Flexipak during the next fiscal year.

This acquisition allows the Corporation to pursue its development in the packaging industry.

OUTLOOK FOR 2018

In the printing division, we expect revenues from all our services to Canadian retailers to remain relatively stable in fiscal 2018 compared to fiscal 2017. We will benefit, in the first months of the fiscal year, from the additional contribution from the expanded agreement with Lowe's Canada, and we intend to seize the opportunities to expand our services to our retail customers. In all the other printing verticals, we expect that our revenues will continue to be affected by a decline in volume caused by the same trends in the advertising market. In addition, in the newspaper printing activities, we will experience a volume decrease as a result of the end of the printing of *La Presse* as of January 2018 and *The Globe and Mail* in the Maritimes as of December, 2017. To partially offset the lower volume, we will continue with our operational efficiency initiatives, in particular the previously announced consolidation of our newspaper printing activities in Québec.

In our packaging division, the acquisition of Les Industries Flexipak Inc., completed in October 2017, will contribute to results in fiscal 2018, and we expect to maintain our disciplined acquisition approach. We also rely on our sales force to continue developing our funnel of potential customers and we expect for other sales to materialize. As a result of the temporary disruption in resin supply caused by the hurricane in the Gulf Coast of the United States in summer 2017, the price of several plastic resins increased and could have an unfavourable impact on costs in the first half of fiscal 2018.

In the Media Sector, we expect that the Business and Education Group will continue to perform well by diversifying its revenues in niches that depend little on advertising, while a reduction in advertising revenues will have an unfavourable impact on the print version of our specialty publications. In addition, our Sector revenues will be affected in 2018 by the sale of our media assets related to local and regional newspapers, but we will continue to adjust our cost structure based on the volume of activity.

To conclude, in fiscal 2018, we expect to continue generating significant cash flows from our operating activities and maintaining our excellent financial position, which should enable us to continue making acquisitions to support our transformation into packaging.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

December 14, 2017

KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Transcontinental Inc.

We have audited the accompanying consolidated financial statements of Transcontinental Inc., which comprise the consolidated statements of financial position as at October 29, 2017, and October 31, 2016, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Transcontinental Inc. as at October 29, 2017, and October 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/KPMG LLP*

December 14, 2017
Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A114306

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 29, 2017 and October 31, 2016
(in millions of Canadian dollars, except per share data)

	Notes	**October 29, 2017**	October 31, 2016
Revenues		**$ 2,007.2**	$ 2,019.5
Operating expenses	5	**1,610.5**	1,629.4
Restructuring and other costs (gains)	6	**(13.6)**	17.0
Impairment of assets	7	**4.9**	53.6
Operating earnings before depreciation and amortization		**405.4**	319.5
Depreciation and amortization	8	**103.4**	106.7
Operating earnings		**302.0**	212.8
Net financial expenses	9	**17.7**	15.9
Earnings before share of net earnings in interests in joint ventures and income taxes		**284.3**	196.9
Share of net earnings in interests in joint ventures, net of related taxes		**0.3**	0.5
Income taxes	10	**73.1**	51.1
Net earnings		**$ 211.5**	$ 146.3
Net earnings per share - basic		**$ 2.74**	$ 1.89
Net earnings per share - diluted		**$ 2.73**	$ 1.88
Weighted average number of shares outstanding - basic (in millions)	22	**77.3**	77.6
Weighted average number of shares - diluted (in millions)	22	**77.5**	77.8

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended October 29, 2017 and October 31, 2016
(in millions of Canadian dollars)

	Notes	**October 29, 2017**	October 31, 2016
Net earnings		**$ 211.5**	$ 146.3
Other comprehensive income (loss)			
Items that will be reclassified to net earnings			
Net change related to cash flow hedges			
Net change in the fair value of derivatives designated as cash flow hedges		**2.3**	0.9
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		**1.3**	6.5
Related income taxes		**1.0**	2.0
		2.6	5.4
Cumulative translation differences			
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**(19.5)**	13.9
Net change in the fair value of derivatives designated as hedges of net investments in foreign operations		**3.4**	0.6
Related income taxes		**0.9**	0.1
		(17.0)	14.4
Items that will not be reclassified to net earnings			
Changes in actuarial gains and losses in respect of defined benefit plans			
Actuarial gains (losses) in respect of defined benefit plans	27	**8.6**	(49.9)
Related income taxes		**2.4**	(13.4)
		6.2	(36.5)
Other comprehensive income (loss)	24	**(8.2)**	(16.7)
Comprehensive income		**$ 203.3**	$ 129.6

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended October 29, 2017 and October 31, 2016
(in millions of Canadian dollars)

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as at October 31, 2016		**$ 361.9**	**$ 3.2**	**$ 700.9**	**$ 2.7**	**$ 1,068.7**
Net earnings		**—**	**—**	**211.5**	**—**	**211.5**
Other comprehensive loss	24	**—**	**—**	**—**	**(8.2)**	**(8.2)**
Shareholders' contributions and distributions to shareholders						
Exercise of stock options	21	**9.7**	**(2.1)**	**—**	**—**	**7.6**
Dividends	21	**—**	**—**	**(60.9)**	**—**	**(60.9)**
Balance as at October 29, 2017		**$ 371.6**	**$ 1.1**	**$ 851.5**	**$ (5.5)**	**$ 1,218.7**
Balance as at October 31, 2015		$ 368.2	$ 3.2	$ 625.5	$ 19.4	$ 1,016.3
Net earnings		—	—	146.3	—	146.3
Other comprehensive loss	24	—	—	—	(16.7)	(16.7)
Shareholders' contributions and distributions to shareholders						
Share redemptions	21	(6.8)	—	(14.7)	—	(21.5)
Exercise of stock options	21	0.5	(0.1)	—	—	0.4
Dividends	21	—	—	(56.2)	—	(56.2)
Stock-option based compensation	23	—	0.1	—	—	0.1
Balance as at October 31, 2016		$ 361.9	$ 3.2	$ 700.9	$ 2.7	$ 1,068.7

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended October 29, 2017 and October 31, 2016
(in millions of Canadian dollars)

	Notes	**As at October 29, 2017**	As at October 31, 2016 [1]
Current assets			
Cash		**$ 247.1**	$ 16.7
Accounts receivable	11	**380.6**	401.9
Income taxes receivable		**17.2**	5.8
Inventories	12	**116.9**	119.6
Prepaid expenses and other current assets		**18.4**	15.9
		780.2	559.9
Property, plant and equipment	13	**500.8**	566.0
Intangible assets	14	**171.1**	217.0
Goodwill	15	**505.0**	509.7
Investments in joint ventures		**2.3**	2.9
Deferred taxes	10	**139.0**	171.3
Other assets	16	**38.3**	35.4
		$ 2,136.7	$ 2,062.2
Current liabilities			
Accounts payable and accrued liabilities	17	**$ 304.7**	$ 316.0
Provisions	19	**6.4**	9.8
Income taxes payable		**9.5**	3.5
Deferred revenues and deposits		**44.7**	55.4
Current portion of long-term debt	18	**—**	0.2
		365.3	384.9
Long-term debt	18	**348.3**	347.9
Deferred taxes	10	**44.1**	43.4
Provisions	19	**1.3**	2.9
Other liabilities	20	**159.0**	214.4
		918.0	993.5
Equity			
Share capital	21	**371.6**	361.9
Contributed surplus		**1.1**	3.2
Retained earnings		**851.5**	700.9
Accumulated other comprehensive income (loss)	24	**(5.5)**	2.7
		1,218.7	1,068.7
		$ 2,136.7	$ 2,062.2

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 29, 2017 and October 31, 2016
(in millions of Canadian dollars)

	Notes	**October 29, 2017**	October 31, 2016
Operating activities			
Net earnings		**$ 211.5**	$ 146.3
Adjustments to reconcile net earnings and cash flows from operating activities:			
Impairment of assets	7	**4.9**	53.6
Depreciation and amortization	8	**127.8**	132.7
Financial expenses on long-term debt	9	**17.5**	17.7
Net losses (gains) on disposal of assets		**(1.2)**	1.3
Net gains on business disposals	4	**(24.1)**	(3.0)
Income taxes	10	**73.1**	51.1
Net foreign exchange differences and other		**1.4**	(3.7)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**410.9**	396.0
Changes in non-cash operating items	25	**(31.0)**	(48.3)
Income taxes paid		**(55.8)**	(74.4)
Cash flows from operating activities		**324.1**	273.3
Investing activities			
Business combinations	4	**(15.9)**	(86.3)
Business disposals	4	**33.7**	4.2
Acquisitions of property, plant and equipment		**(33.2)**	(58.5)
Disposals of property, plant and equipment		**7.1**	7.1
Increase in intangible assets		**(15.6)**	(18.2)
Cash flows from investing activities		**(23.9)**	(151.7)
Financing activities			
Reimbursement of long-term debt	4 & 18	**(0.2)**	(34.4)
Net decrease in credit facility	18	**—**	(24.0)
Financial expenses on long-term debt		**(16.2)**	(16.2)
Interest received related to previous tax reassessments		**—**	7.9
Exercise of stock options	21	**7.6**	0.4
Dividends	21	**(60.9)**	(56.2)
Share redemptions	21	**—**	(21.5)
Cash flows from financing activities		**(69.7)**	(144.0)
Effect of exchange rate changes on cash denominated in foreign currencies		**(0.1)**	0.5
Net change in cash		**230.4**	(21.9)
Cash at beginning of year		**16.7**	38.6
Cash at end of year		**$ 247.1**	$ 16.7
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ (0.4)**	$ 1.5

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

1 GENERAL INFORMATION

Transcontinental Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. Its Class A Subordinate Voting Shares and Class B Shares are traded on the Toronto Stock Exchange. The Corporation's head office is located at 1 Place Ville Marie, Suite 3240, Montreal, Quebec, Canada H3B 0G1.

The Corporation is Canada's largest printer and a key supplier of flexible packaging in North America. The Corporation is also a leader in its specialty media segments. 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 year will always be the last Sunday of each October. This change took effect in the current fiscal year.

The Corporation's Board of Directors approved these consolidated financial statements on December 14, 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The accounting policies adopted in these annual consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at October 29, 2017. Any subsequent changes to the accounting policies, that will be in effect in the Corporation's consolidated financial statements after October 29, 2017, could result in a restatement of these annual consolidated financial statements.

The consolidated IFRS financial statements have been prepared in accordance with the following significant accounting policies:

a) Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis, except for certain derivative financial instruments, the liability related to stock-based compensation and contingent considerations which have been measured at their fair value, and defined benefit plan assets, as well as the obligations related to these plans, which have been measured at their present value, as indicated in the following accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

b) Basis of consolidation
The consolidated financial statements include the accounts of the Corporation, its subsidiaries and joint ventures. The accounting policies described have been applied consistently by all the subsidiaries and joint ventures.

i) Subsidiaries
Subsidiaries are all entities controlled by the Corporation. There is control when the Corporation is exposed or entitled to variable returns from its involvement with the issuing entity, and has the ability to exercise power over the issuing entity in order to influence significantly the amount of the returns it obtains. Subsidiaries are fully consolidated from the date on which the Corporation obtains control, and cease to be consolidated from the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries so that their accounting policies are consistent with those of the Corporation. An entity that is fully consolidated but that is not wholly owned by the Corporation results in a non-controlling interests, which is presented separately in the Consolidated Statement of Earnings and the Consolidated Statement of Financial Position.

The Corporation holds the following significant subsidiaries:

	Holding
Transcontinental Printing Inc. (Canada)	100.0 %
Transcontinental Printing 2007 Inc. (Quebec)	100.0
Transcontinental Printing 2005 G.P. (Quebec)	100.0
Transcontinental Printing Corporation (Delaware)	100.0
Transcontinental Media Inc. (Quebec)	100.0
Transcontinental Media G.P. (Quebec)	100.0
Transcontinental Interactive Inc. (Canada)	100.0
TC Transcontinental Packaging Inc. (Delaware)	100.0

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Joint ventures
Joint ventures are entities over which the Corporation has joint control, established by contractual agreements that require the unanimous consent of the parties for decisions on activities that have a significant effect on the returns of the entity and in which the Corporation has rights on the net assets of the entity. Joint ventures are accounted for using the equity method. The Corporation's interest in joint ventures are mainly in the Media Sector and their effect on the consolidated assets, liabilities, revenues and expenses is not significant.

c) Business combinations
Business combinations are accounted for using the acquisition method, and their operating results are included in the consolidated financial statements as of the acquisition date. The consideration transferred is the total fair value of the assets acquired, equity instruments issued, liabilities incurred or assumed by the Corporation and contingent considerations, on the acquisition date, in exchange for control of the acquired entity. The excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. The transaction costs attributable to the acquisition are recognized in net earnings when they are incurred.

If the agreement includes a contingent consideration, it is measured at fair value as of the acquisition date and added to the consideration transferred, and a liability for the same amount is recognized. Any subsequent change to the fair value of the contingent consideration will be recognized in net earnings.

If the initial recognition of the business combination is incomplete when the financial statements are issued for the period during which the acquisition occurred, the Corporation records a provisional amount for the items for which measurement is incomplete. Adjustments to the original recognition of the business combination will be recorded as an adjustment to the assets acquired and liabilities assumed during the measurement period, and the adjustments must be applied retroactively. The measurement period is the period from the acquisition date to the date on which the Corporation has received complete information on the facts and circumstances that existed as of the acquisition date.

If a business combination is achieved in stages, the Corporation reassesses the share it held previously in the acquiree at fair value at the acquisition date and includes the gain or loss resulting, if any, to the net earnings.

In the case of a business combination of less than 100%, a non-controlling interest is measured, either at fair value or at the non-controlling interest's share of the net identifiable assets of the acquiree. The basis of measurement is determined on a transaction-by-transaction basis.

d) Revenue recognition
Revenues are measured at the fair value of the consideration received or receivable, less the estimated amount of discounts and other similar reductions granted to customers.

When it sells goods, the Corporation recognizes revenues when the following conditions have been satisfied:
- the significant risks and rewards of ownership have been transferred;
- the Corporation retains neither continuing managerial involvement nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Corporation;
- the costs incurred or to be incurred as part of the sale of goods can be reliably measured.

When rendering services, the Corporation recognizes revenues when the following conditions have been satisfied:
- the amount of revenue can be reliably measured;
- the stage of completion of the activity can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Corporation;
- the costs incurred or to be incurred as part of the rendering of services can be reliably measured.

i) In the Printing and Packaging Sector, revenues are recognized as follows:

Printing and production of flexible packaging revenues:
Printing and production of flexible packaging revenues are recognized when the products are shipped or delivered, in accordance with the customer agreement.

Distribution revenues:
Door-to-door distribution revenues are recognized at the delivery date of the advertising material.

Premedia revenues:
Premedia revenues are recognized when services are provided, in accordance with the customer agreement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) In the Media Sector, revenues are recognized as follows:

Advertising revenues:
Advertising revenues are recognized at the publication date in the case of a daily or weekly publication or at the date of issue in the case of a monthly publication.

Subscription revenues:
Subscription revenues are recognized using the straight-line method, based on subscription terms, which represent the period during which the services are provided. Accordingly, amounts received are recorded in deferred subscription revenues, and subsequently transferred to income based on the length of term of the subscription.

Newsstand revenues:
Newsstand revenues are recognized at the time of delivery, net of a provision for returns.

Book revenues:
Book revenues are recognized when the books are shipped to customers, net of a provision for returns.

Custom publishing revenues:
Custom publishing revenues are recognized when products are shipped or delivered, or when services are provided, in accordance with the customer agreement. Revenues for updating digital publications are recognized based on the percentage of completion.

Revenues for the use of computerized tools:
Revenues for the use of computerized tools are recognized based on usage, storage space or reports generated, in accordance with the customer agreement. Revenues billed also consider volume discounts.

e) Exchange transactions
In the normal course of business, the Corporation offers advertising in exchange for goods or services. The related revenues are measured at the fair value of the goods and services received or given when the fair value of the goods or services received cannot be reliably measured. For the year ended October 29, 2017, the Corporation recognized an amount of $2.3 million as exchange transactions ($4.3 million for the year ended October 31, 2016).

f) Income taxes
The Corporation records income taxes using the liability method of accounting. Income tax expense represents the sum of current and deferred taxes. It is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

i) Current Tax
Current tax is the expected tax payable or receivable on the period's taxable income, using tax rates enacted or substantively enacted at the date of the financial statements, and any adjustment to tax expense or recovery in respect of previous years. Taxable income differs from the income reported on the Consolidated Statement of Earnings due to items of income and expense that are taxable or deductible during other periods, or items that will never be taxable, or deductible.

ii) Deferred tax
Deferred tax is determined on the basis of temporary differences between the carrying amounts and the tax bases of assets and liabilities, and is measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the financial statements. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for temporary differences arising on the initial recognition of goodwill. The carrying value of deferred tax assets is reviewed at the end of each period and a reduction to the carrying amount is recognized when it is probable that these assets will not be realized.

g) Government assistance
Investment tax credits related to the purchase of property, plant and equipment or intangible assets are recorded as a reduction in the cost of the underlying asset. Investment tax credits related to operating expenses are recorded as a reduction of such expenses. Government assistance related to publishing activities is recorded as a reduction to publishing costs.

h) Cash and cash equivalents
Cash and cash equivalents include cash, bank overdraft and highly liquid investments with original maturities of less than three months.

i) Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method, and includes the acquisition costs of raw materials and manufacturing costs, such as direct labor and a portion of manufacturing overhead.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Supplier rebates
The Corporation records supplier rebates as a reduction in the price of products or services received and reduces operating expenses in the Consolidated Statements of Earnings and related inventory in the Consolidated Statements of Financial Position. These rebates are estimated based on anticipated purchases.

k) Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditures directly attributable to the acquisition of the property, plant and equipment. The costs, such as borrowing costs incurred directly for the acquisition or construction of property, plant and equipment, are capitalized until the asset is ready for its intended use, and are depreciated over the useful life of the related asset. Property, plant and equipment under construction are not depreciated as long as they have not been put in service.

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	20-40 years
Leasehold improvements	Term of the lease
Machinery and equipment	3-15 years
Machinery and equipment under finance leases	3-15 years
Other equipment	2-5 years

Major parts of property, plant and equipment with different useful lives are accounted for as separate components of the asset, and depreciated over their respective useful lives.

Depreciation methods, useful lives and residual values are reviewed and adjusted prospectively, if applicable, at each reporting date.

l) Leases
Leases are classified as finance leases when substantially all risks and rewards of ownership of the leased property are transferred to the lessee. Other leases are classified as operating leases.

Property, plant and equipment held under a finance lease is initially recognized at the lesser of the fair value of the asset and the present value of the minimum lease payments. The leased item is then recognized in the same manner as other similar assets held by the Corporation. The related liability payable to the lessor is recorded as a debt resulting from a finance lease and a finance charge is recognized in net earnings for the duration of the lease.

Operating leases are recorded to income on a straight-line basis over the term of the lease.

m) Intangible assets

i) Identifiable intangible assets acquired in a business combination
Identifiable intangible assets acquired in a business combination are recorded at fair value upon the acquisition date, and subsequently recognized at cost less any accumulated amortization and accumulated impairment losses.

ii) Internally generated intangible assets
Internally generated intangible assets consist of book prepublication costs and technology project costs. The cost of an internally generated intangible asset includes all the directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Expenses incurred in research activities are expensed in the period in which they are incurred. Expenses incurred in development activities are also expensed in the period in which they are incurred, except if they meet all the criteria for capitalization. The initial amount recognized as an internally generated intangible asset is equal to the sum of expenses incurred from the date when the intangible asset first meets the recognition criteria.

Following initial recognition, internally generated intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets with finite useful lives are amortized according to the following methods and estimated useful lives:

	Term / Rate	Method
Customer relationships	10% - 25%	Declining balance
Book prepublication costs	Maximum 7 years	Based on historical sales patterns
Educational book titles	6-9 years	Based on historical sales patterns
Acquired printing contracts	Term of the contract	Straight-line
Non-compete agreements	2-5 years	Straight-line
Technology project costs	3-7 years	Straight-line

Amortization methods, useful lives and residual values are reviewed and adjusted prospectively, if applicable, at each reporting date.

Intangible assets with indefinite useful lives are not amortized. They mainly consist of trade names acquired as part of business combinations for newspaper and book publication activities. The value attributed to trade names is based on the reputation that a publication has built historically. Given that this value is not affected by the passage of time, it is impossible to allocate it systematically over time. Intangible assets with indefinite useful lives are tested annually for impairment or more frequently if changes in circumstances indicate a potential impairment.

iii) Goodwill
Goodwill is recognized at cost, which represents the amount by which the consideration transferred exceeds the fair value of the net identifiable assets of the acquired businesses and at the cost less accumulated impairment losses thereafter. Goodwill has an indefinite useful life and is not amortized.

n) Impairment of non-financial assets
The Corporation reviews the carrying value of its non-financial assets, other than inventories and deferred tax assets, at each reporting date in order to determine whether there is an indication of potential impairment.

Intangible assets that have indefinite useful lives acquired in business combinations are allocated to cash generating units ("CGU"), and assessed for impairment annually, or more frequently if changes in circumstances indicate potential impairment. In the presence of such changes, an estimate is made of the asset's recoverable value.

Goodwill acquired in a business combination is allocated, beginning on the acquisition date, to the group of CGUs that will benefit from the synergies of the combination. For the purpose of impairment testing, non-financial assets that cannot be tested individually for impairment are grouped to form the smallest group of assets that generates, through continuing use, cash flows that are largely independent of the cash flows from other assets. Each group of CGUs to which goodwill is allocated may not be larger than an operating segment, and represents the lowest level at which goodwill is monitored through internal management.

The recoverable value of a CGU (or group of CGUs) is the greater of its value in use and its fair value less costs to sell. Value in use is determined by discounting estimated future cash flows, using a discount rate that reflects current assessments of the market, of the time value of money and of the risks specific to the CGU (or group of CGUs). Fair value less costs to sell is determined by using an EBITDA (earnings before interest, taxes, depreciation and amortization) capitalization multiple of comparable companies whose activities are similar to those of each CGU (or group of CGUs).

The most recent detailed calculation made in a preceding period of the recoverable amount of a CGU (or group of CGUs) to which goodwill has been allocated may be used in the impairment test of that CGU (of group of CGUs) in the current period provided all of the following criteria are met:

- the assets and liabilities making up the CGU (or group of CGUs) have not changed significantly since the most recent recoverable amount calculation;
- the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU (or group of CGUs) by a substantial margin; and
- based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the CGU (or group of CGUs) is remote.

An impairment loss is recognized if the carrying amount of an asset, a CGU (or group of CGUs) exceeds its estimated recoverable value. Impairment losses are recognized in net earnings. Impairment losses recognized are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. Previously impaired non-financial assets are reassessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there have been changes to the estimates used to determine the recoverable value, and that these changes will be supported in the future. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

o) Contract acquisition costs
Contract acquisition costs are amortized using the straight-line method over the related contract term, as reductions of revenues. Whenever significant changes occur that impact the related contract, including declines in anticipated profitability, the Corporation evaluates the realizable value of the contract acquisition costs to determine whether an impairment has occurred. These costs are included in other assets in the Consolidated Statement of Financial Position.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Provisions
Provisions are liabilities of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation arising from past events, when it is probable that an outflow of funds will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the Corporation's best estimate of the present obligation at the end of the reporting period. When the effect of discounting is significant, the amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Corporation's main provisions are related to restructuring costs and onerous contracts. Provisions are reviewed at each reporting date and any changes to estimates are reflected in the Consolidated Statement of Earnings.

i) Restructuring
A restructuring provision is recorded when the Corporation has a formal and detailed restructuring plan, and a valid expectation has been created among those affected, either by commencing execution of the plan or by announcing its main characteristics. Future operating losses are not subject to a provision.

ii) Onerous contracts
An onerous contract provision is recorded when the Corporation has a contract under which it is more likely than not that the unavoidable costs of meeting the contractual obligations will be greater than the economic benefits that the Corporation expects from the contract. An onerous contract provision represents the lesser of the cost of exiting from the contract and the cost of fulfilling it.

q) Employee benefits
The Corporation offers various contributory and non-contributory defined benefit plans for pension and other post-employment benefits, defined contribution pension plans and registered group savings plans to its employees. Since June 1, 2010, most employees participate only in defined contribution pension plans. The Corporation also provides other long-term employee benefit plans that provide the continuation of benefits for dental and health care in case of long-term disability.

The Corporation participates in multi-employer pension plans accounted for as defined contribution plans. The Corporation's contributions to these plans are limited to the amounts established under the collective agreements. Contributions to the plans are recognized in net earnings at the time of delivery of services by employees.

i) Defined benefit plans
The cost of defined benefit pension plans and other post-employment defined benefit plans are established with the assistance of independent actuaries on each reporting date, using the Projected Unit Cost Method and based on management’s best estimates regarding the discount rate, expected rate of return of the plans’ investments, salary increases, changes in health care costs, the retirement age of employees and life expectancies. The discount rate is based on applicable market interest rates on first-class corporation bonds with maturities corresponding to the time of payment of benefits provided under the plans.

The defined benefit asset (liability) recognized in the Consolidated Statement of Financial Position is the present value of the defined benefit obligation, less the fair value of plan assets. The value of plan assets is limited to the total of unrecognized past service cost and the present value of the economic benefits available, in the form of refunds from the plan or reductions in future contributions to the plan ("effect of asset ceiling"). Any surplus is immediately recognized in other comprehensive income ("OCI"). In addition, a minimum liability is recognized when the minimum statutory financing of past service exceeds the economic benefits available, either as a plan repayment or as a reduction in future plan contributions.

Net cumulative actuarial gains or losses related to plan assets and the defined benefit obligation, as well as the variation of the asset ceiling and any minimum liability, are recognized in OCI during the period in which they occur, except for actuarial gains or losses and other post-employment benefits which are recognized immediately in net earnings.

Past service costs are recognized as an expense in the Consolidated Statement of Earnings during the period in which they occur. Current service costs and the financial costs related to the net obligation or the net asset of the defined benefit obligation are recognized in net earnings during the period in which they occur, in operating expenses and net financial expenses respectively.

ii) Defined contribution pension plans, group registered savings plans and state plans
Under the defined contribution pension plans, group registered savings plans and state plans, the Corporation makes contributions to the participating employees' plans using a predetermined percentage of the employee's salary and has no legal or constructive obligation to pay additional amounts. The cost for these plans is recorded when services are rendered by employees, which is generally at the same time the contributions are made. The Corporation's contributions that are paid to state plans are managed by government bodies.

r) Stock-based compensation
The Corporation has stock option plans and share unit plans for certain officers, senior executives and directors.

i) Stock option plan
Stock options are measured at fair value at the time they are granted using the Black-Scholes model, and are recognized in net earnings on a straight-line basis at a rate of 25% per year, which is the period over which the rights on the options vest, and according to the Corporation's estimate of the number of options that will vest. On each reporting date, the Corporation reviews its estimates of the number of options that are expected to vest and recognizes the impact of this review in net earnings, if required.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Share unit plan for certain officers and senior executives
Compensation costs related to share unit plans for certain officers and senior executives are recognized in net earnings on a straight-line basis over the three-year vesting period, either on the achievement of performance targets for the units related to performance, or on tenure for other units. The liability for these units is measured at fair value based on the trading price of Class A Subordinate Voting Shares of the Corporation, and are remeasured on each reporting period, until settlement. Any changes in the fair value is recognized in net earnings. On each reporting period, the Corporation reviews its estimate of the number of units expected to vest, and recognizes the impact of this review in net earnings as Operating expenses, if required.

iii) Share unit plan for directors
Compensation costs related to share units for directors are recognized in net earnings at the time they are granted. These units are initially measured at fair value based on the trading price of Class A Subordinate Voting Shares of the Corporation, and are remeasured on each reporting period, until settlement. Any changes in fair value are recognized in net earnings as Operating expenses.

s) Foreign currency translation
The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation. The functional currency is the currency of the primary economic environment in which the Corporation operates. The functional currency of the operating foreign subsidiaries, with the exception of foreign sales offices of the Canadian operations, is the U.S dollar.

Transactions denominated in a currency other than the functional currency of the Corporation or of a foreign subsidiary whose functional currency is the Canadian dollar, are accounted for using the exchange rate prevailing on the transaction date. On each reporting date, monetary items denominated in a foreign currency are translated using the exchange rate prevailing on that date, and non-monetary items that are measured at historical cost are not adjusted. Exchange differences are recognized in net earnings in the period during which they occur.

The assets and liabilities of foreign subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars by applying the exchange rate prevailing as at the reporting date. Revenue and expense items are translated at the average exchange rate for the period. Exchange differences are recognized in OCI under "Cumulative translation differences" and are accumulated in equity. The accumulated amount of exchange differences is reclassified in net earnings upon disposal or partial disposal of an interest in a foreign operation.

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

t) Financial instruments
Financial assets and liabilities are initially recognized at fair value and their subsequent valuation is dependent on their classification. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments.

Financial assets and liabilities are classified and subsequently valued as follows:

	Category	Subsequent valuation
Cash and cash equivalents	Loans and receivables	Amortized cost, at the effective interest rate
Accounts receivable and other receivables	Loans and receivables	Amortized cost, at the effective interest rate
Accounts payable, other accrued liabilities and other financial liabilities	Other financial liabilities	Amortized cost, at the effective interest rate
Contingent consideration	Fair value through profit or loss	Fair value
Long-term debt	Other financial liabilities	Amortized cost, at the effective interest rate
Derivative financial instruments	Held for trading	Fair value

Transaction costs directly related to the acquisition or the issue of financial assets or liabilities are capitalized to the cost of financial assets and liabilities when they are not classified as held for trading. Thus, issuance costs of long-term debt are classified as a reduction in long-term debt, and amortized using the effective interest rate method.

Changes in fair value of financial instruments held for trading are recorded in the Consolidated Statement of Earnings in the appropriate period. Changes in fair value of financial instruments designated as cash flow hedges are recorded, for the effective portion, in the Consolidated Statement of Comprehensive Income in the appropriate period until their realization, after which they are recorded in the Consolidated Statement of Earnings.

u) Derivative financial instruments and hedge accounting
The Corporation identifies, evaluates and manages financial risks related to changes in interest rates and foreign exchange rates in order to minimize the effect on its results and financial position, using derivative financial instruments for which parameters have been defined and approved by the Board of Directors. If the Corporation did not use derivative financial instruments, exposure to market volatility would be greater.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When applying hedge accounting, the Corporation formally documents the relationship between the derivative financial instruments and the hedged items, as well as its objective and risk management strategy underlying its hedging activities, as well as the methods that will be used to assess hedge effectiveness. This process includes linking all derivative financial instruments designated as a hedge item to specific assets and liabilities, firm commitments or specific anticipated transactions.

At the inception of the hedging relationship and throughout its duration, the Corporation must have reasonable assurance that the relationship will remain effective and in accordance with its risk management objective and strategy as initially documented. The effectiveness of the hedging relationship must be confirmed at each reporting date.

For derivative financial instruments designated as cash flow hedges, the effective portion of the hedging relationship, and the effective portion of changes in fair value of the derivative, are recognized in OCI and the ineffective portion is recognized in the Consolidated Statement of Earnings. The effective portion of the hedging relationship related to interest and capital payments and foreign currency sales is reclassified to net earnings during the period in which the hedged item affects net earnings. The effective portion of the currency risk hedging relationship of a firm commitment acquisition of entity as part of business combinations, reported in accumulated OCI, is reclassified against goodwill at its initial recognition of the acquired entity.

When hedging instruments mature or become ineffective before their maturity, any gains or losses, revenues or expenses associated with the hedging instrument that had previously been recognized in OCI as a result of applying hedge accounting are carried forward to be recognized in net earnings in the period during which the asset acquired or liability incurred affects net earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise before the hedging instrument expires, any gains or losses, revenues or expenses associated with the hedging instrument that had previously been recognized in OCI as a result of applying hedge accounting are recognized in the reporting period's net earnings along with the corresponding gains or losses, revenues or expenses recognized on the hedged item.

Derivative financial instruments offering economic hedging without being eligible for hedge accounting are accounted for at fair value with changes in fair value recorded in net earnings. The Corporation does not use derivative financial instruments for speculative or trading purposes.

v) Discontinued operations
A discontinued operation is a component of the Corporation's activities that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

w) Critical judgments and sources of estimation uncertainty
The preparation of financial statements in accordance with IFRS requires the Corporation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and contingent liabilities on the reporting date, and amounts of revenues and expenses for the relevant period. Although management regularly reviews its estimates, actual results may differ. The impact of changes to accounting estimates is recognized in the period during which the change occurs, and in the affected future periods, when applicable. Areas in which the estimates and assumptions are significant or which are complex, are presented as follows:

i) Business combinations
Determination of fair value associated with identifiable intangible assets following a business combination requires management to make assumptions. More specifically, this is the case when the Corporation calculates fair values using appropriate valuation techniques, which are generally based on a prediction of expected future cash flows. These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied. Significant changes to these assumptions could significantly change the fair values associated with identifiable intangible assets following a business combination, which would impact the amortization expense.

ii) Impairment of non-financial assets
As part of assessing goodwill, property, plant and equipment and intangible assets for impairment, the recoverable value of a CGU is determined using a complex valuation method that requires the use of a number of methods, including the discounted future cash flow method and the market-based method.

In relation to the use of the method based on discounting future cash flows, cash flow projections are established based on past experience, certain economic trends as well as industry and market trends, and represent management's best estimate as to future results. The recoverable value of a CGU is also influenced by the discount rate used in the model, by the growth rate used to make the extrapolation and by the average weighted cost of capital.

When a market-based method is used, the Corporation estimates the fair value of the CGU by multiplying the normalized results before depreciation and amortization, interest and taxes by a capitalization multiple that is based on market data.

These methods rely on numerous assumptions and estimates that may have a significant impact on the recoverable value of a CGU, and thereby, on the amount of impairment, if required. The impact of significant changes in assumptions and the review of estimates is recognized in net earnings in the period in which the changes occur or the estimates are reviewed, if required.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Provisions
Provisions are liabilities of uncertain timing or amount. Determination of an amount for provisions requires that management make assumptions and estimates of discount rates, projected costs and timelines, and the probability of occurrence of the obligations. Significant changes to these assumptions may significantly change the amounts determined as provisions. The impact of such changes is recognized in net earnings in the period in which the changes occur, if required.

iv) Income taxes
In the calculation of current tax, the Corporation is required to make significant estimates due to the fact that it is subject to tax laws of the many jurisdictions in which it operates. Similarly, the amount of current tax may change as a result of various factors, such as future events, changes in income tax laws or the outcome of reviews by tax authorities and related appeals.

In the calculation of deferred tax, estimates must be used to determine the appropriate rates and amounts, and to take into account the probability of their occurrence. Deferred tax assets also reflect the benefit of unused tax losses that can be carried forward to reduce income taxes in future years. This assessment requires the Corporation to exercise significant judgments in determining whether or not it is probable that the deferred tax assets can be recovered from future taxable income and therefore, that they can be recognized in the Corporation's consolidated financial statements. The Corporation relies, among other things, on its past experience to apply its judgment.

Once the final amounts have been determined, they may result in adjustments to current and deferred tax assets and liabilities.

v) Employee benefits
The costs of defined benefit pension plans and the defined pension benefit assets (liabilities) are valued using actuarial methods. Actuarial valuations are based on assumptions such as discount rates, expected rates of return on assets, compensation growth rates and mortality rates. Due to the long-term nature of these obligations, these estimates are subject to significant uncertainty. Management reviews these assumptions annually and the impact of the review is recognized in the Statement of Financial Position and in comprehensive income in the period in which the estimates are reviewed, if required.

The preparation of financial statements in accordance with IFRS also requires management to make judgments, other than those involving estimates, in the process of applying the Corporation's accounting policies. Areas in which judgments are significant are as follows:

vi) Impairment of non-financial assets
Goodwill acquired in a business combination is allocated, beginning on the acquisition date, to the group of CGUs that will benefit from the synergies of the combination. During this process, the Corporation applies judgment based on the objectives sought in the business combination and on how it manages its operations. Application of a different judgment could lead to a different result in regards with the annual impairment test of non-financial assets.

The Corporation also uses its judgment to determine whether an impairment test must be performed due to the presence of potential impairment indicators. In applying its judgment, the Corporation relies primarily on its knowledge of its business and the economic environment.

vii) Foreign currency translation
In determining the functional currency of its foreign subsidiaries, the Corporation needs to evaluate different factors such as the currency that mainly influences sales prices and costs, the economic environment and the degree of autonomy of the subsidiary. Following the evaluation of the different factors, when the functional currency is not obvious, the Corporation uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

viii) Assets held for sale and discontinued operations
The Corporation applies judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and that its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. The Corporation also applies judgment to determine whether a component of the Corporation that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation. The key area that involves management judgment in this determination is whether the component represents a separate major line of business or geographical area of operation.

New or amended accounting standards adopted

a) Clarification of acceptable methods of depreciation and amortization
In May 2014, the IASB issued modifications to IFRS 16 "Property, Plant and Equipment" and to IAS 38 "Intangible Assets". The amendments to IAS 16 explicitly mentions that depreciation 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 the revenues. The Corporation adopted these amendments on November 1, 2016, but did not modify its amortization method for book prepublication costs and educational book titles by using the available exemption to this type of assets in the context of the book industry. The adoption of these modifications had no significant impact on the consolidated financial statements of the Corporation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New or amended accounting standards not yet adopted (continued)

a) Financial Instruments
In July 2014, IASB issued IFRS 9, "Financial Instruments". IFRS 9 replaces IAS 39 "Financial Instruments: Classification and measurement" and IFRIC 9 "Reassessment of embedded derivatives".

The IASB completed its project to replace IAS 39 by stages. IFRS 9 provides a single approach for the classification and measurement of financial instruments based on the cash flow characteristics and the economic model in which the asset is held. This single principle-based approach replaces the existing rules-based requirements and results in a single impairment model for all financial instruments. IFRS 9 also modifies the hedge accounting model to incorporate the risk management practices of an entity. IFRS 9 will be applicable to the Corporation for the annual period beginning on October 29, 2018, with earlier application permitted. The potential impact of the adoption of this standard on consolidated financial statements of the Corporation is still in the process of being determined.

b) 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" and related interpretations.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to depict the transfer of promised goods or services to customers.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

IFRS 15 will be applicable to the Corporation for the annual period beginning on October 29, 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 will devote, during the upcoming months 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.

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

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases. The only exemptions to this treatment are for lease contracts with duration of less than one year and those with a low value of the underlying asset. This accounting treatment will result in the grossing up of the statement of financial position due to a right-of-use asset being recognized with an offsetting liability representing the obligation to make lease payments. Lessor accounting under the standard remains largely unchanged. IFRS 16 will be applicable to the Corporation for the annual period beginning on October 28, 2019, with earlier application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

d) Statement of cash flow
In January 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows", which will require specific disclosures to enable financial statement users to assess changes in liabilities from financing activities. These amendments will be applicable to the Corporation for the annual period beginning on October 30, 2017, with earlier application permitted. This amendment is not expected to have significant impacts on the Corporation's consolidated financial statements.

e) Classification and Measurement of Share-based Payment Transactions
In June 2016, the IASB issued "Classification and Measurement of Share-based Payment Transactions", which amends IFRS 2 "Share-based Payment", which clarifies how to account for certain types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. These amendments are effective applicable to the Corporation for the annual period beginning on October 29, 2018, and are applicable to awards granted on or after that date and to unvested and vested but unexercised awards outstanding at that date. The amendments are to be applied prospectively, with retrospective application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

3 SEGMENTED INFORMATION

The operating segments were determined and grouped by management in two separate sectors, according to the type of activity, which are manufacturing and publishing activities. The Printing and Packaging Sector includes the manufacturing activities of the Corporation and generates revenues from activities such as the printing of retail flyers, magazines, newspapers, color books, personalized and mass marketing products, 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 the 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:

Year ended October 29, 2017	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 1,809.2**	**$ 232.3**	**$ (34.3)**	**$ 2,007.2**
Operating expenses	**1,402.7**	**211.6**	**(3.8)**	**1,610.5**
Adjusted operating earnings before depreciation and amortization [1]	**406.5**	**20.7**	**(30.5)**	**396.7**
Restructuring and other costs (gains)	**4.7**	**(18.3)**	**—**	**(13.6)**
Impairment of assets	**0.1**	**4.8**	**—**	**4.9**
Operating earnings before depreciation and amortization	**401.7**	**34.2**	**(30.5)**	**405.4**
Depreciation and amortization	**89.1**	**7.3**	**7.0**	**103.4**
Operating earnings	**$ 312.6**	**$ 26.9**	**$ (37.5)**	**$ 302.0**
Adjusted operating earnings [1]	**$ 317.4**	**$ 13.4**	**$ (37.5)**	**$ 293.3**
Acquisitions of non-current assets [2]	**$ 32.2**	**$ 11.0**	**$ 5.2**	**$ 48.4**

Year ended October 31, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 1,754.6	$ 312.3	$ (47.4)	$ 2,019.5
Operating expenses	1,362.8	296.3	(29.7)	1,629.4
Adjusted operating earnings before depreciation and amortization [1]	391.8	16.0	(17.7)	390.1
Restructuring and other costs (gains)	5.1	14.9	(3.0)	17.0
Impairment of assets	1.8	51.2	0.6	53.6
Operating earnings before depreciation and amortization	384.9	(50.1)	(15.3)	319.5
Depreciation and amortization	88.3	10.9	7.5	106.7
Operating earnings	$ 296.6	$ (61.0)	$ (22.8)	$ 212.8
Adjusted operating earnings [1]	$ 303.5	$ 5.1	$ (25.2)	$ 283.4
Acquisitions of non-current assets [2]	$ 57.0	$ 17.1	$ 4.1	$ 78.2

[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 (gains), and impairment of assets.

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

3 SEGMENTED INFORMATION (CONTINUED)

The Corporation's revenues by main products and services are as follows for the years ended:

	October 29, 2017	October 31, 2016
Printing and packaging products	**$ 1,573.3**	$ 1,503.6
Publishing and content products	**291.7**	348.3
Other products and services	**142.2**	167.6
	$ 2,007.2	$ 2,019.5

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

	As at October 29, 2017	As at October 31, 2016
Printing and Packaging Sector	**$ 1,688.4**	$ 1,775.9
Media Sector	**286.4**	209.9
Head office and inter-segment eliminations [1]	**161.9**	76.4
	$ 2,136.7	$ 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.

The various geographic segment components in the Consolidated Statements of Earnings and Consolidated Statements of Financial Position are as follows for the years ended:

Geographic segments	**October 29, 2017**	October 31, 2016
Revenues		
Canada		
Domestic	**$ 1,561.9**	$ 1,601.5
Exports	**101.9**	123.6
United States	**343.4**	294.4
	$ 2,007.2	$ 2,019.5

	As at October 29, 2017	As at October 31, 2016
Non-current assets [1]		
Canada	**$ 794.4**	$ 862.7
United States	**423.2**	460.6
	$ 1,217.6	$ 1,323.3

[1] These amounts include property, plant and equipment, intangible assets, goodwill and other non-current assets, and exclude derivative financial instruments, deferred taxes, defined benefit asset and investments in joint ventures.

4 BUSINESS COMBINATIONS AND DISPOSITIONS

Transactions for the year ended October 29, 2017

Business combinations

- **Advisor and Financial Services Groups**
  On December 1, 2016, the Corporation acquired of all B2B brands of the Advisor and Financial Services Groups from Rogers Media Inc. ("Advisor and Financial Services Groups") for a total consideration of $3.9 million paid in cash. During the year ended October 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 $0.8 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 in the Media sector, reinforcing actual B2B brands portfolio. The Corporation's Consolidated Statements of Earnings for the year ended October 29, 2017 include the operating results of Advisor and Financial Services Groups since its acquisition date. If the Corporation had acquired this business on November 1, 2016, the Corporation's Consolidated Statements of Earnings would not have been significantly impacted.

- **Other business combinations**
  During the year ended October 29, 2017, amounts of $7.8 million and $4.6 million were paid for contingent considerations related to acquisitions realized in 2016 and 2015, respectively, and an amount of $0.4 million was received related to an acquisition realized in 2016. In addition, 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

- **Atlantic media assets**
  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. During the year ended October 29, 2017, the Corporation paid the final amount of the working capital adjustment.

- **Local and regional newspapers in Quebec and Ontario**
  During the year ended October 29, 2017, the Corporation disposed of 11 groups of local and regional newspapers in the Quebec province, representing a total of 22 newspapers and web-related properties, in the context of the sale process of its local and regional newspapers in Quebec and Ontario as announced on April 18, 2017, in exchange for cash consideration and, for certain of them, an amount receivable.

  The Atlantic media assets and Quebec local and regional newspapers sold did not represent a separate major line of business or geographical area as defined under IFRS. As a result, the sale of these newspapers has not been presented as a discontinued operation during the year ended October 29, 2017.

Transactions for the year ended October 31, 2016

Business combinations

- **Robbie Manufacturing**
  On June 30, 2016, the Corporation acquired all the shares of Robbie Manufacturing, a supplier of flexible packaging located in Lenexa, Kansas, for a purchase price of US$34.1 million ($44.3 million). This amount included a contingent cash consideration of US$6.0 million ($7.8 million) payable during the next fiscal year, following the achievement of pre-established financial performance thresholds. The Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of Robbie Manufacturing during the year ended October 31, 2016.

- **Flexstar Packaging**
  On October 14, 2016, the Corporation acquired all the shares of Flexstar Packaging Inc., a supplier of flexible packaging located in Richmond, British Colombia, for a purchase price of $40.9 million, subject to adjustments and including a contingent cash consideration of $1.0 million payable during the next fiscal year, following the achievement of pre-established financial performance thresholds. This acquisition allows the Corporation to pursue its development in the flexible packaging industry.

  These acquisitions allowed the Corporation to pursue its development in the flexible packaging industry.

  The Corporation's Consolidated Statements of Earnings for the year ended October 31, 2016 included the operating results of Robbie Manufacturing and Flexstar Packaging since their respective acquisition date, including additional revenues of $22.5 million, operating earnings before depreciation and amortization of $2.1 million, including adjustments related to the accounting of these acquisitions and excluding the transaction costs of $0.8 million. The fair value of the receivables acquired of $10.4 million, including an amount of $0.1 million which was considered uncollectible at the acquisition date, was included in the current assets in the accounting of these business combinations as of October 31, 2016. If the Corporation had acquired these businesses on November 1, 2015, its operating results would have been as follow: additional revenues of $76,5 million and operating earnings before depreciation and amortization of $10,4 million, excluding the transaction costs of $0.8 million.

4 BUSINESS COMBINATIONS AND DISPOSITIONS (CONTINUED)

- **Ultra Flex Packaging**
  During the year ended October 31, 2016, the Corporation had completed its final assessment of the fair value of assets acquired and liabilities assumed of Ultra Flex Packaging, acquired on September 30, 2015. The total contingent cash consideration paid, considering the adjustment on the consideration of $2.2 million paid in 2016, was US$86.5 million ($115.2 million). This amount included a contingent liability of US$8.5 million ($11.4 million) payable at the first and second anniversaries of the transaction date, following the achievement of pre-established revenue thresholds. During the same year, the Corporation revised its revenue forecasts and reassessed the fair value of the contingent consideration payable. Therefore, a favorable adjustment was recorded, in the amount of $US4.0 million ($5.1 million) in restructuring and other costs (gains) (Note 6 "Restructuring and Other Costs (Gains)").

- **Redux Media**
  On May 17, 2012, the Corporation acquired 60% of the shares in Redux Media, a digital advertising network. The Corporation recognized this business combination using the anticipated acquisition method, as if 100% of the shares had been acquired, given the existence of an option for the purchaser to buy and the seller to sell, three years following the date of acquisition. As such, the assets acquired and the liabilities assumed on the date of acquisition were consolidated, as were 100% of earnings since that date. During the year ended October 31, 2016, the Corporation exercised its option to purchase the remaining 40% of Redux Media's shares for a cash consideration of $7.7 million, which was included in liabilities and was disbursed on April 6, 2016.

The following table presents a summary of the fair value of the assets acquired and the liabilities assumed at the acquisition date, as well as the adjustments of a business combination from the previous period, performed during the year ended:

	October 29, **2017**	October 31, 2016
Assets acquired		
Current assets	**$ 0.3**	$ 23.1
Property, plant and equipment	**(0.6)**	29.7
Intangible assets	**3.7**	27.6
Goodwill (no tax value)	**1.2**	48.9
	4.6	129.3
Liabilities assumed		
Current liabilities	**0.7**	8.5
Long-term debt (current portion included) [(1)]	**—**	20.6
Deferred taxes	**0.2**	12.7
Other liabilities	**0.2**	0.1
	1.1	41.9
	$ 3.5	$ 87.4
Total consideration		
Cash paid	**$ (3.5)**	$ 78.6
Short-term contingent consideration payable	**—**	8.8
	$ (3.5)	$ 87.4

[(1)] As at October 31, 2016, the long-term debt of $20.6 million has been repaid by the Corporation.

5 OPERATING EXPENSES

Operating expenses by major headings are as follows for the years ended:

	October 29, 2017	October 31, 2016
Employee-related costs	**$ 592.0**	$ 628.3
Supply chain and logistics [1]	**890.3**	885.2
Other goods and services [2]	**128.2**	115.9
	$ 1,610.5	$ 1,629.4

[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. Operating leases recognized during the year ended October 29, 2017 represent $23.2 million ($23.8 million for the year ended October 31, 2016). Leasing and subleasing revenues recognized during the year ended October 29, 2017 were $4.5 million ($4.4 million for the year ended October 31, 2016).

The cost of goods sold recognized in operating expenses for the year ended October 29, 2017 was $1,085.6 million ($1,122.9 million for the year ended October 31, 2016). An amount of $1.1 million was recognized as inventory obsolescence expenses for the year ended October 29, 2017 ($2.0 million for the year ended October 31, 2016).

6 RESTRUCTURING AND OTHER COSTS (GAINS)

Restructuring and other costs (gains) by major headings are as follows for the years ended:

	October 29, 2017	October 31, 2016
Workforce reductions	**$ 13.2**	$ 24.9
Other revenues related to restructuring [1]	**(22.1)**	(0.3)
Net gains on the sale of buildings	**(3.8)**	(1.2)
Onerous contracts	**0.6**	(0.1)
Business acquisition costs [2]	**0.5**	0.5
Amendment of defined benefit pension plans (Note 27)	**—**	(1.2)
Other revenues [3]	**(2.0)**	(5.6)
	$ (13.6)	$ 17.0

[1] Other revenues related to restructuring mainly include net gains on the sale of Quebec local and regional newspapers and Atlantic medias (Note 4).

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

[3] Other revenues mainly include the effect on revaluation of contingent considerations payable as part of a business combination (Note 4).

7 IMPAIRMENT OF ASSETS

Impairment of assets by major headings is as follows for the years ended:

	October 29, 2017	October 31, 2016
Property, plant and equipment	**$ 1.2**	$ 2.4
Intangible assets	**3.7**	50.0
Goodwill	**—**	1.2
	$ 4.9	$ 53.6

Property, plant and equipment
During the years ended October 29, 2017 and October 31, 2016, the Corporation recognized an impairment charge in respect of property, plant and equipment totaling $1.2 million and $2.4 million, respectively, primarily related to production equipment that was not used.

Intangible assets
During the year ended October 29, 2017, the Corporation performed its annual impairment test on intangible assets with an indefinite useful life, which consist of trade names acquired in business combinations for newspaper and book publishing activities. The Corporation has concluded that the recoverable value of certain tested CGUs were greater than their carrying amounts. Therefore, the Corporation did not record any impairment charge during the year in respect of intangible assets with an indefinite useful life. During the same year, the Corporation recognized a $3.7 million impairment charge, mainly due to costs relating to technology projects in the Media Sector for the portion following the sale of its Atlantic Canada media assets and Quebec local and regional newspapers (Note 4).

During the year ended October 31, 2016, the Corporation had recorded a $40.2 million impairment charge on intangible assets with an indefinite useful life, which consist of trade names acquired in business combinations for newspaper and book publishing activities, due to a decrease in profitability. The Corporation had also recorded a $8.8 million impairment charge on customer relationships, mainly due to weekly newspapers in Quebec, and an impairment charge on technology project costs of $1.0 million 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.

Goodwill
As at October 29, 2017, the Corporation performed its annual goodwill impairment test. The Corporation concluded that the recoverable amount of CGUs subject to the annual test was greater than the carrying value. As such, no impairment charge was recorded during the year.

During the year ended October 31, 2016, the Corporation had recorded a $1.2 million impairment charge for the group of CGUs in the Media Sector's Digital Solutions Group due to a decrease in activity. This impairment charge had had no effect on the Corporation's activities, on cash or on meeting the requirements of debt covenants.

Impairment tests
As at October 29, 2017, the Corporation performed its annual impairment tests of goodwill and intangible assets with an indefinite useful life, in accordance with paragraph n) of Note 2 "Significant accounting policies". The recoverable values of CGUs, established for the purposes of impairment test of intangible assets with an indefinite useful life, have been determined on the basis of the value in use. The recoverable values of the group of CGUs, established for the impairment test of goodwill, have been determined based on the greater of the fair value less costs to sell and the value in use.

The fair value less costs to sell is determined using capitalization multiples applied to budget for fiscal 2018, derived from comparable companies whose activities are similar to the CGU or group of CGUs concerned. This information can be observed in the market.

The value in use is determined by discounting expected future cash flows, which are derived from the three-year financial forecasts approved by management. The financial forecasts are based on past experience and reflect management's expectations regarding operating results and capital expenditures, taking into account the business strategy and economic and specific trends of the industry and market. Management establishes its forecasts based, among other things, on advertising revenues, printing costs and wage increases. Beyond the three-year period, cash flows are extrapolated using a perpetual increasing or decreasing rates, which are not greater than those forecasted for specific markets in which the group of CGUs operates.

The Corporation used discount rates varying between 9.57% and 11.25% (pre-tax discount rates vary between 12,87% and 15.77%). The discount rate represents the weighted average cost of capital ("WACC") for comparable companies whose activities are similar to the CGU or the group of CGUs concerned. The WACC is an estimate of the overall rate of return required by debt and equity holders on their investments, and reflects the current market valuation, the time value of money and the specific risk applicable to the CGU or group of CGU concerned.

7 IMPAIRMENT OF ASSETS (CONTINUED)

The assumptions used by the Corporation in the future expected cash flow discounting model are classified as Level 3 in the fair value hierarchy, signifying that they are not based on observable market data. The Corporation performed a sensitivity analysis of the discount rate and the perpetual growth or decreasing rate in its assessment of the recoverable values of the CGU or group of CGUs tested for impairment. The results of the sensitivity analysis show that a 1% increase in the discount rate or perpetual decreasing rate or a 1% decrease in the perpetual growth rate, would not change the results of the test.

The following table presents the main groups of CGUs subject to a goodwill impairment test, the basis used as recoverable value and key assumptions used:

	Carrying amount of goodwill as at October 29, 2017	Basis used as recoverable value	Capitalization multiple	Perpetual growth rate	Pre-tax discount rate
Printing and Packaging Sector					
Retail and Newspaper Group	$ 211.5	Fair value	5.5x	s.o.	s.o.
Flexible Packaging Group	182.5	Value in use	s.o.	3.0 %	12.87 %
Magazine, Book and Catalogue Group	65.4	Fair value	5.0x	s.o.	s.o.

The 2016 calculation of fair value of Retail and Newspapers Group, of Magazine, Book and Catalogue Group and CGUs related to trade names acquired in business combinations for newspaper and book publishing activities, which represent the most recent calculation of fair value, was used for the impairment test of goodwill and intangible assets with an indefinite useful life as at October 29, 2017, since all criteria described in Note 2 n) were satisfied.

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows for the years ended:

	October 29, 2017	October 31, 2016
Property, plant and equipment	**$ 77.1**	$ 79.7
Intangible assets	**26.3**	27.0
	103.4	106.7
Intangible assets and other assets, recognized in revenues and operating expenses	**24.4**	26.0
	$ 127.8	$ 132.7

9 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows for the years ended:

	October 29, 2017	October 31, 2016 [(1)]
Financial expenses on long-term debt	**$ 17.5**	$ 17.7
Net interest on defined benefit plans asset and liability (Note 27)	**1.7**	—
Interest on letters of credit for defined benefit plans (Note 18)	**0.2**	0.1
Other revenues	**(1.1)**	(0.1)
Net foreign exchange gains	**(0.6)**	(1.8)
	$ 17.7	$ 15.9

[(1)] Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

10 INCOME TAXES

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

	October 29, 2017	October 31, 2016
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 284.3**	$ 196.9
Canadian statutory tax rate [1]	**26.82 %**	26.90 %
Income taxes at the statutory tax rate	**76.2**	53.0
Effect of differences in tax rates in other jurisdictions	**2.1**	(0.4)
Income taxes on non-deductible expenses and non-taxable revenues	**(3.1)**	0.1
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(0.4)**	—
Other	**(1.7)**	(1.6)
Income taxes at effective tax rate	**$ 73.1**	$ 51.1
Income taxes before the following items:	**$ 73.7**	$ 71.7
Income taxes on restructuring and other costs (gains)	**0.8**	(6.6)
Income taxes on impairment of assets	**(1.4)**	(14.0)
Income taxes at effective tax rate	**$ 73.1**	$ 51.1

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

The following table presents components of income tax expense for the years ended:

	October 29, 2017	October 31, 2016
Current income taxes		
Current year	**$ 49.4**	$ 60.4
Adjustment for previous years' balances	**0.5**	(0.4)
	49.9	60.0
Deferred taxes		
Adjustment for previous years' balances	**(1.4)**	(1.8)
Origination and reversal of temporary differences	**24.4**	(7.4)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(0.4)**	—
Impact of tax rate changes	**0.6**	0.3
	23.2	(8.9)
Income taxes	**$ 73.1**	$ 51.1

10 INCOME TAXES (CONTINUED)

The following table presents components of the deferred tax asset and liability:

	As at October 29, 2017		As at October 31, 2016	
	Asset	Liability	Asset	Liability
Property, plant and equipment	$ —	$ 42.1	$ —	$ 45.9
Intangible assets and goodwill	—	38.0	—	41.9
Provisions	16.7	—	16.0	—
Deferred revenues	41.9	—	59.3	—
Long-term debt	—	1.9	—	2.4
Defined benefit plans	12.5	—	15.8	—
Loss carryforwards	105.5	—	124.0	—
Other	0.3	—	3.0	—
	176.9	82.0	218.1	90.2
Offsetting of assets and liabilities	(37.9)	(37.9)	(46.8)	(46.8)
	$ 139.0	$ 44.1	$ 171.3	$ 43.4

Loss carryforwards included in deferred tax assets expire between 2018 and 2037.

Changes in deferred tax assets and liabilities for the year ended October 29, 2017 are as follows:

	Balance as at October 31, 2016	Recognized in net earnings	Exchange rate change	Recognized in other comprehensive income	Business combinations	Balance as at October 29, 2017
Property, plant and equipment	$ (45.9)	$ 3.1	$ —	$ —	$ 0.7	$ (42.1)
Intangible assets and goodwill	(41.9)	3.7	0.4	—	(0.2)	(38.0)
Provisions	16.0	1.0	(0.1)	—	(0.2)	16.7
Deferred revenues	59.3	(16.5)	(0.9)	—	—	41.9
Long-term debt	(2.4)	1.5	—	(1.0)	—	(1.9)
Defined benefit plans	15.8	(0.9)	—	(2.4)	—	12.5
Loss carryforwards	124.0	(13.8)	(4.7)	—	—	105.5
Other	3.0	(1.3)	0.4	(0.9)	(0.9)	0.3
	$ 127.9	$ (23.2)	$ (4.9)	$ (4.3)	$ (0.6)	$ 94.9

10 INCOME TAXES (CONTINUED)

Changes in deferred tax assets and liabilities for the year ended October 31, 2016 are as follows :

	Balance as at October 31, 2015	Recognized in net earnings	Exchange rate change	Recognized in other comprehensive income	Business combinations	Balance as at October 31, 2016
Property, plant and equipment	$ (43.0)	$ (0.8)	$ —	$ —	$ (2.1)	$ (45.9)
Intangible assets and goodwill	(43.4)	13.5	(0.5)	—	(11.5)	(41.9)
Provisions	14.7	0.2	—	—	1.1	16.0
Deferred revenues	66.6	(8.5)	1.2	—	—	59.3
Long-term debt	(6.6)	6.3	—	(2.1)	—	(2.4)
Defined benefit plans	3.8	(1.4)	—	13.4	—	15.8
Loss carryforwards	125.4	(3.9)	2.5	—	—	124.0
Transitional provisions for partnerships	(4.4)	4.4	—	—	—	—
Other	4.1	(0.9)	—	—	(0.2)	3.0
	$ 117.2	$ 8.9	$ 3.2	$ 11.3	$ (12.7)	$ 127.9

As at October 29, 2017, the Corporation has $1.8 million in capital losses that can be carried forward indefinitely and for which the potential benefits have not been recognized. In addition, the Corporation has loss carryforwards in certain states of the United States and considering that it is unlikely that a sufficient future taxable income will be available, the Corporation has not recognized a deferred tax asset on these losses totaling $15.0 million. Losses related to the unrecognized asset expire between 2018 and 2035.

As at October 29, 2017, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Corporation controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

The U.S. government is currently working on comprehensive tax reform legislation. The final legislation is currently unknown and any changes in tax law will be incorporated in our consolidated financial statements when they are enacted.

11 ACCOUNTS RECEIVABLE

Components of accounts receivable are as follows:

	As at October 29, 2017	As at October 31, 2016
Trade receivables	**$ 336.1**	$ 367.1
Allowance for doubtful accounts	**(5.3)**	(4.7)
Other receivables	**49.8**	39.5
	$ 380.6	$ 401.9

12 INVENTORIES

Components of inventories are as follows:

	As at October 29, 2017	As at October 31, 2016
Raw materials	**$ 71.4**	$ 68.7
Work in progress and finished goods	**53.3**	59.8
Provision for obsolescence	**(7.8)**	(8.9)
	$ 116.9	$ 119.6

13 PROPERTY, PLANT AND EQUIPMENT

The following tables present changes in property, plant and equipment for the years ended:

October 29, 2017	Land	Buildings	Leasehold improvements	Machinery and equipment	Machinery and equipment under finance leases	Other equipment	Assets under construction and deposits on equipment	Total
Cost								
Balance, beginning of year	**$ 46.9**	**$ 242.8**	**$ 47.5**	**$ 1,197.4**	**$ 13.0**	**$ 100.6**	**$ 30.7**	**$ 1,678.9**
Acquisitions	**—**	**0.4**	**0.6**	**8.0**	**—**	**0.9**	**23.9**	**33.8**
Made available for use	**—**	**4.9**	**0.9**	**31.6**	**—**	**2.1**	**(39.5)**	**—**
Business combinations (Note 4) [1]	**—**	**—**	**—**	**(0.5)**	**—**	**—**	**(0.1)**	**(0.6)**
Business disposals (Note 4)	**(1.4)**	**(9.7)**	**(0.9)**	**(15.3)**	**—**	**(4.3)**	**—**	**(31.6)**
Disposals and elimination of cost on fully depreciated assets	**(0.5)**	**(7.1)**	**(1.4)**	**(25.1)**	**—**	**(12.1)**	**—**	**(46.2)**
Exchange rate change and other	**(1.2)**	**(2.7)**	**—**	**(6.9)**	**—**	**(0.8)**	**—**	**(11.6)**
Balance as at October 29, 2017	**$ 43.8**	**$ 228.6**	**$ 46.7**	**$ 1,189.2**	**$ 13.0**	**$ 86.4**	**$ 15.0**	**$ 1,622.7**
Accumulated depreciation and impairment								
Balance, beginning of year	**$ —**	**$ (123.9)**	**$ (19.8)**	**$ (870.4)**	**$ (13.0)**	**$ (85.8)**	**$ —**	**$ (1,112.9)**
Depreciation	**—**	**(8.5)**	**(3.9)**	**(58.1)**	**(0.1)**	**(6.5)**	**—**	**(77.1)**
Business disposals (Note 4)	**—**	**6.1**	**0.6**	**14.5**	**—**	**4.0**	**—**	**25.2**
Disposals and elimination of accumulated depreciation and impairment on fully depreciated assets	**—**	**4.1**	**1.2**	**23.1**	**0.1**	**11.8**	**—**	**40.3**
Impairment	**—**	**—**	**—**	**(1.2)**	**—**	**—**	**—**	**(1.2)**
Exchange rate change and other	**—**	**0.6**	**—**	**2.9**	**—**	**0.3**	**—**	**3.8**
Balance as at October 29, 2017	**$ —**	**$ (121.6)**	**$ (21.9)**	**$ (889.2)**	**$ (13.0)**	**$ (76.2)**	**$ —**	**$ (1,121.9)**
Net book value	**$ 43.8**	**$ 107.0**	**$ 24.8**	**$ 300.0**	**$ —**	**$ 10.2**	**$ 15.0**	**$ 500.8**

[1] During the year ended October 29, 2017, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of Flexstar Packaging Inc.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

October 31, 2016	Land	Buildings	Leasehold improvements	Machinery and equipment	Machinery and equipment under finance leases	Other equipment	Assets under construction and deposits on equipment	Total
Cost								
Balance, beginning of year	$ 46.5	$ 249.5	$ 48.8	$ 1,172.1	$ 12.1	$ 112.1	$ 27.3	$ 1,668.4
Acquisitions	—	2.5	1.0	13.6	—	2.2	38.0	57.3
Made available for use	—	2.8	3.0	25.0	—	3.6	(34.4)	—
Business combinations (Note 4)	0.4	5.2	0.4	22.3	—	1.3	0.1	29.7
Business disposals (Note 4)	(0.1)	(1.3)	(1.8)	(10.0)	—	(2.4)	—	(15.6)
Disposals and elimination of cost on fully depreciated assets	(0.5)	(17.8)	(4.0)	(29.9)	0.9	(14.6)	—	(65.9)
Exchange rate change and other	0.6	1.9	0.1	4.3	—	(1.6)	(0.3)	5.0
Balance as at October 31, 2016	$ 46.9	$ 242.8	$ 47.5	$ 1,197.4	$ 13.0	$ 100.6	$ 30.7	$ 1,678.9
Accumulated depreciation and impairment								
Balance, beginning of year	$ —	$ (128.1)	$ (20.8)	$ (845.9)	$ (11.7)	$ (94.4)	$ —	$ (1,100.9)
Depreciation	—	(9.0)	(3.9)	(57.9)	(0.4)	(8.5)	—	(79.7)
Business disposals (Note 4)	—	0.8	1.4	9.3	—	2.4	—	13.9
Disposals and elimination of accumulated depreciation and impairment on fully depreciated assets	—	13.5	3.6	28.3	(0.9)	14.3	—	58.8
Impairment	—	(0.4)	(0.1)	(1.8)	—	(0.1)	—	(2.4)
Exchange rate change and other	—	(0.7)	—	(2.4)	—	0.5	—	(2.6)
Balance as at October 31, 2016	$ —	$ (123.9)	$ (19.8)	$ (870.4)	$ (13.0)	$ (85.8)	$ —	$ (1,112.9)
Net book value	$ 46.9	$ 118.9	$ 27.7	$ 327.0	$ —	$ 14.8	$ 30.7	$ 566.0

Borrowing costs capitalized to property, plant and equipment
For the years ended October 29, 2017 and October 31, 2016, negligible amounts were capitalized to property, plant and equipment as borrowing costs.

14 INTANGIBLE ASSETS

The following tables present changes in intangible assets for the years ended:

	Finite useful life						Indefinite useful life	
October 29, 2017	Customer relationships	Book prepublication costs	Educational book titles	Non-compete agreements	Technology project costs	Acquired printing contracts and other	Trade names	Total
Cost								
Balance, beginning of year	$ 184.5	$ 133.9	$ 12.6	$ 10.1	$ 52.8	$ 15.5	$ 115.3	$ 524.7
Additions (internally generated)	—	9.5	—	—	5.1	—	—	14.6
Business combinations (Note 4)	2.1	—	—	—	—	—	1.6	3.7
Business disposals (Note 4)	—	—	—	—	(0.9)	—	(95.4)	(96.3)
Elimination of cost on fully amortized assets	(1.7)	—	—	(0.4)	(5.2)	—	—	(7.3)
Exchange rate change and other	(4.4)	—	—	—	—	—	—	(4.4)
Balance as at October 29, 2017	$ 180.5	$ 143.4	$ 12.6	$ 9.7	$ 51.8	$ 15.5	$ 21.5	$ 435.0
Accumulated amortization and impairment								
Balance, beginning of year	$ (59.1)	$ (104.8)	$ (9.9)	$ (8.3)	$ (25.4)	$ (11.6)	$ (88.6)	$ (307.7)
Amortization	(16.5)	(12.7)	(1.0)	(0.7)	(7.4)	(1.3)	(0.2)	(39.8)
Business disposals (Note 4)	—	—	—	—	0.4	—	78.5	78.9
Elimination of accumulated amortization and impairment on fully amortized assets	1.7	—	—	0.4	5.2	—	—	7.3
Impairment	—	—	—	—	(3.7)	—	—	(3.7)
Exchange rate change and other	1.1	—	—	—	—	—	—	1.1
Balance as at October 29, 2017	$ (72.8)	$ (117.5)	$ (10.9)	$ (8.6)	$ (30.9)	$ (12.9)	$ (10.3)	$ (263.9)
Net book value	$ 107.7	$ 25.9	$ 1.7	$ 1.1	$ 20.9	$ 2.6	$ 11.2	$ 171.1

14 INTANGIBLE ASSETS (CONTINUED)

	Finite useful life						Indefinite useful life	
October 31, 2016	Customer relationships	Book prepublication costs	Educational book titles	Non-compete agreements	Technology project costs	Acquired printing contracts and other	Trade names	Total
Cost								
Balance, beginning of year	$ 157.3	$ 124.3	$ 12.6	$ 9.6	$ 51.4	$ 11.6	$ 128.1	$ 494.9
Additions (internally generated)	—	9.6	—	—	7.3	4.0	—	20.9
Business combinations (Note 4)	27.1	—	—	0.5	—	—	—	27.6
Business disposals (Note 4)	—	—	—	—	(1.4)	—	(12.8)	(14.2)
Elimination of cost on fully amortized assets	(1.0)	—	—	—	(4.8)	—	—	(5.8)
Exchange rate change and other	1.1	—	—	—	0.3	(0.1)	—	1.3
Balance as at October 31, 2016	$ 184.5	$ 133.9	$ 12.6	$ 10.1	$ 52.8	$ 15.5	$ 115.3	$ 524.7
Accumulated amortization and impairment								
Balance, beginning of year	$ (36.5)	$ (91.6)	$ (8.8)	$ (6.5)	$ (22.5)	$ (10.3)	$ (61.2)	$ (237.4)
Amortization	(15.9)	(13.2)	(1.1)	(1.7)	(7.6)	(1.3)	—	(40.8)
Business disposals (Note 4)	—	—	—	—	0.8	—	12.8	13.6
Elimination of accumulated amortization and impairment on fully amortized assets	1.0	—	—	—	4.8	—	—	5.8
Impairment	(8.8)	—	—	—	(1.0)	—	(40.2)	(50.0)
Exchange rate change and other	1.1	—	—	(0.1)	0.1	—	—	1.1
Balance as at October 31, 2016	$ (59.1)	$ (104.8)	$ (9.9)	$ (8.3)	$ (25.4)	$ (11.6)	$ (88.6)	$ (307.7)
Net book value	$ 125.4	$ 29.1	$ 2.7	$ 1.8	$ 27.4	$ 3.9	$ 26.7	$ 217.0

15 GOODWILL

The following table presents the changes in goodwill for the years ended:

	October 29, 2017	October 31, 2016
Cost		
Balance, beginning of year	**$ 1,220.0**	$ 1,168.6
Business combinations (Note 4)	**1.6**	48.9
Business disposals (Note 4)	**—**	(1.4)
Exchange rate change	**(6.3)**	3.9
Balance, end of year	**$ 1,215.3**	$ 1,220.0
Accumulated impairment		
Balance, beginning of year	**$ (710.3)**	$ (709.1)
Impairment (Note 7)	**—**	(1.2)
Balance, end of year	**$ (710.3)**	$ (710.3)
Net book value		
Beginning of year	**$ 509.7**	$ 459.5
End of year	**$ 505.0**	$ 509.7

The carrying amount of goodwill is allocated to the groups of CGUs as follows:

Operating segments	As at October 29, 2017	As at October 31, 2016
Printing and Packaging Sector		
Retail and Newspaper Group	**$ 211.5**	$ 211.5
Flexible Packaging Group	**182.5**	188.0
Magazine, Book and Catalogue Group	**65.4**	65.4
Premedia Group	**12.5**	12.5
	471.9	477.4
Media Sector		
Book Publishing Group	**19.5**	19.5
Business Solutions Group (Note 4)	**13.6**	12.8
	33.1	32.3
	$ 505.0	$ 509.7

16 OTHER ASSETS

Components of other assets are as follows:

	As at October 29, 2017	As at October 31, 2016
Contract acquisition costs	$ 21.8	$ 23.9
Defined benefit asset (Note 27)	2.6	3.4
Fair value of derivative financial instruments	1.8	1.4
Other	12.1	6.7
	$ 38.3	$ 35.4

17 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Components of accounts payable and accrued liabilities are as follows:

	As at October 29, 2017	As at October 31, 2016 (1)
Accounts payable and other accruals	$ 159.8	$ 148.8
Salaries and other benefits payable	85.6	90.1
Stock-based compensation (Note 23)	16.9	12.9
Taxes payable	9.2	9.0
Derivative financial instruments	0.1	1.8
Financial expenses payable	6.1	6.1
Other	27.0	47.3
	$ 304.7	$ 316.0

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

18 LONG-TERM DEBT

Long-term debt is as follows:

	Effective interest rate as at October 29, 2017	Maturity	**As at October 29, 2017**	As at October 31, 2016
Senior unsecured notes - 3.897%	4.03 %	2019	**250.0**	250.0
Debentures - Solidarity Fund QFL				
Series 1 - 5.58%	5.58 %	2019	**50.0**	50.0
Series 2 - 4.011%	4.05 %	2020	**50.0**	50.0
Other loans at zero nominal interest rates	5.73 %	2017	**—**	0.2
			350.0	350.2
Issuance costs on long-term debt at amortized cost			**1.7**	2.1
Total long-term debt			**348.3**	348.1
Current portion of long-term debt			**—**	0.2
			$ 348.3	$ 347.9

On March 1, 2016, the Corporation repaid its Senior Notes Series 2004 D, which matured on that date, amounting to US$10.0 million ($13.5 million). This financing was for a period of eleven years, bearing interest at the LIBOR rate plus 0.90%.

The senior unsecured notes, amounting to $250.0 million, bear interest at 3.897%, payable every six months and mature in 2019. The notes are direct unsecured obligations of the Corporation and rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Corporation.

The Corporation has a credit facility amounting to $400.0 million or the U.S. dollar equivalent, which matured in February 2021, and for which maturity was extended to February 2022 on January 9, 2017 on the same terms. The applicable interest rate on the credit facility is based on the credit rating assigned by Standard & Poor's and DBRS. According to the current credit rating, it is either the bank prime rate, the banker's acceptance rate or the LIBOR, plus 1.675%, or the Canadian or U.S. prime rate, plus 0.675%. As at October 29, 2017, the nominal rate was 2.99% and 2.91% for the credit facility in Canadian dollars and in U.S. dollars, respectively.

The financing of $100.0 million agreed to by the Solidarity Fund QFL is composed of two debentures of $50.0 million each. The unsecured debenture Series 1 bears interest at 5.58% payable every six months, and matures in 2019. The unsecured debenture Series 2 bears interest at 4.011% payable every six months, and matures in 2020.

The Corporation has two renewable and uncommitted letters of credit facilities, amounting to $15.0 million each, which matured on April 11, 2017. On February 7, 2017, the Corporation extended its two letters of credit facilities for one additional year, extending the maturity date to April 11, 2018. The fees applicable to the portion issued on these letter of credit facilities are 1.00% annually. As at October 29, 2017, letters of credit amounting to $17.6 million ($15.7 million as at October 31, 2016) were issued on these facilities as collateral for unpaid contributions, with respect to the solvency deficiency of the Corporation's defined benefit plans (Note 27 "Employee Benefits").

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. For the years ended October 29, 2017 and October 31, 2016, the Corporation has not been in default under any covenants.

Principal payments to be made by the Corporation in forthcoming years are as follows:

	Principal payments
2018	$ —
2019	300.0
2020	50.0
2021	—
2022	—
	$ 350.0

19 PROVISIONS

The following table presents changes in provisions for the year ended October 29, 2017:

	Restructuring costs	Onerous contracts	Other	Total
Balance, beginning of year	$ 6.2	$ 5.5	$ 1.0	$ 12.7
Provisions recorded	13.7	1.1	—	14.8
Amounts used	(14.8)	(3.6)	(0.3)	(18.7)
Provisions reversed	(0.5)	(0.5)	(0.1)	(1.1)
Balance as at October 29, 2017	$ 4.6	$ 2.5	$ 0.6	$ 7.7
Current portion	$ 4.6	$ 1.5	$ 0.3	$ 6.4
Non-current portion	—	1.0	0.3	1.3
	$ 4.6	$ 2.5	$ 0.6	$ 7.7

Restructuring costs
The Corporation is implementing rationalization measures in its operating segments due to major structural changes in the printing and media industry.

Onerous contracts
The provisions for onerous contracts are related to the operating leases for unused space by the Corporation following rationalization measures, and represent the present value of future rental expenses that the Corporation must pay under non-cancellable leases, net of estimated future subleasing revenues expected to be received on these contracts. The maximum term of these contracts is 4.5 years.

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

20 OTHER LIABILITIES

Components of other liabilities are as follows:

	As at October 29, 2017	As at October 31, 2016 [1]
Deferred revenues	**$ 84.1**	$ 128.9
Accrued liabilities and other liabilities	**8.6**	11.9
Stock-based compensation (Note 23)	**15.8**	10.4
Defined benefit liability (Note 27)	**50.5**	62.7
Derivative financial instruments	**—**	0.5
	$ 159.0	$ 214.4

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

21 SHARE CAPITAL

Class A Subordinate Voting Shares: subordinate participating voting shares carrying one vote per share, authorized in unlimited number, no par value.
Class B Shares: participating voting shares carrying 20 votes per share, convertible into Class A Subordinate Voting Shares, authorized in unlimited number, no par value.

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

	October 29, 2017		October 31, 2016	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of year	**62,886,445**	**$ 342.8**	63,363,281	$ 348.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**89,100**	**0.1**	732,390	1.0
Shares redeemed and cancelled	**(2,663)**	**—**	(1,242,427)	(6.8)
Exercise of stock options	**594,262**	**9.7**	33,201	0.5
Balance, end of year	**63,567,144**	**352.6**	62,886,445	342.8
Class B Shares				
Balance, beginning of year	**14,074,626**	**19.1**	14,807,016	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(89,100)**	**(0.1)**	(732,390)	(1.0)
Balance, end of year	**13,985,526**	**19.0**	14,074,626	19.1
	77,552,670	**$ 371.6**	76,961,071	$ 361.9

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 442,349 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 are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the year ended October 29, 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 negligible cash consideration. The Corporation was under no obligations to repurchase its Class A Subordinate Voting Shares as at year ended October 29, 2017. During the year ended October 29, 2017, the Corporation did not repurchase any of its Class B Shares, and was under no obligation as such at that date.

During the year ended October 31, 2016, the Corporation repurchased and cancelled 1,242,427 of its Class A Subordinate Voting Shares at a weighted average price of $17.33, for a total cash consideration of $21.5 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $14.7 million, was applied against retained earnings. The Corporation was under no obligations to repurchase its Class A Subordinate Voting Shares as at year ended October 31, 2016. During the year ended October 31, 2016, the Corporation did not repurchase any of its Class B Shares, and was under no obligation as such at that date.

Exercise of stock options
When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. For the year ended October 29, 2017, consideration of $7.6 million was received, and $2.1 million was transferred from contributed surplus to share capital. For the year ended October 31, 2016, consideration of $0.4 million was received, and $0.1 million was transferred from contributed surplus to share capital.

Dividends
Dividends of $0.785 and $0.73 per share were declared and paid to the holders of shares for the years ended October 29, 2017 and October 31, 2016, respectively.

22 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 for the years ended:

	October 29, 2017	October 31, 2016
Numerator		
Net earnings	**$ 211.5**	$ 146.3
Denominator (in millions)		
Weighted average number of shares outstanding - basic	**77.3**	77.6
Dilutive effect of stock options	**0.2**	0.2
Weighted average number of shares - diluted	**77.5**	77.8

As at October 29, 2017 and October 31, 2016, all the stock options were included in the calculation of diluted net earnings due to their potential dilutive effect.

23 STOCK-BASED COMPENSATION

Stock option plan

The Corporation has a stock option plan for the benefit of certain officers and senior executives. The number of Class A Subordinate Voting Shares authorized for issuance and the balance of shares that are issuable under the plan as at October 29, 2017 was 6,078,562 and 3,583,635, respectively. 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 has ceased granting stock options during the year ended October 31, 2014.

For the years ended October 29, 2017 and October 31, 2016, stock-based compensation expenses of a negligible amount and $0.1 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	October 29, 2017		October 31, 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of year	**729,502**	**$ 12.60**	762,703	$ 12.57
Exercised	**(594,262)**	**12.89**	(33,201)	11.82
Options outstanding at end of year	**135,240**	**$ 11.33**	729,502	12.60
Options exercisable at the end of year	**135,240**	**$ 11.33**	729,502	12.60

As at October 29, 2017, the balance of stock options available for future grants under the plan was 3,448,395.

As at October 29, 2017, exercise price of options outstanding at the end of the year was $11.33 and their remaining contractual life was 2.2 years.

23 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 table presents the changes in the plan's status for the years ended:

Number of units	**October 29, 2017**	October 31, 2016	**October 29, 2017**	October 31, 2016
	DSU		RSU	
Balance, beginning of year	**274,168**	279,162	**1,069,860**	1,064,655
Units granted	**13,545**	—	**248,371**	352,403
Units cancelled	**—**	—	**(6,198)**	(117,078)
Units paid	**(6,907)**	(18,384)	**(382,726)**	(266,379)
Units converted	**—**	2,586	**—**	(2,586)
Dividends paid in units	**8,980**	10,804	**28,005**	38,845
Balance, end of year	**289,786**	274,168	**957,312**	1,069,860

As at October 29, 2017, the liability related to the share unit plan for certain officers and senior executives was $25.1 million, including $15.8 million presented in Other liabilities ($16.5 million as at October 31, 2016, including $10.4 million presented in Other liabilities). The expenses recorded in the Consolidated Statements of Earnings for the years ended October 29, 2017 and October 31, 2016 were $16.6 million and $4.2 million, respectively. Amounts of $8.0 million and $5.5 million were paid under this plan for the years ended October 29, 2017 and October 31, 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 for the years ended:

Number of units	**October 29, 2017**	October 31, 2016
Balance, beginning of year	**377,901**	363,514
Directors' compensation	**25,931**	33,577
Units paid	**(145,014)**	(34,000)
Dividends paid in units	**9,733**	14,810
Balance, end of year	**268,551**	377,901

As at October 29, 2017, the liability related to the share unit plan for directors was $7.6 million ($6.8 million as at October 31, 2016). The expenses recorded in the Consolidated Statements of Earnings for the years ended October 29, 2017 and October 31, 2016 were $4.4 million and negligible, respectively. Amounts of $3.6 million and $0.6 million were paid under this plan for the year ended October 29, 2017 and October 31, 2016, respectively.

24 ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income
Balance as at October 31, 2016	**$ (1.6)**	**$ 38.7**	**$ (34.4)**	**$ 2.7**
Net change in gains (losses), net of income taxes	**2.6**	**(17.0)**	**6.2**	**(8.2)**
Balance as at October 29, 2017	**$ 1.0**	**$ 21.7**	**$ (28.2)**	**$ (5.5)**
Balance as at October 31, 2015	$ (7.0)	$ 24.3	$ 2.1	$ 19.4
Net change in gains (losses), net of income taxes	5.4	14.4	(36.5)	(16.7)
Balance as at October 31, 2016	$ (1.6)	$ 38.7	$ (34.4)	$ 2.7

As at October 29, 2017, the amounts expected to be reclassified to net earnings in future years are as follows:

	2018	2019	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ 0.8	$ 0.6	$ 1.4
Income taxes	0.2	0.2	0.4
	$ 0.6	$ 0.4	$ 1.0

25 SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash operating items are as follows for the years ended:

	October 29, 2017	October 31, 2016
Accounts receivable	**$ 28.4**	$ (1.0)
Inventories	**0.3**	9.8
Prepaid expenses and other current assets	**(0.6)**	1.9
Accounts payable and accrued liabilities	**(0.3)**	(35.5)
Provisions	**(5.7)**	(3.2)
Deferred revenues and deposits	**(49.9)**	(15.3)
Defined benefit plans	**(3.2)**	(5.0)
	$ (31.0)	$ (48.3)

Changes in non-cash operating items includes an amount of $31.0 million that was received and recognized as deferred revenues during the year ended October 31, 2016 (Note 20 "Other Liabilities").

26 RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly, including any director (whether executive or otherwise) of the Corporation.

The following table presents key management personnel earned the following amounts for the years ended:

	October 29, 2017	October 31, 2016
Salaries and other short-term employee benefits	**$ 10.9**	$ 11.0
Post-employment benefits	**0.7**	0.8
Stock-based compensation	**17.4**	3.5
	$ 29.0	$ 15.3

27 EMPLOYEE BENEFITS

The Corporation offers its employees various contributory and non-contributory defined benefit pension plans and other post-employment defined benefit plans, defined contribution pension plans, group registered savings plans and multi-employer pension plans. Since June 1, 2010, most of the employees participate only in the defined contribution pension plans. For the defined benefit plans, the amount of benefits is generally calculated based on the employees' years of service and salaries. Plan funding is calculated based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels up to the time of retirement and the anticipated long-term rate of return on pension plan assets. For defined contribution pension plans, multi-employer pension plans and group registered savings plans, the sole obligation of the Corporation is to make the monthly employer's contribution. Certain obligations of the Corporation to the defined benefit plans are guaranteed by letters of credit, drawn on the Corporation's credit facilities, as collateral for unpaid contributions with respect to the solvency deficiency of the plans.

The Board of Directors of the Corporation, with assistance from the pension committee, is responsible for the management and governance of the pension plans. The pension committee assists the Board in fulfilling its supervisory responsibilities with respect to pension plans, especially with regards to investment decisions, contributions to defined benefit plans and the selection of investment opportunities in defined contribution plans. Pension plan assets are held in a trust, except insured annuities. The Corporation's pension plans are managed in accordance with Canadian and provincial laws applicable to pension plans, which have determined minimum and maximum funding requirements for defined benefit pension plans.

The Corporation's funding policy is to make contributions to its pension plans based on various actuarial valuation methods, as permitted by regulatory bodies for pension plans. The Corporation's contributions to its pension plans reflect the most recent actuarial valuations for investment returns, salary projections and benefits related to future service costs. The funding of pension plans is based on fundraising bases that are different from the accounting basis and for which the methods and assumptions may differ from those used for accounting purposes.

Defined benefit pension plans and other post-employment defined benefit plans expose the Corporation to certain risks, including, investment returns, changes in the discount rate used to value the obligation, the longevity rate of plan participants, inflation and health care costs.

The Corporation also provides other long-term employee benefit plans that provide the continuation of benefits for dental and health care in case of long-term disability.

The most recent actuarial valuations of the Corporation's pension plans for funding purposes were done as at December 31, 2015 for plans registered in Quebec and as at December 31, 2016 for plans registered in Ontario.

27 EMPLOYEE BENEFITS (CONTINUED)

The defined benefit obligations and the fair value of the plan assets are measured on the date of the annual consolidated financial statements. The following table presents the changes in the defined benefit obligation and in the fair value of plan assets for the years ended:

	Pension benefits		Other defined benefit plans		Total	
	October 29, 2017	October 31, 2016	**October 29, 2017**	October 31, 2016	**October 29, 2017**	October 31, 2016
Defined benefit obligation						
Balance, beginning of year	**$ 781.4**	$ 712.2	**$ 13.3**	$ 13.1	**$ 794.7**	$ 725.3
Current service cost [1]	**—**	—	**0.3**	(0.5)	**0.3**	(0.5)
Past service cost [2]	**(0.3)**	(1.2)	**—**	—	**(0.3)**	(1.2)
Financial cost related to defined benefit obligation	**24.8**	30.6	**0.4**	0.4	**25.2**	31.0
Actuarial gains or losses from:						
The plan experience	**1.5**	10.9	**(0.1)**	—	**1.4**	10.9
Changes in demographic assumptions	**0.2**	0.6	**—**	—	**0.2**	0.6
Changes in financial assumptions	**(30.9)**	105.5	**0.9**	1.0	**(30.0)**	106.5
Defined benefit obligation extinguished on settlement	**(1.0)**	—	**—**	—	**(1.0)**	—
Benefits paid	**(51.9)**	(77.3)	**(1.1)**	(0.7)	**(53.0)**	(78.0)
Exchange rate change and other	**(0.1)**	0.1	**—**	—	**(0.1)**	0.1
Balance, end of year	**$ 723.7**	$ 781.4	**$ 13.7**	$ 13.3	**$ 737.4**	$ 794.7
Fair value of plan assets						
Balance, beginning of year	**$ 737.3**	$ 717.5	**$ —**	$ —	**$ 737.3**	$ 717.5
Interest income on plan assets	**23.5**	31.0	**—**	—	**23.5**	31.0
Actuarial gains or losses on plan assets	**(19.0)**	63.4	**—**	—	**(19.0)**	63.4
Administrative costs (other than asset management costs)	**(1.1)**	(1.3)	**—**	—	**(1.1)**	(1.3)
Benefits paid	**(51.9)**	(77.3)	**(1.1)**	(0.7)	**(53.0)**	(78.0)
Employer contributions	**5.0**	3.8	**1.1**	0.7	**6.1**	4.5
Asset distributed on settlement	**(1.2)**	—	**—**	—	**(1.2)**	—
Exchange rate change and other	**—**	0.2	**—**	—	**—**	0.2
Balance, end of year	**$ 692.6**	$ 737.3	**$ —**	$ —	**$ 692.6**	$ 737.3
Deficit of the plans	**$ (31.1)**	$ (44.1)	**$ (13.7)**	$ (13.3)	**$ (44.8)**	$ (57.4)
Effect of the asset ceiling	**(3.1)**	(1.9)	**—**	—	**(3.1)**	(1.9)
Defined benefit liability	**$ (34.2)**	$ (46.0)	**$ (13.7)**	$ (13.3)	**$ (47.9)**	$ (59.3)

[1] Current service cost of the other defined benefit plans includes the net change in the long-term disability plan, consisting of current service cost and actuarial gains or losses. The past service cots of this plan is presented on a separate line.

[2] For the year ended October 31, 2016, past service income of pension benefits results from an amendment to Quebec's law which eliminate the obligation to offer additional benefit and allows employers to eliminate it in their pension plan.

27 EMPLOYEE BENEFITS (CONTINUED)

The defined benefit asset (liability) is included as follows in the Consolidated Statements of Financial Position:

	As at October 29, 2017	As at October 31, 2016
Other assets (Note 16)	**$ 2.6**	$ 3.4
Other liabilities (Note 20)	**(50.5)**	(62.7)
	$ (47.9)	$ (59.3)

The following table presents the composition of the fair value of the pension plan assets:

	As at October 29, 2017	As at October 31, 2016
Quoted in an active market		
Equity securities		
Canadian and foreign equities and investment funds	**$ 70.3**	$ 119.3
Debt securities		
Government and corporate bonds and investment funds	**391.5**	421.5
Cash and cash equivalents and investment funds	**6.8**	7.5
	468.6	548.3
Unquoted in an active market		
Insured annuities	**224.0**	189.0
	$ 692.6	$ 737.3

As at October 29, 2017, the plan assets included shares of the Corporation in the amount of $0.6 million ($0.6 million as at October 31, 2016).

The matching strategy for the Corporation's assets and liabilities consists in minimizing risk through the purchase of insured annuities and debt securities. For the years ended October 29, 2017 and October 31, 2016, the plans invested in buy-in insured annuities. Their fair value is considered equal to the defined benefit obligation for participants targeted by the annuities purchases, calculated based on assumptions at the reporting date.

The following table presents the funded status of defined benefit plans:

	Pension benefits		Other defined benefit plans		Total	
	As at October 29, 2017	As at October 31, 2016	**As at October 29, 2017**	As at October 31, 2016	**As at October 29, 2017**	As at October 31, 2016
Fair value of funded or partially funded plan assets	**$ 692.6**	$ 737.3	**$ —**	$ —	**$ 692.6**	$ 737.3
Defined benefit obligation of funded or partially funded plans	**694.5**	750.1	**—**	—	**694.5**	750.1
Effect of the asset ceiling	**(3.1)**	(1.9)	**—**	—	**(3.1)**	(1.9)
Funded status of funded or partially funded plans - deficit	**$ (5.0)**	$ (14.7)	**$ —**	$ —	**$ (5.0)**	$ (14.7)
Defined benefit obligation of unfunded plans	**29.2**	31.3	**13.7**	13.3	**42.9**	44.6
Total funded status - deficit	**$ (34.2)**	$ (46.0)	**$ (13.7)**	$ (13.3)	**$ (47.9)**	$ (59.3)

The Corporation expects to contribute $4.9 million to its defined benefit plans during the year ended October 28, 2018, considering that it plans to use letters of credit from its credit facilities, as collateral for unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

27 EMPLOYEE BENEFITS (CONTINUED)

The following table presents the main assumptions used to calculate the Corporation's defined benefit obligation:

	As at October 29, 2017	As at October 31, 2016
Discount rate, end of year	**3.60 %**	3.30 %
Weighted average rate of compensation increase	**3.03**	3.07

As at October 29, 2017, the growth rate of health care costs on other post-employment defined benefit plans was estimated at 6.0%, gradually decreasing to reach 4.15% for 15 years.

The following table presents the impact of changes in the major assumptions on the defined benefit obligation for the year ended October 29, 2017 and has some limitations. The sensitivities of each key assumption have been calculated without taking into account the changing of any other assumption. Actual results could therefore lead to changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in key assumptions.

Increase (decrease)	Defined benefit obligation
Impact of 0.1% increase in discount rate	$ (10.5)
Impact of 0.1% decrease in discount rate	10.8
Impact of 1.0% increase in growth rate of health care costs	1.0
Impact of 1.0% decrease in growth rate of health care costs	(0.9)

The following table presents the composition of the defined benefit plans cost for the years ended:

	Pension benefits		Other defined benefit plans		Total	
	October 29, 2017	October 31, 2016	**October 29, 2017**	October 31, 2016	**October 29, 2017**	October 31, 2016
Current service cost	**$ —**	$ —	**$ 0.3**	$ (0.5)	**$ 0.3**	$ (0.5)
Past service cost	**(0.3)**	(1.2)	**—**	—	**(0.3)**	(1.2)
Administrative costs	**1.1**	1.3	**—**	—	**1.1**	1.3
Loss resulting from liquidation	**0.2**	—	**—**	—	**0.2**	—
Plans cost recognized in net earnings	**$ 1.0**	$ 0.1	**$ 0.3**	$ (0.5)	**$ 1.3**	$ (0.4)
Financial cost related to defined benefit plans obligation	**$ 24.8**	$ 30.6	**$ 0.4**	$ 0.4	**$ 25.2**	$ 31.0
Interest income on plan assets	**(23.5)**	(31.0)	**—**	—	**(23.5)**	(31.0)
Net interest on defined benefit plan liability	**$ 1.3**	$ (0.4)	**$ 0.4**	$ 0.4	**$ 1.7**	$ —
Defined benefit plans cost	**$ 2.3**	$ (0.3)	**$ 0.7**	$ (0.1)	**$ 3.0**	$ (0.4)

The defined benefit plans costs recognized in operating expenses in the Consolidated Statements of Earnings for the years ended October 29, 2017 and October 31, 2016 were $1.1 million and $1.3 million, respectively. The defined benefit plans net gains or costs recognized in restructuring and other costs (gains) in the Consolidated Statements of Earnings for the years ended October 29, 2017 and October 31, 2016 were $0.2 million and $(1.7) million, respectively.

The following table presents the costs recognized under operating expenses in the Consolidated Statement of Earnings for defined contribution pension plans and State plans for the years ended:

	October 29, 2017	October 31, 2016
Defined contribution pension plans	**$ 17.7**	$ 18.6
State plans	**15.8**	17.5
	$ 33.5	$ 36.1

28 COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Commitments

The Corporation is committed, under various operating lease of premises contracts, to make payments until 2029. Minimum payments required over the coming years for these commitments are as follows:

	Less than 1 year	1 to 5 years	More than 5 years	Total
Leasing of premises and other commitments (1)	$ 30.8	$ 68.0	$ 23.4	$ 122.2

(1) The Corporation has entered into sublease agreements for some of its locations under operating leases, with expiry dates between 2018 and 2022. The Corporation estimates to recover an amount totaling $3.6 million.

Guarantees

In the normal course of business, the Corporation has provided the following significant guarantees to third parties:

a) Indemnification of third parties

Under the terms of debt agreements, the Corporation has agreed to indemnify the holders of such debt instruments against any increase in their costs or reduction in the amounts otherwise payable to them resulting from changes in laws and regulations. These indemnification commitments are in effect for the term of the agreements and have no limitations. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to third parties. Historically, the Corporation has not made any indemnification payments and, as at October 29, 2017, the Corporation had not recorded a liability associated with these indemnification agreements.

b) Business disposals

In connection with the disposal of operations or assets, the Corporation agreed to indemnify against any claims that may result from its previous activities or in the context of in-force agreements at the transaction date. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to guaranteed parties. Historically, the Corporation has not made any significant indemnification payments and, as at October 29, 2017, the Corporation had not recorded any liability associated with these indemnification agreements.

Contingent liabilities

In the normal course of operations, the Corporation is involved in various claims and legal proceedings. Although the outcome of these pending cases as at October 29, 2017 cannot be determined with certainty, the Corporation considers that their outcome is unlikely to have a material adverse effect on its financial position and operating results, given the provisions or insurance coverage with regards to some of these claims and legal proceedings.

29 FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk that the Corporation will incur losses arising from the failure of third parties to meet their contractual obligations. The Corporation is exposed to credit risk related to its accounts receivable, as well as with regard to its normal activities involving cash. The maximum exposure to credit risk for the Corporation for these elements is represented by their carrying value in the Consolidated Statements of Financial Position. The Corporation is also exposed to credit risk with regard to its derivative financial instrument assets. However, the Corporation estimates this risk as low because it deals only with recognized financial institutions with high credit ratings. As at October 29, 2017 and October 31, 2016, the maximum exposure to credit risk related to financial instrument assets was low.

The Corporation regularly analyzes the financial position of its customers and follows specific procedures for approval and evaluation for all new customers. Specific credit limits per customer are set and are reviewed regularly by the Corporation. In addition, due to the diversification of its products, its customers and geographic coverage, the Corporation concludes that it is protected against credit risk concentration. Also, the Corporation has a credit insurance policy covering most of its large customers for a maximum amount of $20.0 million of combined losses per year. The policy's provisions include standard clauses and contain limits on amounts that may be claimed by event and by year of coverage.

As at October 29, 2017, no single customer represented 10.0% or more of the revenues of the Corporation, or 10.0% or more of the related accounts receivable.

29 FINANCIAL INSTRUMENTS (CONTINUED)

The Corporation determines whether receivables are past due according to the types of customers, their payment history and the sector in which they conduct business. The allowance for doubtful accounts and past due receivables are reviewed at each reporting date by management. The Corporation records a bad debt expense only on receivables where collection is not reasonably certain.

The past due receivables are as follows:

Trade receivables	**As at October 29, 2017**	As at October 31, 2016
1 - 30 days past due	**53.4**	61.8
31 - 60 days past due	**11.1**	15.1
More than 60 days past due	**10.7**	10.7
	75.2	87.6
Allowance for doubtful accounts	**(5.3)**	(4.7)
	$ 69.9	$ 82.9

The variation of the allowance for doubtful accounts is as follows for the years ended:

	October 29, 2017	October 31, 2016
Balance, beginning of year	**$ 4.7**	$ 4.8
Business combinations (Note 4)	**—**	0.1
Bad debt expense	**2.2**	1.7
Receivables recovered or written off	**(1.6)**	(1.9)
Balance, end of year	**$ 5.3**	$ 4.7

Based on the payment history of customers, the Corporation is of the opinion that the allowance for doubtful accounts is adequate to cover risks of non-payment.

Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they mature. The Corporation is exposed to liquidity risk related to its accounts payable, long-term debt, derivative financial instrument liabilities and contractual obligations.

The following table presents the contractual maturities of financial liabilities as at October 29, 2017:

	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years
Non-derivative financial liabilities					
Accounts payable and accrued liabilities	**$ 304.5**	**$ 304.5**	**$ 304.5**	**$ —**	**$ —**
Long-term debt	**348.3**	**378.6**	**14.5**	**364.1**	**—**
Long-term accrued liabilities	**17.0**	**17.0**	**—**	**17.0**	**—**
	669.8	**700.1**	**319.0**	**381.1**	**—**
Derivative financial instruments					
Foreign exchange forward contracts in liabilities	**0.1**	**0.1**	**0.1**	**—**	**—**
	$ 669.9	**$ 700.2**	**$ 319.1**	**$ 381.1**	**$ —**

29 FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the contractual maturities of financial liabilities as at October 31, 2016:

	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years
Non-derivative financial liabilities					
Accounts payable and accrued liabilities [(1)]	$ 299.2	$ 299.2	$ 299.2	$ —	$ —
Contingent considerations	15.0	15.0	15.0	—	—
Long-term debt	348.1	393.3	14.7	327.6	51.0
Long-term accrued liabilities [(1)]	13.0	13.0	—	12.5	0.5
	675.3	720.5	328.9	340.1	51.5
Derivative financial instruments					
Foreign exchange forward contracts in liabilities	2.3	2.3	1.8	0.5	—
	$ 677.6	$ 722.8	$ 330.7	$ 340.6	$ 51.5

[(1)] Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

The Corporation believes that future funds generated by operating activities and the access to additional funds on banking and financial markets will be adequate to meet its obligations. In addition, the Corporation has entered into long-term contracts with the majority of its major customers.

Market risk
The market risk is the risk that the Corporation will incur losses arising from adverse changes in underlying market factors, including interest and exchange rates.

a) Interest rate risk
The Corporation is not exposed significantly to market risk related to interest rate fluctuations because its long-term debts are at a fixed rate.

b) Foreign currency risk
The Corporation operates and exports goods to the United States, and purchases machinery and equipment denominated in U.S. dollars. Consequently, it is exposed to risks arising from foreign currency fluctuations.

To manage foreign currency risk related to exports to the United States, the Corporation enters into foreign exchange forward contracts. As at October 29, 2017, the Corporation held foreign exchange forward contracts to sell US$76.0 million (US$104.0 million as at October 31, 2016), including US$46.0 million and US$30.0 million that will be sold during the years ending October 28, 2018 and October 27, 2019, respectively. The maturities of foreign exchange forward contracts range from 1 to 24 months at rates varying from 1,2582 to 1,4336. Foreign exchange forward contracts are designated as cash flow hedges and net investment hedges as at October 29, 2017 and hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the year. No ineffectiveness expense was recorded in the consolidated statements of earnings during the years ended October 29, 2017 and October 31, 2016.

For the years ended October 29, 2017 and October 31, 2016, all things being equal, a hypothetical 10.0% strengthening of the U.S. dollar compared with the Canadian dollar would have the following impact on net earnings and OCI:

	October 29, 2017		October 31, 2016	
	Net earnings	**Other comprehensive income**	Net earnings	Other comprehensive income
Exposure to U.S dollars	**$ (1.3)**	**$ (7.7)**	$ 1.9	$ (7.9)

A hypothetical 10.0% weakening of the U.S. dollar compared with the Canadian dollar would have the opposite effect on net earnings and OCI.

29 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

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 approximate and subjective nature, the fair value must not be interpreted as being realizable in an immediate settlement of the financial instruments.

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to their short term maturities. The table below indicates the fair value and the carrying amount of other financial instruments and derivative financial instruments as at October 29, 2017 and October 31, 2016.

The fair value of long-term debt is determined using the discounted future cash flows 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 October 29, 2017		As at October 31, 2016	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 5.0**	**$ 5.0**	$ 2.5	$ 2.5
Contingent considerations	**—**	**—**	(15.0)	(15.0)
Long-term debt	**(359.6)**	**(348.3)**	(366.1)	(348.1)
Foreign exchange forward contacts in liabilities	**(0.1)**	**(0.1)**	(2.3)	(2.3)

Financial instruments of the Corporation are classified in Level 2 of the fair value hierarchy, except for the contingent considerations payable with respect to the business combinations which are classified in Level 3. For the years ended October 29, 2017 and October 31, 2016, no financial instruments were transferred between levels 1, 2 and 3.

The changes in Level 3 financial instruments are as follows for the years ended:

	October 29, 2017	October 31, 2016
Balance, beginning of year	**$ (15.0)**	$ (11.1)
Business combinations (Note 4)	**—**	(8.8)
Amount paid	**12.5**	—
Change included in net earnings	**2.0**	5.1
Exchange rate change	**0.3**	(0.2)
Balance, end of year	**$ (0.2)**	$ (15.0)

30 CAPITAL MANAGEMENT

The Corporation's main capital management objectives are as follows:

- Optimize the financial structure by targeting a ratio of net debt to operating earnings before depreciation and amortization, restructuring and other costs (gains) and impairment of assets in order to maintain a high credit rating;
- Preserve its financial flexibility in order to benefit from investment opportunities when they arise.

The Corporation relies on the ratio of net debt to operating earnings before depreciation and amortization, restructuring and other costs (gains), and impairment of assets as primary indicator for measuring financial leverage. The net debt ratio is as follows for the years ended:

	October 29, 2017	October 31, 2016
Long-term debt	**$ 348.3**	$ 347.9
Current portion of the long-term debt	**—**	0.2
Cash	**(247.1)**	(16.7)
Net debt	**$ 101.2**	$ 331.4
Operating earnings before depreciation and amortization, restructuring and other costs (gains) and impairment of assets	**$ 396.7**	$ 390.1
Net debt ratio	**0.3x**	0.8x

For the year ended October 29, 2017, the Corporation was not in default regarding any of its financial obligations, as well as in regard to any restrictive covenants.

31 SUBSEQUENT EVENTS

Sale of local and regional newspapers in Quebec
In November and December 2017, the Corporation disposed of several groups of local and regional newspapers in the Quebec province, representing a total of 34 newspapers and web-related properties, as well as one website in exchange for cash consideration and an amount receivable.

These sales of newspapers are in the context of the sale process of its local and regional newspapers in Quebec and Ontario announced by the Corporation on April 18, 2017.

Business combination
On October 31, 2017, the Corporation acquired all the shares of Les Industries Flexipak Inc. ("Flexipak"), a flexible packaging supplier located in Montréal, Quebec. The Corporation will perform the assessment of the fair value of assets acquired and liabilities assumed of Flexipak during the next fiscal year.
This acquisition allows the Corporation to pursue its development in the packaging industry.