TRANSCONTINENTAL

Press Release

For Immediate Release

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

Highlights

- Revenues decreased 2.9%.
- Adjusted operating earnings before depreciation and amortization decreased 7.5%.
- Adjusted net earnings attributable to shareholders of the Corporation decreased 9.6%.
- Net earnings attributable to shareholders of the Corporation per share increased 7.3%.
- Maintained a solid financial position, with a net indebtedness ratio of 0.8x.
- Acquired Robbie Manufacturing, a flexible packaging supplier located in Lenexa, Kansas.
- Successfully started printing the *Toronto Star* in July.

Montreal, September 8, 2016 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the third quarter of Fiscal 2016, which ended July 31, 2016.

“The third quarter results are consistent with our expectations and reflect difficult market realities, but they demonstrate that the actions we have taken mitigated the impact on our profitability”, said François Olivier, President and Chief Executive Officer of TC Transcontinental. “These actions will continue to be beneficial in the next quarter. In our printing division, we continued to optimize our platform and successfully started printing the *Toronto Star*, which will fully contribute starting next quarter. Our Media Sector continued to face declining advertising revenues, but the efficiency measures implemented over the last few months are bearing fruit. As for our packaging division, we are deploying resources to develop sales and we are seeing encouraging progress. Furthermore, the recent acquisition of Robbie Manufacturing allows us to expand our network of flexible packaging plants in North America.”

“Finally, our excellent financial position and our significant cash flows will allow us to continue to invest prudently and to pursue our acquisitions in the packaging segment, our future growth area.”

Financial Highlights

(in millions of dollars, except per share amounts)	Q3-2016	Q3-2015	%	YTD 2016	YTD 2015	%
Revenues	467.8	481.9	(2.9)	1,463.9	1,462.1	0.1
Adjusted operating earnings before depreciation and amortization (Adjusted EBITDA)	89.2	96.4	(7.5)	256.2	264.4	(3.1)
Adjusted operating earnings (Adjusted EBIT)	62.7	71.6	(12.4)	176.0	188.9	(6.8)
Adjusted net earnings attributable to shareholders of the Corporation	44.1	48.8	(9.6)	119.7	126.1	(5.1)
Per share	0.57	0.62	(8.1)	1.54	1.61	(4.3)
Net earnings attributable to shareholders of the Corporation	45.9	43.3	6.0	88.6	162.4	(45.4)
Per share	0.59	0.55	7.3	1.14	2.08	(45.2)

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

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2016 Third Quarter Results

Revenues for the third quarter of 2016 went from $481.9 million to $467.8 million, a decrease of 2.9%. The contribution from acquisitions, notably those of Ultra Flex Packaging and Robbie Manufacturing, as well as the appreciation of the U.S. dollar against the Canadian dollar were unable to offset the decrease in revenues from existing operations. In the printing division, the decline in advertising spending continued to impact several segments. With respect to flyer printing for Canadian retailers, the number of flyers and the number of pages remained stable. The decrease in revenues from existing operations was partially offset by the printing of the *Toronto Star*, which started in July 2016. In addition, the decline in the packaging division is mainly attributable to a reduction in demand from Transcontinental Capri's main customer and the loss of a customer as a result of its sale. In the Media Sector, the decline in advertising revenues continued to have an effect on local newspapers.

Adjusted operating earnings went from $71.6 million to $62.7 million in the third quarter of 2016, a decrease of 12.4%. The decline in adjusted operating earnings from existing operations is due to the decline in revenues mentioned above and the investments made to increase capacity and support the growth strategy of the packaging division. The decrease was partially offset by the contribution from acquisitions, the favourable exchange rate effect and the ongoing cost reduction initiatives in the printing division and the Media Sector.

Adjusted net earnings attributable to shareholders of the Corporation decreased 9.6%, from $48.8 million, or $0.62 per share, to $44.1 million, or $0.57 per share. This decrease is mainly due to lower adjusted operating earnings, partially offset by the reduction in adjusted income taxes and net financial expenses. Net earnings attributable to shareholders of the Corporation went from $43.3 million, or $0.55 per share, to $45.9 million, or $0.59 per share. This increase is mainly attributable to the favourable variation in restructuring and other costs (revenues), net of related taxes, and a reduction in income taxes, partially offset by lower adjusted operating earnings.

Other Highlights

- On May 30, 2016, TC Transcontinental announced the divestiture of its assets in the province of Saskatchewan. The transaction included the sale of its 13 local newspapers and associated web properties, as well as some commercial printing equipment and related book of business.
- On June 30, 2016, TC Transcontinental announced the acquisition of Robbie Manufacturing, a flexible packaging supplier located in Lenexa, Kansas. Robbie Manufacturing specializes in on-site packaging needs for grocery stores, shrink wrap packaging of multipack consumer goods, and packaging solutions for food processors. With more than 175 employees, it generated US$50 million in annual revenues in its most recent fiscal year.
- On July 28, 2016, the Corporation announced that it sold most of its commercial printing line of business operated from its plant in Dartmouth, Nova Scotia.

Highlights of the First Nine Months

For the first nine months of 2016, TC Transcontinental's revenues went from $1,462.1 million to $1,463.9 million. The acquisitions of Ultra Flex Packaging and, to a lesser extent, Robbie Manufacturing as well as the appreciation of the U.S. dollar against the Canadian dollar more than offset the decrease in revenues from existing operations. In the printing division, the decline in advertising spending in several segments and the loss of a U.S. customer were partially offset by previously announced new contracts. With respect to flyer printing for Canadian retailers, the number of flyers and number of pages remained stable. In the packaging division, the decline is attributable to a reduction in demand from Transcontinental Capri's main customer and the loss of a customer as a result of its sale. In the Media Sector, the decline in advertising revenues continued to have an effect on local newspapers. In addition, distribution activities were impacted by the exit of a retailer from the Canadian market in 2015.

Adjusted operating earnings went from $188.9 million to $176.0 million, a decrease of 6.8%. The decline in adjusted operating earnings from existing operations is due to the decline in revenues mentioned above and the investments made to increase capacity and support the growth strategy of the packaging division. The decrease was partially offset by the contribution from acquisitions, the favourable exchange rate effect and ongoing cost reduction initiatives in the printing division and the Media Sector.

Adjusted net earnings attributable to shareholders of the Corporation decreased 5.1%, from $126.1 million, or $1.61 per share, to $119.7 million, or $1.54 per share. This decrease is mainly due to lower adjusted operating earnings, partially offset by the reduction in adjusted income taxes and net financial expenses. Net earnings attributable to shareholders of the Corporation went from $162.4 million, or $2.08 per share, to $88.6 million, or $1.14 per share. This decrease is attributable to several unusual items totalling close to $90 million in 2015 and 2016, namely a gain on the sale of the consumer magazine publishing activities, a reversal of the provision for multi-employer pension plans, a gain on the sale of a building and an asset impairment charge. To a lesser extent, lower adjusted operating earnings also contributed to the decrease.

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

Outlook for 2016

Flyer printing volume is expected to remain relatively stable during the fourth quarter of 2016. In addition, the net impact of new contracts, including the contract to print the *Toronto Star*, will be more significant in the fourth quarter. We will also continue to grow our in-store marketing product offering for retailers. However, these items should be more than offset by the impact of the decline in the advertising market on our traditional commercial, newspaper and magazine printing activities. With respect to adjusted operating earnings, our operational efficiency initiatives will also have a more significant contribution in the fourth quarter, which should improve the performance of this division.

In our flexible packaging division, the contribution from the acquisitions of Robbie Manufacturing and Ultra Flex Packaging will continue to have a positive impact during the fourth quarter. In addition, we will continue developing new business opportunities and qualifying our products with customers to drive growth in this division. We expect that several of these opportunities will materialize starting in 2017. However, the reduced demand from Transcontinental Capri's main customer and the impact of the loss of a customer as a result of its sale will continue to create an organic decline within this business unit during the fourth quarter. Furthermore, our recent investments made to increase our capacity and support our development strategy will also have an unfavourable impact on adjusted operating earnings in the fourth quarter.

Within the Media Sector, the impact of the transformation of the advertising market should continue to affect our newspaper publishing activities. However, cost reductions initiatives should enable us to reduce the impact of the advertising market on our adjusted operating earnings during the last quarter of 2016.

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

Reconciliation of Non-IFRS Financial Measures

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

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

(in millions of dollars, except per share amounts)	Three months ended July 31 2016	2015	Nine months ended July 31 2016	2015
Net earnings attributable to shareholders of the Corporation	**$ 45.9**	$ 43.3	**$ 88.6**	$ 162.4
Non-controlling interests	**—**	0.1	**—**	(0.3)
Net earnings from discontinued operations	**—**	(0.7)	**—**	(29.2)
Income taxes	**15.3**	17.0	**31.3**	49.8
Share of net earnings in interests in joint ventures, net of related taxes	**(0.1)**	(0.1)	**(0.4)**	(0.3)
Net financial expenses	**2.5**	3.6	**12.0**	13.8
Impairment of assets	**0.1**	0.2	**30.4**	1.6
Restructuring and other costs (revenues)	**(1.0)**	8.2	**14.1**	(8.9)
Adjusted operating earnings	**$ 62.7**	$ 71.6	**$ 176.0**	$ 188.9
Depreciation and amortization	**26.5**	24.8	**80.2**	75.5
Adjusted operating earnings before depreciation and amortization	**$ 89.2**	$ 96.4	**$ 256.2**	$ 264.4
Net earnings attributable to shareholders of the Corporation	**$ 45.9**	$ 43.3	**$ 88.6**	$ 162.4
Net earnings from discontinued operations	**—**	(0.7)	**—**	(29.2)
Impairment of assets (after tax)	**0.5**	0.2	**22.4**	1.2
Restructuring and other costs (revenues), net of related taxes	**(2.3)**	6.0	**8.7**	(8.3)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 44.1**	$ 48.8	**$ 119.7**	$ 126.1
Weighted average number of shares outstanding	**77.5**	78.1	**77.7**	78.1
Adjusted net earnings attributable to shareholders of the Corporation per share	**$ 0.57**	$ 0.62	**$ 1.54**	$ 1.61

	As at July 31, 2016	As at October 31, 2015
Long-term debt	**$ 347.8**	$ 347.7
Current portion of long-term debt	**0.2**	36.4
Cash	**(35.0)**	(38.6)
Net indebtedness	**$ 313.0**	$ 345.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 370.5**	$ 378.7
Net indebtedness ratio	**0.8 x**	0.9 x

Dividend

The Corporation's Board of Directors declared a quarterly dividend of $0.185 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on October 20, 2016 to shareholders of record at the close of business on October 3, 2016.

Conference Call

Upon releasing its third quarter 2016 results, the Corporation will hold a conference call for the financial community today at 4:15 p.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-in only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Communications of TC Transcontinental, at 514-954-3581.

Profile

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

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has close to 8,000 employees in Canada and the United States, and revenues of C$2.0 billion in 2015.

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world and particularly in Canada and the United States, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, energy costs, competition, the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities, the regulatory environment, the safety of its packaging products used in the food industry, innovation of its offering and concentration of its sales in certain segments. The main risks, uncertainties and factors that could influence actual results are described in *Management's Discussion and Analysis (MD&A) for the fiscal year ended on October 31st, 2015*, in the latest *Annual Information Form* and have been updated in the *MD&A for the third quarter ended July 31st, 2016.*

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of September 8, 2016.

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

The forward-looking statements in this release are based on current expectations and information available as at September 8, 2016. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

For the quarter ended July 31, 2016

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

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term “dollar,” as well as the symbol "$" designate Canadian dollars, unless otherwise indicated. In this Management’s Discussion and Analysis we also use non-IFRS financial measures. Please refer to table #6 in the section of this report entitled “Reconciliation of Non-IFRS Financial Measures” for a complete description of these measures. This report should be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended July 31, 2016. Additional information about the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often contain oral or written forward-looking statements which are based on the expectations of Management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. The main risks, uncertainties and factors that could influence actual results are described in the Management's Discussion and Analysis for the fiscal year ended October 31, 2015 and in the Annual Information Form. We caution that the table appearing on the following page regarding the Corporation's forward-looking statements is not exhaustive, and investors relying on it to make decisions with respect to Transcontinental Inc. should consider the related assumptions and risk factors.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or concluded after the date of September 8, 2016.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at September 8, 2016. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

SUMMARY OF FORWARD-LOOKING STATEMENTS

Forward-looking Statements	Assumptions	Risk Factors
Continuing ability to generate cash.	- Lower spending on print media advertising will continue to affect both our sectors. - The Corporation's ability to control its costs. - The impact of our commercial agreements will be as expected. - Stable level of competition in the markets in which we operate. - Moderate growth rate of the North American economy.	- The impact of new media and the corresponding shift of advertising revenues to new platforms. - Our ability to continually improve our operational efficiency. - Significant increase in the price of our raw materials and inputs, which could lead to lower volume. - The renegotiation of commercial printing agreements with some of our major customers could lead to lower operating earnings despite long-term agreements.
Estimated increase in adjusted operating earnings before depreciation and amortization following our acquisitions in the packaging industry.	- We will be able to retain key employees and develop new business opportunities in order to ensure the growth of our investment. - Ability to apply our manufacturing expertise to maintain operational efficiency.	- The expected increase in sales and adjusted operating earnings before depreciation and amortization could take longer to realize than anticipated.
Organic decrease in adjusted operating earnings for the packaging division during the fourth quarter of 2016.	- Continued investments to increase capacity and support our growth strategy will have an unfavourable impact on adjusted operating earnings in the short-term.	- Decrease in volume with our customers.
Stable adjusted operating earnings for the Media Sector during the fourth quarter of 2016.	- Lower spending on print media advertising will continue to affect this sector. - Cost reduction initiatives will contribute to adjusted operating earnings.	- The speed of decline in the advertising market could accelerate. - The impact of new media and the corresponding shift of advertising revenues to new platforms.
Stable adjusted operating earnings for the printing division during the fourth quarter of 2016.	- Lower spending on print media advertising will continue to affect this sector. - No significant loss of customers. - Stable demand from retailers. - Cost reduction initiatives will contribute to adjusted operating earnings.	- The speed of decline in the market could accelerate.

DEFINITION OF TERMS USED IN THIS MANAGEMENT REPORT

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

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

PROFILE OF TC TRANSCONTINENTAL

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

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

Transcontinental Inc. (TSX: TCL.A, TCL.B), known as TC Transcontinental, has close to 8,000 employees in Canada and the United States, and revenues of C$2.0 billion in 2015. Website www.tc.tc.

HIGHLIGHTS

- Revenues decreased by $14.1 million, or 2.9%, from $481.9 million in the third quarter of 2015 to $467.8 million in the third quarter of 2016.
- Adjusted operating earnings decreased by $8.9 million, or 12.4%, from $71.6 million in the third quarter of 2015 to $62.7 million in the corresponding period of 2016.
- Adjusted net earnings attributable to shareholders of the Corporation decreased by $4.7 million, or 9.6%, from $48.8 million in the third quarter of 2015 to $44.1 million in the corresponding period of 2016.
- On June 30, 2016, the Corporation completed the acquisition of Robbie Manufacturing, a flexible packaging supplier located in Lenexa, Kansas.
- In July 2016, the Corporation started printing the *Toronto Star* at its Vaughan, Ontario plant.

ANALYSIS OF SECTOR RESULTS - THIRD QUARTER

(unaudited)

Table #1:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Third quarter of 2015	**$ 350.4**	**$ 144.4**	**$ (12.9)**	**$ 481.9**
Acquisitions/disposals and closures	29.6	(4.4)	—	25.2
Existing operations				
Exchange rate effect	3.9	—	—	3.9
Organic growth (negative)	(30.0)	(14.6)	1.4	(43.2)
Revenues - Third quarter of 2016	**$ 353.9**	**$ 125.4**	**$ (11.5)**	**$ 467.8**
Adjusted operating earnings - Third quarter of 2015	**$ 58.9**	**$ 15.3**	**$ (2.6)**	**$ 71.6**
Acquisitions/disposals and closures	2.0	(0.7)	—	1.3
Existing operations				
Exchange rate effect	2.1	—	—	2.1
Organic growth (negative)	(8.2)	(0.6)	(3.5)	(12.3)
Adjusted operating earnings - Third quarter of 2016	**$ 54.8**	**$ 14.0**	**$ (6.1)**	**$ 62.7**

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

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

Printing & Packaging Sector

Printing & Packaging Sector revenues increased by $3.5 million, or 1.0%, from $350.4 million in the third quarter of 2015 to $353.9 million in the third quarter of 2016. Revenues associated with the acquisitions of Ultra Flex Packaging and Robbie Manufacturing combined with the favourable exchange rate effect more than offset the organic decrease. The organic decline is attributable to the lower advertising spending that continued to affect commercial printing. In addition, the decrease in circulation and number of pages within newspaper and magazine printing continued to have an unfavourable impact despite the contract with the *Toronto Star*, which started in July 2016. With respect to our offering to Canadian retailers, the amount of flyers and number of pages remained stable. Concerning the flexible packaging division, Transcontinental Capri's revenues were affected by the reduced demand from our main customer and the loss of a customer as a result of its sale.

Adjusted operating earnings decreased by 7.0%, or $4.1 million, from $58.9 million in the third quarter of 2015 to $54.8 million in the third quarter of 2016. The organic decrease in the print division is mostly attributable to the above-mentioned lower revenues, partly offset by cost reduction initiatives. With respect to the packaging division, the lower volume noted above combined with the impact of investments made to increase our capacity in order to support our growth strategy explains the organic decrease. These items were partly offset by the favourable exchange rate effect in the Printing & Packaging Sector as well as the impact of the acquisitions of Ultra Flex Packaging in early October 2015 and Robbie Manufacturing in late June 2016. The sector's adjusted operating earnings margin declined from 16.8% in the third quarter of 2015 to 15.5% in the third quarter of 2016.

Media Sector

Media Sector revenues decreased by $19.0 million, or 13.2%, from $144.4 million in the third quarter of 2015 to $125.4 million in the third quarter of 2016. With respect to existing operations, the lower advertising revenues continued to impact publishing activities, mainly within the local newspapers segment. In addition, the reduction in sales through our digital advertising network business also explained the organic decline. Lastly, the disposals and closures of local newspapers and certain digital products accounted for a $4.4 million decrease in the sector's revenues.

Adjusted operating earnings decreased by $1.3 million, or 8.5%, from $15.3 million in the third quarter of 2015 to $14.0 million in the third quarter of 2016. The adjusted operating earnings margin increased from 10.6% in the third quarter of 2015 to 11.2% in 2016. This slight organic decrease was explained by the lower revenues mentioned above, which were mostly offset by cost reduction initiatives within the local newspaper and interactive marketing solutions segments.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$12.9 million in the third quarter of 2015 to -$11.5 million in the third quarter of 2016. Adjusted operating earnings decreased by $3.5 million, from $-2.6 million in the third quarter of 2015 to -$6.1 million in 2016. This decrease is primarily due to stock-based compensation as a result of the change in the share price in the third quarter of 2016 compared to prior year, partly offset by cost reduction initiatives at head office.

ANALYSIS OF CONSOLIDATED RESULTS - THIRD QUARTER

(unaudited)

Table #2:

(in millions of dollars)	2016	2015	Variance fav / (unfav)
Adjusted operating earnings	**$ 62.7**	**$ 71.6**	**$ (8.9)**
Net financial expenses	2.5	3.6	1.1
Adjusted income taxes	16.2	19.2	3.0
Share of net earnings in interests in joint ventures, net of related taxes	(0.1)	(0.1)	—
Non-controlling interests	—	0.1	0.1
Adjusted net earnings attributable to shareholders of the Corporation	**$ 44.1**	**$ 48.8**	**$ (4.7)**
Restructuring and other costs (revenues), net of related taxes	(2.3)	6.0	8.3
Impairment of assets (after tax)	0.5	0.2	(0.3)
Net earnings from discontinued operations	—	(0.7)	(0.7)
Net earnings attributable to shareholders of the Corporation	**$ 45.9**	**$ 43.3**	**$ 2.6**

Net Financial Expenses

Net financial expenses decreased by $1.1 million, from $3.6 million in the third quarter of 2015 to $2.5 million in the third quarter of 2016. The decrease in financial expenses is attributable to a greater exchange gain compared to the corresponding quarter of 2015.

Adjusted Income Taxes

Adjusted income taxes decreased from $19.2 million in the third quarter of 2015, for a tax rate of 28.3%, to $16.2 million, or 27.0%, in the third quarter of 2016. This decrease in tax rate stems mainly from differences between the accounting and tax treatment of certain items.

Adjusted Net Earnings Attributable to Shareholders of the Corporation

Adjusted net earnings attributable to shareholders of the Corporation decreased by $4.7 million, or 9.6%, from $48.8 million in the third quarter of 2015 to $44.1 million in the third quarter of 2016. This decrease is mostly due to lower adjusted operating earnings, partly offset by a reduction in adjusted income taxes and net financial expenses. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation decreased from $0.62 to $0.57.

Restructuring and Other Costs (Revenues), Net of Related Taxes

Restructuring and other costs (revenues), net of related taxes, decreased by $8.3 million compared to the prior year. This favourable impact is mainly explained by the revaluation of a contingent consideration related to a business combination and by a non-recurring expense recorded in 2015 as a result of amendments made by the Corporation to certain pension plans. In addition, a slight increase in workforce reduction expenses was offset by higher gains on disposals.

Discontinued Operations

In the third quarter of 2015, net earnings from discontinued operations amounted to $0.7 million as a result of a gain on the sale of certain consumer magazines.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation increased from $43.3 million in the third quarter of 2015 to $45.9 million in the third quarter of 2016. This increase is mostly explained by the favourable change in restructuring and other costs (revenues) and a reduction in income taxes, partly offset by lower adjusted operating earnings. On a per share basis, net earnings attributable to shareholders of the Corporation increased from $0.55 to $0.59.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #3:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Nine months ended July 31, 2015	**$ 1,077.1**	**$ 422.7**	**$ (37.7)**	**$ 1,462.1**
Acquisitions/disposals and closures	80.0	(7.9)	—	72.1
Existing operations				
Exchange rate effect	19.2	0.1	—	19.3
Organic growth (negative)	(58.3)	(34.3)	3.0	(89.6)
Revenues - Nine months ended July 31, 2016	**$ 1,118.0**	**$ 380.6**	**$ (34.7)**	**$ 1,463.9**
Adjusted operating earnings - Nine months ended July 31, 2015	**$ 180.2**	**$ 30.9**	**$ (22.2)**	**$ 188.9**
Acquisitions/disposals and closures	7.2	(0.9)	—	6.3
Existing operations				
Exchange rate effect	4.9	—	—	4.9
Organic growth (negative)	(21.4)	(5.5)	2.8	(24.1)
Adjusted operating earnings - Nine months ended July 31, 2016	**$ 170.9**	**$ 24.5**	**$ (19.4)**	**$ 176.0**

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

The Corporation made a correction to the exchange rate effect calculation for the first six months of 2016, which changed the presentation of organic growth within adjusted operating earnings for the Printing & Packaging Sector.

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

Printing & Packaging Sector

Printing & Packaging Sector revenues increased by $40.9 million, or 3.8%, from $1,077.1 million in the first nine months of 2015 to $1,118.0 million in the corresponding period of 2016. The recent acquisitions in the packaging division and the favourable exchange rate effect more than offset the sector's organic decline. The organic decrease is mainly attributable to the decline in advertising spending that continued to affect our existing commercial, newspaper and magazine operations. The impact of the loss of a US customer early in 2015 within the printing division also explains the organic decrease, which was partly mitigated by new contracts, including the contract to print the Census of Canada. With respect to our offering to Canadian retailers, the amount of flyers and the number of pages remained stable. In the flexible packaging division, Transcontinental Capri's revenues were down due to the reduced demand from our main customer and the loss of a customer as a result of its sale.

Adjusted operating earnings decreased by 5.2%, or $9.3 million, from $180.2 million in the first nine months of 2015 to $170.9 million in the corresponding period of 2016. This decrease is mostly attributable to the above-mentioned lower volume and the investments made to increase our capacity in order to support our growth strategy in the packaging division. These items were partly offset by cost optimization initiatives in the printing division, the favourable exchange rate effect and acquisitions in the packaging industry. The sector's adjusted operating earnings margin declined from 16.7% in the first nine months of 2015 to 15.3% in the corresponding period of 2016.

Media Sector

Media Sector revenues decreased by $42.1 million, or 10.0%, from $422.7 million in the first nine months of 2015 to $380.6 million in the corresponding period of 2016. With respect to existing operations, the decline in advertising revenues continued to impact publishing activities, mainly within the local newspapers segment. In addition, the exit from the Canadian market by a retailer in 2015 had an unfavourable impact on distribution operations, and the reduction in sales through our digital advertising network business also explained the organic decrease. Lastly, the disposals and closures of local newspapers and certain digital products accounted for a $7.9 million decrease in the sector's revenues.

Adjusted operating earnings decreased by $6.4 million, or 20.7%, from $30.9 million in the first nine months of 2015 to $24.5 million in the corresponding period of 2016. The adjusted operating earnings margin decreased from 7.3% in the first nine months of 2015 to 6.4% in 2016. This decrease is mainly explained by the lower revenues noted above, partly offset by cost reduction initiatives within the local newspaper and interactive marketing solutions segments.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$37.7 million in the first nine months of 2015 to -$34.7 million in the corresponding period of 2016. Adjusted operating earnings improved by $2.8 million, from -$22.2 million in the first nine months of 2015 to -$19.4 million in 2016. This improvement is primarily due to cost reduction initiatives at head office and, to a lesser extent, to stock-based compensation as a result of the change in the share price in the first nine months of of 2016 compared to prior year.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

(unaudited)

Table #4:

(in millions of dollars)	2016	2015	Variance fav / (unfav)
Adjusted operating earnings	**$ 176.0**	**$ 188.9**	**$ (12.9)**
Net financial expenses	12.0	13.8	1.8
Adjusted income taxes	44.7	49.6	4.9
Share of net earnings in interests in joint ventures, net of related taxes	(0.4)	(0.3)	0.1
Non-controlling interests	—	(0.3)	(0.3)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 119.7**	**$ 126.1**	**$ (6.4)**
Restructuring and other costs (revenues), net of related taxes	8.7	(8.3)	(17.0)
Impairment of assets (after tax)	22.4	1.2	(21.2)
Net earnings from discontinued operations	—	(29.2)	(29.2)
Net earnings attributable to shareholders of the Corporation	**$ 88.6**	**$ 162.4**	**$ (73.8)**

Net Financial Expenses

Net financial expenses decreased by $1.8 million, from $13.8 million in the first nine months of 2015 to $12.0 million in the corresponding period of 2016. This decrease is mainly attributable to excess free cash flows, which enabled us to continue reducing net indebtedness while pursuing the transformation of the business through several acquisitions.

Adjusted Income Taxes

Adjusted income taxes decreased from $49.6 million in the first nine months of 2015, for a tax rate of 28.4%, to $44.7 million, or 27,2%, in the first nine months of 2016. This decrease in tax rate stems mainly from differences between the accounting and tax treatment of certain items.

Adjusted Net Earnings Attributable to Shareholders of the Corporation

Adjusted net earnings attributable to shareholders of the Corporation decreased by $6.4 million, or 5.1%, from $126.1 million in the first nine months of 2015 to $119.7 million in the corresponding period of 2016. This decrease is mainly due to lower adjusted operating earnings, partly offset by a decrease in adjusted income taxes and net financial expenses. On a per share basis, it decreased from $1.61 to $1.54.

Restructuring and Other Costs (Revenues), Net of Related Taxes

Restructuring and other costs (revenues), net of related taxes, increased by $17.0 million compared to the prior year. The unfavourable effect is mainly explained by the reversal of the provision for multi-employer pension plans and the gain on the sale of a building, both recorded during Fiscal 2015.

Impairment of Assets (After Tax)

The increase in the asset impairment charge (after tax) of $21.2 million is mainly explained by the impairment of the intangible assets of local newspapers outside of Quebec during the second quarter of 2016.

Discontinued Operations

In the first nine months of 2015, net earnings from discontinued operations amounted to $29.2 million, mostly attributable to a gain on the sale of the consumer magazine publishing activities in April 2015.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased from $162.4 million in the first nine months of 2015 to $88.6 million in the corresponding period of 2016. This decrease is mostly explained by three favourable items in 2015: a gain on the sale of the consumer magazine publishing activities, a reversal of the provision for multi-employer pension plans and a gain on the sale of a building. In addition, the asset impairment charge in the second quarter of 2016 and, to a lesser extent, lower adjusted operating earnings contributed to the decrease in net earnings attributable to shareholders of the Corporation. On a per share basis, net earnings attributable to shareholders of the Corporation decreased from $2.08 to $1.14.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

(in millions of dollars, except per share amounts)	**2016**			2015				2014
	Q3	Q2	Q1	Q4	**Q3**	Q2	Q1	Q4
Revenues	**$ 467.8**	$ 497.2	$ 498.9	$ 540.1	**$ 481.9**	$ 490.5	$ 489.7	$ 548.2
Adjusted operating earnings before depreciation and amortization	**89.2**	83.1	83.9	114.3	**96.4**	87.2	80.8	119.1
Adjusted operating earnings margin before depreciation and amortization	**19.1 %**	16.7 %	16.8 %	21.2 %	**20.0 %**	17.8 %	16.5 %	21.7 %
Adjusted operating earnings	**62.7**	56.2	57.1	87.8	**71.6**	61.6	55.7	92.4
Adjusted operating earnings margin	**13.4 %**	11.3 %	11.4 %	16.3 %	**14.9 %**	12.6 %	11.4 %	16.9 %
Net earnings attributable to shareholders of the Corporation	**$ 45.9**	$ 5.4	$ 37.3	$ 100.2	**$ 43.3**	$ 81.2	$ 37.9	$ 9.0
Per share	**0.59**	0.07	0.48	1.28	**0.55**	1.04	0.49	0.12
Adjusted net earnings attributable to shareholders of the Corporation	**44.1**	34.2	41.4	60.6	**48.8**	39.1	38.2	63.6
Per share	**0.57**	0.44	0.53	0.78	**0.62**	0.50	0.49	0.81
% of fiscal year	**— %**	— %	— %	33 %	**26 %**	21 %	20 %	38 %

The above table shows changes in our results over the past eight quarters and reflects a certain stability in revenues. The acquisitions in the flexible packaging industry as well as the favourable impact of the exchange rate and new contracts offset the decrease in existing operations related to the transformation of the printing and publishing industries. With respect to adjusted operating earnings, operational efficiencies in both our sectors as well as the impact of the acquisitions in the flexible packaging industry and of the exchange rate offset a large part of the organic decline. Lastly, it should be noted that our volume of activity is cyclical, since it is mainly influenced by our customers' marketing spending, which is higher in the fourth quarter.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES (unaudited)

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

Table #6:

	Three months ended July 31		Nine months ended July 31	
(in millions of dollars, except per share amounts)	**2016**	2015	**2016**	2015
Net earnings attributable to shareholders of the Corporation	**$ 45.9**	$ 43.3	**$ 88.6**	$ 162.4
Non-controlling interests	**—**	0.1	**—**	(0.3)
Net earnings from discontinued operations	**—**	(0.7)	**—**	(29.2)
Income taxes	**15.3**	17.0	**31.3**	49.8
Share of net earnings in interests in joint ventures, net of related taxes	**(0.1)**	(0.1)	**(0.4)**	(0.3)
Net financial expenses	**2.5**	3.6	**12.0**	13.8
Impairment of assets	**0.1**	0.2	**30.4**	1.6
Restructuring and other costs (revenues)	**(1.0)**	8.2	**14.1**	(8.9)
Adjusted operating earnings	**$ 62.7**	$ 71.6	**$ 176.0**	$ 188.9
Depreciation and amortization	**26.5**	24.8	**80.2**	75.5
Adjusted operating earnings before depreciation and amortization	**$ 89.2**	$ 96.4	**$ 256.2**	$ 264.4
Net earnings attributable to shareholders of the Corporation	**$ 45.9**	$ 43.3	**$ 88.6**	$ 162.4
Net earnings from discontinued operations	**—**	(0.7)	**—**	(29.2)
Impairment of assets (after tax)	**0.5**	0.2	**22.4**	1.2
Restructuring and other costs (revenues), net of related taxes	**(2.3)**	6.0	**8.7**	(8.3)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 44.1**	$ 48.8	**$ 119.7**	$ 126.1
Weighted average number of shares outstanding	**77.5**	78.1	**77.7**	78.1
Adjusted net earnings attributable to shareholders of the Corporation per share	**$ 0.57**	$ 0.62	**$ 1.54**	$ 1.61

	As at July 31, 2016	As at October 31, 2015
Long-term debt	**$ 347.8**	$ 347.7
Current portion of long-term debt	**0.2**	36.4
Cash	**(35.0)**	(38.6)
Net indebtedness	**$ 313.0**	$ 345.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 370.5**	$ 378.7
Net indebtedness ratio	**0.8 x**	0.9 x

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

(unaudited)

Table #7:

(in millions of dollars)		**Three months ended July 31, 2016**		Three months ended July 31, 2015
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$**	**92.4**	$	93.5
Changes in non-cash operating items		**7.9**		13.2
Income taxes paid		**(14.4)**		(5.3)
Cash flows from continuing operating activities	**$**	**85.9**	$	101.4
Investing activities				
Business combinations	**$**	**(36.4)**	$	(1.0)
Business disposals		**2.1**		—
Acquisitions of property, plant and equipment		**(19.1)**		(14.2)
Disposals of property, plant and equipment		**6.6**		16.9
Increase in intangible assets		**(4.9)**		(6.6)
Cash flows from investments in continuing operations	**$**	**(51.7)**	$	(4.9)
Financing activities				
Reimbursement of long-term debt	**$**	**(16.2)**	$	(7.0)
Net decrease in credit facility		**(2.0)**		(54.1)
Financial expenses on long-term debt		**(5.2)**		(5.4)
Dividends		**(14.3)**		(13.2)
Share redemptions		**(5.9)**		(0.7)
Cash flows from the financing of continuing operations	**$**	**(43.6)**	$	(80.4)

Financial position		**As at July 31, 2016**		As at October 31, 2015
Net indebtedness	**$**	**313.0**	$	345.5
Net indebtedness ratio		**0.8 x**		0.9 x
Credit rating				
DBRS		**BBB (low)**		BBB (low)
Outlook		**Stable**		Stable
Standard and Poor's		**BBB-**		BBB-
Outlook		**Stable**		Stable
Balance sheet		**As at July 31, 2016**		As at October 31, 2015
Current assets	**$**	**481.3**	$	579.3
Current liabilities		**334.0**		458.4
Total assets		**1,973.4**		2,098.0
Total liabilities		**930.7**		1,081.7

Cash Flows from Continuing Operating Activities

Cash flows from continuing operating activities decreased from $101.4 million in the third quarter of 2015 to $85.9 million in the third quarter of 2016. This decrease is primarily explained by higher income taxes paid.

Cash Flows from Investments in Continuing Operations

Cash flows from investments in continuing operations went from a cash outflow of $4.9 million in the third quarter of 2015 to a cash outflow of $51.7 million in the third quarter of 2016. This increase is mainly due to the acquisition of Robbie Manufacturing during the third quarter of 2016 and to the collection of $16.5 million as a result of the disposal of a building in 2015.

Cash Flows from the Financing of Continuing Operations

Cash flows from the financing of continuing operations went from a cash outflow of $80.4 million in the third quarter of 2015 to a cash outflow of $43.6 million in the third quarter of 2016. This change is mainly due to the deployment of our excess cash flows. In the third quarter of 2015, the Corporation applied most of these cash flows towards its credit facility, whereas in 2016 the funds were mostly used for investment activities. In addition, share redemptions were higher than in the third quarter of 2015.

Debt Instruments

As at July 31, 2016, our net indebtedness ratio stood at 0.8x (0.9x as at October 31, 2015), and net indebtedness decreased from $345.5 million as at October 31, 2015 to $313.0 million as at July 31, 2016. Excess free cash flows enabled the Corporation to reduce its net indebtedness.

Share Capital

During the third quarter of 2016, the Corporation repurchased 340,364 of its Class A Subordinate Voting Shares at a weighted average price of $17.50 for a total cash consideration of $5.9 million. Since the beginning of the program in April 2016, the Corporation repurchased and cancelled 340,364 of its Class A Subordinate Voting Shares. The change in Class B Shares during the third quarter of 2016 is due to the conversion of 22,100 Class B shares into Class A Shares.

During the third quarter of 2015, the Corporation had repurchased and cancelled 42,300 of its Class A Subordinate Voting Shares at a weighted average price of $15.59 for a total cash consideration of $0.7 million.

Table #8:

Shares Issued and Outstanding	As at July 31, 2016	As at August 31, 2016
Class A (Subordinate Voting Shares)	63,220,208	63,221,408
Class B (Multiple Voting Shares)	14,099,426	14,098,226

CHANGES IN ACCOUNTING STANDARDS

New or amended accounting standards not yet adopted

Since the beginning of the fiscal year, the IASB issued IFRS 16, "Leases", as well as amendments to IAS 7, "Statement of Cash Flows", and IFRS 2, "Share-based Payment". The Corporation has not yet determined the impact of adopting these changes on its consolidated financial statements. Please see Note 2 to the condensed interim consolidated financial statements in order to obtain more information.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As at July 31, 2016, Management excluded Ultra Flex Packaging and Robbie Manufacturing from its evaluation of internal control over financial reporting; this exclusion is accepted by the Autorité des marchés financiers (AMF) during the first year after the acquisition of a business, to give a corporation time to integrate the acquisition.

Ultra Flex Packaging is a supplier of printed flexible packaging that has close to 300 employees. Acquired on September 30, 2015, Ultra Flex Packaging generated revenues of $24.7 million and adjusted operating earnings of $1.6 million in the third quarter of 2016, or 5.3% and 2.6%, respectively, of the Corporation's consolidated results.

Robbie Manufacturing is a supplier of printed flexible packaging that has close to 175 employees. Acquired on June 30, 2016, Robbie Manufacturing generated revenues of $4.9 million and adjusted operating earnings of $0.4 million in July 2016, or 1.0% and 0.6%, respectively, of the Corporation's consolidated results.

The following table provides additional information about this acquisition:

	Ultra Flex Packaging	Robbie Manufacturing
Statement of financial position	**As at July 31, 2016**	**As at July 31, 2016**
Current assets	29.2 $M	15.8 $M
Non-current assets	104.1 $M	50.0 $M
Current liabilities	4.9 $M	3.8 $M
Long-term liabilities	0.1 $M	— $M
Statement of earnings	**For the three-month period ended July 31, 2016**	**For the one-month period ended July 31, 2016**
Revenues	24.7 $M	4.9 $M
Adjusted operating earnings before depreciation and amortization	2.8 $M	0.7 $M
Adjusted operating earnings	1.6 $M	0.4 $M

In the quarter ended July 31, 2016, except for the information provided above, no change that has materially affected or is reasonably likely to materially affect internal control over financial reporting was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

OUTLOOK FOR 2016

Flyer printing volume is expected to remain relatively stable during the fourth quarter of 2016. In addition, the net impact of new contracts, including the contract to print the *Toronto Star*, will be more significant in the fourth quarter. We will also continue to grow our in-store marketing product offering for retailers. However, these items should be more than offset by the impact of the decline in the advertising market on our traditional commercial, newspaper and magazine printing activities. With respect to adjusted operating earnings, our operational efficiency initiatives will also have a more significant contribution in the fourth quarter, which should improve the performance of this division.

In our flexible packaging division, the contribution from the acquisitions of Robbie Manufacturing and Ultra Flex Packaging will continue to have a positive impact during the fourth quarter. In addition, we will continue developing new business opportunities and qualifying our products with customers to drive growth in this division. We expect that several of these opportunities will materialize starting in 2017. However, the reduced demand from Transcontinental Capri's main customer and the impact of the loss of a customer as a result of its sale will continue to create an organic decline within this business unit during the fourth quarter. Furthermore, our recent investments made to increase our capacity and support our development strategy will also have an unfavourable impact on adjusted operating earnings in the fourth quarter.

Within the Media Sector, the impact of the transformation of the advertising market should continue to affect our newspaper publishing activities. However, cost reductions initiatives should enable us to reduce the impact of the advertising market on our adjusted operating earnings during the last quarter of 2016.

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

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

September 8, 2016

CONSOLIDATED STATEMENTS OF EARNINGS
Unaudited

		Three months ended July 31		Nine months ended July 31	
(in millions of Canadian dollars, except per share data)	Notes	**2016**	2015	**2016**	2015
Revenues		**$ 467.8**	$ 481.9	**$ 1,463.9**	$ 1,462.1
Operating expenses	5	**378.6**	385.5	**1,207.7**	1,197.7
Restructuring and other costs (revenues)	6	**(1.0)**	8.2	**14.1**	(8.9)
Impairment of assets	7	**0.1**	0.2	**30.4**	1.6
Operating earnings before depreciation and amortization		**90.1**	88.0	**211.7**	271.7
Depreciation and amortization	8	**26.5**	24.8	**80.2**	75.5
Operating earnings		**63.6**	63.2	**131.5**	196.2
Net financial expenses	9	**2.5**	3.6	**12.0**	13.8
Earnings before share of net earnings in interests in joint ventures and income taxes		**61.1**	59.6	**119.5**	182.4
Share of net earnings in interests in joint ventures, net of related taxes		**0.1**	0.1	**0.4**	0.3
Income taxes	10	**15.3**	17.0	**31.3**	49.8
Net earnings from continuing operations		**45.9**	42.7	**88.6**	132.9
Net earnings from discontinued operations	11	**—**	0.7	**—**	29.2
Net earnings		**45.9**	43.4	**88.6**	162.1
Non-controlling interests	11	**—**	0.1	**—**	(0.3)
Net earnings attributable to shareholders of the Corporation		**$ 45.9**	$ 43.3	**$ 88.6**	$ 162.4
Net earnings per share - basic					
Continuing operations	16	**$ 0.59**	$ 0.55	**$ 1.14**	$ 1.70
Discontinued operations		**—**	—	**—**	0.38
		$ 0.59	$ 0.55	**$ 1.14**	$ 2.08
Net earnings per share - diluted					
Continuing operations	16	**$ 0.59**	$ 0.55	**$ 1.14**	$ 1.70
Discontinued operations		**—**	—	**—**	0.37
		$ 0.59	$ 0.55	**$ 1.14**	$ 2.07
Weighted average number of shares outstanding - basic (in millions)		**77.5**	78.1	**77.7**	78.1
Weighted average number of shares - diluted (in millions)	16	**77.8**	78.3	**78.0**	78.3

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

		Three months ended July 31		Nine months ended July 31	
(in millions of Canadian dollars)	Notes	**2016**	2015	**2016**	2015
Net earnings		**$ 45.9**	$ 43.4	**$ 88.6**	$ 162.1
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		**(3.1)**	(6.9)	**3.2**	(9.6)
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**(0.4)**	(0.3)	**5.7**	1.2
Related income taxes		**(0.9)**	(1.8)	**2.4**	(2.1)
		(2.6)	(5.4)	**6.5**	(6.3)
Cumulative translation differences					
Net unrealized exchange gains on the translation of the financial statements of foreign operations		**16.9**	12.9	**1.7**	23.5
Net change in the fair value of derivatives designated as hedges of net investments in foreign operations		**(1.2)**	—	**1.8**	—
Related income taxes		**(0.4)**	—	**0.4**	—
		16.1	12.9	**3.1**	23.5
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		**2.9**	3.8	**(20.4)**	4.4
Related income taxes		**0.8**	1.0	**(5.4)**	1.2
		2.1	2.8	**(15.0)**	3.2
Other comprehensive income (loss) (1)	18	**15.6**	10.3	**(5.4)**	20.4
Comprehensive income		**$ 61.5**	$ 53.7	**$ 83.2**	$ 182.5
Attributable to:					
Shareholders of the Corporation		**$ 61.5**	$ 53.6	**$ 83.2**	$ 182.8
Non-controlling interests	11	**—**	0.1	**—**	(0.3)
		$ 61.5	$ 53.7	**$ 83.2**	$ 182.5

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited

(in millions of Canadian dollars)	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests (Note 11)	Total equity
Balance as at October 31, 2015	**$ 368.2**	**$ 3.2**	**$ 625.5**	**$ 19.4**	**$ 1,016.3**	**$ —**	**$ 1,016.3**
Net earnings	**—**	**—**	**88.6**	**—**	**88.6**	**—**	**88.6**
Other comprehensive loss	**—**	**—**	**—**	**(5.4)**	**(5.4)**	**—**	**(5.4)**
Shareholders' contributions and distributions to shareholders							
Share redemptions (Note 15)	**(4.8)**	**—**	**(10.5)**	**—**	**(15.3)**	**—**	**(15.3)**
Exercise of stock options (Note 15)	**0.5**	**(0.1)**	**—**	**—**	**0.4**	**—**	**0.4**
Dividends (Note 15)	**—**	**—**	**(41.9)**	**—**	**(41.9)**	**—**	**(41.9)**
Balance as at July 31, 2016	**$ 363.9**	**$ 3.1**	**$ 661.7**	**$ 14.0**	**$ 1,042.7**	**$ —**	**$ 1,042.7**
Balance as at October 31, 2014	$ 366.0	$ 3.4	$ 415.6	$ 7.1	$ 792.1	$ 1.0	$ 793.1
Net earnings	—	—	162.4	—	162.4	(0.3)	162.1
Other comprehensive income	—	—	—	20.4	20.4	—	20.4
Shareholders' contributions and distributions to shareholders							
Share redemptions (Note 15)	(0.3)	—	(0.4)	—	(0.7)	—	(0.7)
Exercise of stock options (Note 15)	0.8	(0.1)	—	—	0.7	—	0.7
Dividends (Note 15)	—	—	(39.0)	—	(39.0)	—	(39.0)
Stock-option based compensation (Note 17)	—	0.1	—	—	0.1	—	0.1
Business disposal (Note 11)	—	—	—	—	—	(0.7)	(0.7)
Balance as at July 31, 2015	$ 366.5	$ 3.4	$ 538.6	$ 27.5	$ 936.0	$ —	$ 936.0

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at July 31, 2016	As at October 31, 2015 [(1)]
Current assets			
Cash		**$ 35.0**	$ 38.6
Accounts receivable		**308.1**	393.0
Income taxes receivable		**7.8**	15.2
Inventories		**109.6**	116.3
Prepaid expenses and other current assets		**20.8**	16.2
		481.3	579.3
Property, plant and equipment		**560.6**	567.5
Intangible assets	7	**222.4**	257.5
Goodwill	4	**491.8**	459.5
Investments in joint ventures		**2.7**	2.5
Deferred taxes		**170.3**	181.6
Other assets		**44.3**	50.1
		$ 1,973.4	$ 2,098.0
Current liabilities			
Accounts payable and accrued liabilities		**$ 267.0**	$ 339.7
Provisions	13	**10.9**	10.2
Income taxes payable		**0.8**	20.7
Deferred revenues and deposits	14	**55.1**	51.4
Current portion of long-term debt	12	**0.2**	36.4
		334.0	458.4
Long-term debt		**347.8**	347.7
Deferred taxes		**44.8**	64.4
Provisions	13	**3.5**	5.7
Other liabilities	14	**200.6**	205.5
		930.7	1,081.7
Equity			
Share capital	15	**363.9**	368.2
Contributed surplus		**3.1**	3.2
Retained earnings		**661.7**	625.5
Accumulated other comprehensive income	18	**14.0**	19.4
		1,042.7	1,016.3
		$ 1,973.4	$ 2,098.0

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

		Three months ended July 31		Nine months ended July 31	
(in millions of Canadian dollars)	Notes	**2016**	2015 (2)	**2016**	2015 (2)
Operating activities					
Net earnings		**$ 45.9**	$ 43.4	**$ 88.6**	$ 162.1
Less: Net earnings from discontinued operations	11	**—**	0.7	**—**	29.2
Net earnings from continuing operations		**45.9**	42.7	**88.6**	132.9
Adjustments to reconcile net earnings from continuing operations and cash flows from operating activities:					
Reversal of the provision for multi-employer pension plans	6	**—**	—	**—**	(22.6)
Impairment of assets	7	**0.1**	0.2	**30.4**	1.6
Depreciation and amortization	8	**32.9**	31.1	**100.7**	94.9
Financial expenses on long-term debt	9	**4.4**	4.1	**13.4**	14.6
Net losses (gains) on disposal of assets		**0.3**	(0.4)	**1.0**	(7.1)
Income taxes	10	**15.3**	17.0	**31.3**	49.8
Net foreign exchange differences and other		**(6.5)**	(1.2)	**(4.6)**	(2.2)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**92.4**	93.5	**260.8**	261.9
Changes in non-cash operating items (1)		**7.9**	13.2	**10.7**	(29.5)
Income taxes paid		**(14.4)**	(5.3)	**(59.0)**	(52.3)
Cash flows from continuing operating activities		**85.9**	101.4	**212.5**	180.1
Investing activities					
Business combinations	4	**(36.4)**	(1.0)	**(46.3)**	(1.0)
Business disposals		**2.1**	—	**2.6**	1.2
Acquisitions of property, plant and equipment		**(19.1)**	(14.2)	**(46.9)**	(43.8)
Disposals of property, plant and equipment		**6.6**	16.9	**6.8**	21.4
Increase in intangible assets		**(4.9)**	(6.6)	**(15.8)**	(18.0)
Cash flows from investments in continuing operations		**(51.7)**	(4.9)	**(99.6)**	(40.2)
Financing activities					
Reimbursement of long-term debt	4 & 12	**(16.2)**	(7.0)	**(29.8)**	(72.1)
Net decrease in credit facility		**(2.0)**	(54.1)	**(24.0)**	(54.4)
Financial expenses on long-term debt		**(5.2)**	(5.4)	**(13.4)**	(16.4)
Interest received related to previous tax reassessments		**—**	—	**7.9**	—
Exercise of stock options	15	**—**	—	**0.4**	0.7
Dividends	15	**(14.3)**	(13.2)	**(41.9)**	(39.0)
Share redemptions	15	**(5.9)**	(0.7)	**(15.3)**	(0.7)
Cash flows from the financing of continuing operations		**(43.6)**	(80.4)	**(116.1)**	(181.9)
Effect of exchange rate changes on cash denominated in foreign currencies		**1.5**	2.2	**(0.4)**	4.3
Net change in cash from continuing operations		**(7.9)**	18.3	**(3.6)**	(37.7)
Net change in cash from discontinued operations	11	**—**	0.6	**—**	56.8
Cash at beginning of period		**42.9**	35.4	**38.6**	35.2
Cash at end of period		**$ 35.0**	$ 54.3	**$ 35.0**	$ 54.3
Non-cash investing activities					
Net change in capital asset acquisitions financed by accounts payable		**$ (1.4)**	$ (0.6)	**$ 1.8**	$ 0.1

(1) Includes an amount of $31.0 million that was received and recognized as deferred revenues during the three-month period ended January 31, 2016 (Note 14 "Deferred Revenues").

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

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

1 GENERAL INFORMATION

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

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

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on September 8, 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2015, which include the significant accounting policies used by the Corporation.

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at July 31, 2016. Any subsequent changes to the accounting policies, that will take effect in the Corporation's annual consolidated financial statements for the year ending October 31, 2016 or after, could result in a retrospective restatement of these condensed interim consolidated financial statements.

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

New or amended accounting standards not yet adopted

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

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases. The only 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 is to be applied retrospectively or on a modified retrospective basis and is effective for years beginning on or after January 1, 2019, with earlier application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

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

c) 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 for annual periods beginning on or after January 1, 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.

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

3 SEGMENTED INFORMATION

The operating segments were determined and grouped by management in two separate sectors according to the type of activity, which are manufacturing and publishing activities. The Printing and Packaging Sector includes the manufacturing activities of the Corporation and generates revenues from activities such as the printing of retail flyers, magazines, newspapers, color books, personalized and mass marketing products, and the production of flexible packaging solutions in Canada and the United States. The Media Sector generates revenues through print and digital publishing products, in French and English, of the following types: newspapers, educational books, specialized publications for professionals, retail promotional content and geotargeted door-to-door distribution services. The Media Sector's consumer magazines were reclassified as discontinued operations, as described in Note 11 "Discontinued Operations", therefore segmented information excludes these operations. 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:

For the three-month period ended July 31, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 353.9**	**$ 125.4**	**$ (11.5)**	**$ 467.8**
Operating expenses	**278.0**	**107.9**	**(7.3)**	**378.6**
Adjusted operating earnings before depreciation and amortization (1)	**75.9**	**17.5**	**(4.2)**	**89.2**
Restructuring and other costs (revenues)	**(3.1)**	**2.9**	**(0.8)**	**(1.0)**
Impairment of assets	**0.1**	**—**	**—**	**0.1**
Operating earnings before depreciation and amortization	**78.9**	**14.6**	**(3.4)**	**90.1**
Depreciation and amortization	**21.1**	**3.5**	**1.9**	**26.5**
Operating earnings	**$ 57.8**	**$ 11.1**	**$ (5.3)**	**$ 63.6**
Adjusted operating earnings (1)	**$ 54.8**	**$ 14.0**	**$ (6.1)**	**$ 62.7**
Acquisitions of non-current assets (2)	**$ 17.9**	**$ 4.3**	**$ 0.4**	**$ 22.6**

For the three-month period ended July 31, 2015 (3)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 350.4	$ 144.4	$ (12.9)	$ 481.9
Operating expenses	272.5	125.3	(12.3)	385.5
Adjusted operating earnings before depreciation and amortization (1)	77.9	19.1	(0.6)	96.4
Restructuring and other costs	1.1	4.5	2.6	8.2
Impairment of assets	0.1	0.1	—	0.2
Operating earnings before depreciation and amortization	76.7	14.5	(3.2)	88.0
Depreciation and amortization	19.0	3.8	2.0	24.8
Operating earnings	$ 57.7	$ 10.7	$ (5.2)	$ 63.2
Adjusted operating earnings (1)	$ 58.9	$ 15.3	$ (2.6)	$ 71.6
Acquisitions of non-current assets (2)	$ 10.5	$ 7.2	$ 2.5	$ 20.2

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

3 SEGMENTED INFORMATION (CONTINUED)

For the nine-month period ended July 31, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 1,118.0**	**$ 380.6**	**$ (34.7)**	**$ 1,463.9**
Operating expenses	**883.8**	**344.9**	**(21.0)**	**1,207.7**
Adjusted operating earnings before depreciation and amortization (1)	**234.2**	**35.7**	**(13.7)**	**256.2**
Restructuring and other costs (revenues)	**2.8**	**11.9**	**(0.6)**	**14.1**
Impairment of assets	**0.3**	**29.7**	**0.4**	**30.4**
Operating earnings before depreciation and amortization	**231.1**	**(5.9)**	**(13.5)**	**211.7**
Depreciation and amortization	**63.3**	**11.2**	**5.7**	**80.2**
Operating earnings	**$ 167.8**	**$ (17.1)**	**$ (19.2)**	**$ 131.5**
Adjusted operating earnings (1)	**$ 170.9**	**$ 24.5**	**$ (19.4)**	**$ 176.0**
Acquisitions of non-current assets (2)	**$ 42.4**	**$ 19.4**	**$ 2.7**	**$ 64.5**

For the nine-month period ended July 31, 2015 (3)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 1,077.1	$ 422.7	$ (37.7)	$ 1,462.1
Operating expenses	838.6	380.5	(21.4)	1,197.7
Adjusted operating earnings before depreciation and amortization (1)	238.5	42.2	(16.3)	264.4
Restructuring and other costs (revenues)	7.2	10.1	(26.2)	(8.9)
Impairment of assets	0.1	0.4	1.1	1.6
Operating earnings before depreciation and amortization	231.2	31.7	8.8	271.7
Depreciation and amortization	58.3	11.3	5.9	75.5
Operating earnings	$ 172.9	$ 20.4	$ 2.9	$ 196.2
Adjusted operating earnings (1)	$ 180.2	$ 30.9	$ (22.2)	$ 188.9
Acquisitions of non-current assets (2)	$ 32.8	$ 22.2	$ 6.9	$ 61.9

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

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

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

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

3 SEGMENTED INFORMATION (CONTINUED)

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

	Three months ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Printing and packaging products	**$ 342.8**	$ 336.7	**$ 1,083.3**	$ 1,039.0
Publishing and content products	**85.1**	97.1	**254.8**	279.5
Other products and services	**39.9**	48.1	**125.8**	143.6
	$ 467.8	$ 481.9	**$ 1,463.9**	$ 1,462.1

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

	As at July 31, 2016	As at October 31, 2015 [(2)]
Printing and Packaging Sector	**$ 1,441.5**	$ 1,462.9
Media Sector	**439.7**	489.2
Head office and inter-segment eliminations [(1)]	**92.2**	145.9
	$ 1,973.4	$ 2,098.0

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

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

4 BUSINESS COMBINATIONS

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. 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.

Ultra Flex Packaging
On September 30, 2015, the Corporation acquired all the shares of Ultra Flex Packaging, a supplier of flexible packaging located in Brooklyn, New York, for a total cash consideration of US$86.5 million ($115.2 million). This amount included a contingent consideration of US$8.5 million ($11.4 million) payable at the first and second anniversaries of the acquisition date, following the achievement of pre-established revenue thresholds.

During the three-month period ended July 31, 2016, 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 US$4.0 million ($5.1 million) in restructuring and other costs (revenues) (Note 6 "Restructuring and Other Costs (Revenues)").

During the six-month period ended April 30, 2016, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of Ultra Flex Packaging. The main changes made to the fair value of the assets acquired and liabilities assumed as at October 31, 2015 are the increase in the fair value of intangible assets of $5.7 million, the increase in deferred tax liability of $2.2 million and the net effect allocated to goodwill. An additional amount of US$1.6 million ($2.2 million) was paid during the three-month period ended April 30, 2016 and had been added to the total consideration paid to reflect the final working capital adjustments.This acquisition allows the Corporation to pursue its development in the flexible packaging industry, while diversifying its market offering. This diversification, as well as the potential growth associated, represent the main factors that comprise the goodwill generated by this acquisition.

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

4 BUSINESS COMBINATIONS (CONTINUED)

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$34.0 million ($44.2 million), subject to adjustments and including a contingent cash consideration payable after the achievement of pre-established financial performance thresholds. This acquisition allows the Corporation to pursue its development in the flexible packaging industry, while diversifying its market offering.

The Corporation will finalize the accounting for this acquisition over coming quarters, such as the assessment of the fair value of assets acquired and liabilities assumed, contingent consideration and goodwill related to this acquisition.

The following table presents the preliminary value of assets acquired and liabilities assumed at the acquisition date:

	Robbie Manufacturing	
Assets acquired		
Current assets	14.5	$
Property, plant and equipment	17.5	
Goodwill (no tax value)	34.0	
	66.0	
Liabilities assumed		
Current liabilities	4.2	
Long-term debt (current portion included) (1)	16.1	
Deferred taxes	1.5	
	21.8	
	44.2	$
Total consideration		
Cash paid	36.4	$
Short-term contingent consideration payable	7.8	
	44.2	$

(1) As at July 31, 2016, the long-term debt of $16.1 million was repaid by the Corporation

The Corporation's Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2016 include the operating results of Robbie Manufacturing since the acquisition date, including additional revenues of $4.9 million, operating earnings before depreciation and amortization of $0.7 million, including adjustments related to the accounting of this acquisition and excluding negligible transaction costs. The fair value of the receivables acquired of $6.4 million, of which an amount of $0.1 million was considered uncollectible at the acquisition date, is included in the current assets in the preliminary accounting of the business combination. If the Corporation had acquired this business on November 1, 2015, its operating results would have been as follows: additional revenues of approximately $39.0 million and operating earnings before depreciation and amortization of approximately $5.0 million.

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

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended July 31		Nine months ended July 31	
	2016	2015 (3)	**2016**	2015 (3)
Employee-related costs	**$ 149.0**	$ 156.0	**$ 474.5**	$ 480.7
Supply chain and logistics (1)	**202.6**	206.0	**648.4**	635.7
Other goods and services (2)	**27.0**	23.5	**84.8**	81.3
	$ 378.6	$ 385.5	**$ 1,207.7**	$ 1,197.7

(1) "Supply chain and logistics" includes mainly production and distribution costs related to external suppliers.

(2) "Other goods and services" includes mainly promotion, advertising and telecommunication costs, office supplies, real estate expenses and professional fees.

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

6 RESTRUCTURING AND OTHER COSTS (REVENUES)

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

	Three months ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Workforce reductions	**$ 5.8**	$ 4.1	**$ 19.8**	$ 12.5
Other costs (revenues) related to restructuring	**(0.7)**	1.7	**0.8**	3.6
Onerous contracts	**0.2**	0.4	**(0.4)**	2.2
Business acquisition costs (1)	**0.2**	0.2	**0.4**	0.4
Net gains on the sale of buildings	**(1.4)**	(0.8)	**(1.4)**	(7.6)
Reversal of the provision for multi-employer pension plans	**—**	—	**—**	(22.6)
Other costs (revenues) (2)	**(5.1)**	2.6	**(5.1)**	2.6
	$ (1.0)	$ 8.2	**$ 14.1**	$ (8.9)

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

(2) For the three-month and nine-month periods ended July 31, 2016, the other revenues of $5.1 million represent the effect on revaluation of a contingent consideration payable as part of a business combination, as explained in Note 4 "Business combinations".

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

7 IMPAIRMENT OF ASSETS

Impairment of assets by major headings is as follows:

	Three months ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Property, plant and equipment	**$ 0.1**	$ —	**$ 0.8**	$ 0.1
Intangible assets	**—**	0.2	**29.6**	1.5
	$ 0.1	$ 0.2	**$ 30.4**	$ 1.6

Property, plant and equipment

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

Intangible assets

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

During the second quarter of 2016, the Corporation also performed an interim impairment test on goodwill with respect to the Local Solutions Group CGU's and concluded that there was no impairment required. The Corporation will perform its annual impairment test on goodwill during the fourth quarter of 2016.

Impairment tests

The interim impairment test on certain intangible assets with an indefinite useful life was performed in accordance with paragraph o) of Note 2 "Significant accounting policies" of the Corporation's audited annual consolidated financial statements for the year ended October 31, 2015.

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 value in use was determined by discounting expected future cash flows, which are derived from the five-year forecasts approved by management. The 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, particularly, on advertising revenues, printing costs and wage increases. Beyond the five-year period, cash flows are extrapolated using a perpetual rate of decline of 5%.

The Corporation used discount rates varying between 9.47% and 12.04% (pre-tax discount rates vary between 15.32% and 27.37%). The discount rate represents the weighted average cost of capital ("WACC") for comparable companies whose activities are similar to the CGU 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 concerned.

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 rate of decline in its assessment of the recoverable values of the CGU tested for impairment. The results of the sensitivity analysis show that a 1% increase in the discount rate or the perpetual rate of decline would not change the results of the test.

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

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Property, plant and equipment	**$ 19.9**	$ 19.6	**$ 60.0**	$ 59.3
Intangible assets	**6.6**	5.2	**20.2**	16.2
	26.5	24.8	**80.2**	75.5
Intangible assets and other assets, recognized in revenues and operating expenses	**6.4**	6.3	**20.5**	19.4
	$ 32.9	$ 31.1	**$ 100.7**	$ 94.9

9 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows:

	Three months ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Financial expenses on long-term debt	**$ 4.4**	$ 4.1	**$ 13.4**	$ 14.6
Net interest on defined benefit plans asset and liability	**0.2**	—	**0.5**	0.1
Other expenses (revenues)	**—**	0.1	**(0.6)**	0.9
Net foreign exchange gains	**(2.1)**	(0.6)	**(1.3)**	(1.8)
	$ 2.5	$ 3.6	**$ 12.0**	$ 13.8

10 INCOME TAXES

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

	Three months ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 61.1**	$ 59.6	**$ 119.5**	$ 182.4
Canadian statutory tax rate [1]	**26.90 %**	26.90 %	**26.90 %**	26.90 %
Income taxes at the statutory tax rate	**16.4**	16.0	**32.1**	49.0
Effect of differences in tax rates in other jurisdictions	**(0.6)**	1.0	**(0.2)**	2.5
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**(0.5)**	1.1	**0.1**	1.3
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**—**	(1.2)	**—**	(2.5)
Other	**—**	0.1	**(0.7)**	(0.5)
Income taxes at effective tax rate	**$ 15.3**	$ 17.0	**$ 31.3**	$ 49.8
Income taxes before the following items:	**$ 16.2**	$ 19.2	**$ 44.7**	$ 49.6
Income taxes on restructuring and other costs (revenues)	**(1.3)**	(2.2)	**(5.4)**	0.6
Income taxes on impairment of assets	**0.4**	—	**(8.0)**	(0.4)
Income taxes at effective tax rate	**$ 15.3**	$ 17.0	**$ 31.3**	$ 49.8

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

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

11 DISCONTINUED OPERATIONS

Discontinued consumer magazines

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

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

The following table presents the results from discontinued operations for the three-month and nine-month periods ended July 31, 2015:

	Three months	Nine months
Revenues (1)	$ 0.6	$ 31.9
Operating expenses (1)	0.9	32.6
Restructuring and other costs (revenues)	(0.1)	0.6
Impairment of assets	—	0.8
Depreciation and amortization	—	0.9
Net financial revenues	—	(0.1)
Earnings before share of net earnings in interests in joint ventures and income taxes	(0.2)	(2.9)
Share of net earnings in interests in joint ventures, net of related taxes	—	0.2
Income taxes recovered	(0.2)	(0.9)
Net earnings related to discontinued operations	—	(1.8)
Gain on disposal of business, net of related taxes (2)	0.7	31.0
Net earnings and comprehensive income from discontinued operations	**$ 0.7**	**$ 29.2**
Attributable to:		
Shareholders of the Corporation	$ 0.6	$ 29.5
Non-controlling interests	0.1	(0.3)
	$ 0.7	$ 29.2

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

(2) Tax expenses on gain on disposal of businesses for the three-month and nine-month periods ended July 31, 2015, were $0.2 million and $4.4 million, respectively.

The following table presents cash flows from discontinued operations for the three-month and nine-month periods ended July 31, 2015:

	Three months	Nine months
Cash flows related to operations	$ (0.4)	$ 0.8
Cash flows related to investments	1.0	56.0
Net change in cash flows from discontinued operations	**$ 0.6**	**$ 56.8**

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

12 LONG-TERM DEBT

Reimbursement of Senior Notes Series 2004 D
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%.

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

13 PROVISIONS

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

	Restructuring costs	Onerous contracts	Other [1]	Total
Balance as at October 31, 2015	$ 5.6	$ 9.2	$ 1.1	$ 15.9
Provisions recorded	20.4	0.9	1.9	23.2
Amounts used	(20.0)	(2.7)	(0.2)	(22.9)
Provisions reversed	(0.2)	(1.4)	(0.2)	(1.8)
Balance as at July 31, 2016	$ 5.8	$ 6.0	$ 2.6	$ 14.4
Current portion	$ 5.8	$ 3.1	$ 2.0	$ 10.9
Non-current portion	—	2.9	0.6	3.5
	$ 5.8	$ 6.0	$ 2.6	$ 14.4

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

14 DEFERRED REVENUES

On December 7, 2015, the Corporation renegotiated its agreement with The Globe and Mail Inc. relating to the printing of *The Globe and Mail* newspaper. The Corporation received a single payment of $31.0 million to compensate for price reductions on future services in certain markets. The amount received was classified as deferred revenues and will be recognized in revenues over the estimated duration of printing for these markets. For the three-month and nine-month periods ended July 31, 2016, amounts of $1.8 million and $4.8 million were recognized as revenues, respectively, with no effect on cash flows. As at July 31, 2016, amounts of $6.4 million and $19.8 million are classified in deferred revenues and deposits and in other liabilities, respectively, in the Consolidated Statement of Financial Position.

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

15 SHARE CAPITAL

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

	Three months ended July 31			
	2016		2015	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of period	**63,538,472**	**$ 346.5**	63,246,208	$ 346.7
Conversion of Class B Shares into Class A Subordinate Voting Shares	**22,100**	**0.1**	5,500	—
Shares redeemed and cancelled	**(340,364)**	**(1.8)**	(42,300)	(0.3)
Balance, end of period	**63,220,208**	**344.8**	63,209,408	346.4
Class B Shares				
Balance, beginning of period	**14,121,526**	**19.2**	14,825,916	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(22,100)**	**(0.1)**	(5,500)	—
Balance, end of period	**14,099,426**	**19.1**	14,820,416	20.1
	77,319,634	**$ 363.9**	78,029,824	$ 366.5

	Nine months ended July 31			
	2016		2015	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of period	**63,363,281**	**$ 348.1**	63,189,351	$ 345.9
Conversion of Class B Shares into Class A Subordinate Voting Shares	**707,590**	**1.0**	12,000	—
Shares redeemed and cancelled	**(883,864)**	**(4.8)**	(42,300)	(0.3)
Exercise of stock options	**33,201**	**0.5**	50,357	0.8
Balance, end of period	**63,220,208**	**344.8**	63,209,408	346.4
Class B Shares				
Balance, beginning of period	**14,807,016**	**20.1**	14,832,416	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(707,590)**	**(1.0)**	(12,000)	—
Balance, end of period	**14,099,426**	**19.1**	14,820,416	20.1
	77,319,634	**$ 363.9**	78,029,824	$ 366.5

Share redemptions
The Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between April 15, 2016 and April 14, 2017, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 226,344 of its Class B Shares, representing approximately 1.6% of the 63,513,472 issued and outstanding Class A Subordinate Voting Shares and of the 14,146,526 issued and outstanding Class B Shares as at April 4, 2016. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

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

15 SHARE CAPITAL (CONTINUED)

During the three-month period ended July 31, 2016, the Corporation repurchased and cancelled 340,364 of its Class A Subordinate Voting Shares at a weighted average price of $17.50, for a total cash consideration of $5.9 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $4.1 million, was applied against retained earnings. During the nine-month period ended July 31, 2016, the Corporation repurchased and cancelled 883 864 of its Class A Subordinate Voting Shares at a weighted average price of $17.33, for a total cash consideration of $15.3 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $10.5 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at July 31, 2016.

During the three-month and nine-month periods ended July 31, 2015, the Corporation repurchased and cancelled 42,300 of its Class A Subordinate Voting Shares at a weighted average price of $15.59, for a total cash consideration of $ 0.7 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $0.4 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at July 31, 2015 .

Exercise of stock options
When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. For the three-month periods ended July 31, 2016 and 2015, no stock options were exercised. For the nine-month periods ended July 31, 2016 and 2015, considerations received were $0.4 million and $0.7 million, respectively. An amount of $0.1 million was transferred from contributed surplus to share capital (Note 17 "Stock-based Compensation") for the nine-month periods ended July 31, 2016 and 2015.

Dividends
Dividends of $0,185 and $0.17 per share were declared and paid to shareholders for the three-month periods ended July 31, 2016 and 2015, respectively. Dividends of $0,54 and $0.50 per share were declared and paid to shareholders for the nine-month periods ended July 31, 2016 and 2015, respectively.

16 NET EARNINGS PER SHARE

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

	Three months ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Numerator				
Net earnings from continuing operations	**$ 45.9**	$ 42.7	**$ 88.6**	$ 132.9
Denominator (in millions)				
Weighted average number of shares outstanding - basic	**77.5**	78.1	**77.7**	78.1
Dilutive effect of stock options	**0.3**	0.2	**0.3**	0.2
Weighted average number of shares - diluted	**77.8**	78.3	**78.0**	78.3

As at July 31, 2016 and 2015, all stock options are included in the calculation of the diluted net earnings per share from continuing operations due to their potential dilutive effect.

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

17 STOCK-BASED COMPENSATION

Stock option plan

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

For the three-month and nine-month periods ended July 31, 2016, negligible amounts of stock-based compensation expenses were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity. For the three-month and nine-month periods ended July 31, 2015, a negligible amount of stock-based compensation expenses and $0.1 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	Three months ended July 31			
	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**729,502**	**$ 12.60**	928,839	$ 12.18
Cancelled	**—**	**—**	(19,828)	12.17
Options outstanding, end of period	**729,502**	**$ 12.60**	909,011	$ 12.18

	Nine months ended July 31			
	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**762,703**	**$ 12.57**	1,160,296	$ 13.33
Exercised	**(33,201)**	**11.82**	(50,357)	13.09
Cancelled	**—**	**—**	(19,828)	12.17
Expired	**—**	**—**	(181,100)	19.32
Options outstanding, end of period	**729,502**	**$ 12.60**	909,011	$ 12.18
Options exercisable, end of period	**637,148**	**$ 12.78**	667,419	$ 12.39

Share unit plan for certain officers and senior executives

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

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

17 STOCK-BASED COMPENSATION (CONTINUED)

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

	Three months ended July 31			
Number of units	**2016**	2015	**2016**	2015
	DSU		RSU	
Balance, beginning of period	**268,703**	276,216	**1,052,231**	1,068,376
Dividends paid in units	**2,605**	3,538	**10,343**	9,220
Balance, end of period	**271,308**	279,754	**1,062,574**	1,077,596

	Nine months ended July 31			
Number of units	**2016**	2015	**2016**	2015
	DSU		RSU	
Balance, beginning of period	**279,162**	241,812	**1,064,655**	924,627
Units granted	**—**	3,121	**352,403**	378,396
Units cancelled	**—**	—	**(113,222)**	(12,969)
Units paid	**(18,384)**	(1,624)	**(266,379)**	(205,894)
Units converted	**2,586**	27,194	**(2,586)**	(27,194)
Dividends paid in units	**7,944**	9,251	**27,703**	20,630
Balance, end of period	**271,308**	279,754	**1,062,574**	1,077,596

As at July 31, 2016, the liability related to the share unit plan for certain officers and senior executives was $15.3 million ($17.8 million as at October 31, 2015). The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2016 were $1.0 million and $3.0 million, respectively. The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2015 were $(1.4) million and $3.5 million, respectively. No amount was paid under this plan for the three-month periods ended July 31, 2016 and 2015. Amounts of $5.5 million and $3.1 million were paid under this plan for the nine-month periods ended July 31, 2016 and 2015, respectively.

Share unit plan for directors

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

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

	Three months ended July 31		Nine months ended July 31	
Number of units	**2016**	2015	**2016**	2015
Balance, beginning of period	**387,295**	344,089	**363,514**	371,086
Directors' compensation	**6,316**	8,825	**22,901**	24,091
Units paid	**—**	—	**—**	(48,678)
Dividends paid in units	**3,809**	3,977	**11,005**	10,392
Balance, end of period	**397,420**	356,891	**397,420**	356,891

As at July 31, 2016, the liability related to the share unit plan for directors was $7.5 million ($7.4 million as at October 31, 2015). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2016 were $(0.1) million and $0.1 million, respectively. The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2015 were $(1.2) million and $0.3 million, respectively. No amount was paid under this plan for the three-month and nine-month periods ended July 31, 2016, as well as the three-month period ended July 31, 2015. An amount of $0.7 million was paid under this plan for the nine-month period ended July 31, 2015.

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

18 ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income
Balance as at October 31, 2015	**$ (7.0)**	**$ 24.3**	**$ 2.1**	**$ 19.4**
Net change in gains (losses), net of income taxes	**6.5**	**3.1**	**(15.0)**	**(5.4)**
Balance as at July 31, 2016	**$ (0.5)**	**$ 27.4**	**$ (12.9)**	**$ 14.0**
Balance as at October 31, 2014	$ (3.3)	$ 1.7	$ 8.7	$ 7.1
Net change in gains (losses), net of income taxes	(6.3)	23.5	3.2	20.4
Balance as at July 31, 2015	$ (9.6)	$ 25.2	$ 11.9	$ 27.5

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

	2016	2017	2018	2019	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ (0.7)	$ (0.1)	$ 0.4	$ (0.3)	$ (0.7)
Income taxes	(0.2)	—	0.1	(0.1)	(0.2)
	$ (0.5)	$ (0.1)	$ 0.3	$ (0.2)	$ (0.5)

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

	Three months ended July 31		Nine months ended July 31	
	2016	2015	**2016**	2015
Actuarial gains (losses) on obligation - change in discount rate	**$ (42.8)**	$ 11.0	**$ (105.0)**	$ (30.4)
Actuarial gains (losses) on plan assets - excluding interest income	**46.0**	(5.5)	**80.5**	49.3
Effect of the asset ceiling	**(0.3)**	(1.7)	**4.1**	(14.5)
	$ 2.9	$ 3.8	**$ (20.4)**	$ 4.4

Actuarial gains (losses) on obligation recognized in Statements of Comprehensive Income for the nine-month period ended July 31, 2016 are explained by the change in the discount rate, which decreased from 4.4% as at October 31, 2015, to 4.0% as at January 31, 2016, to 3.7% as at April 30, 2016 and to 3.2% as at July 31, 2016. Actuarial gains (losses) on plan assets are due to actual rates of return on assets that was greater than expected return for the three-month and nine-month periods ended July 31, 2016.

Actuarial gains (losses) on obligation recognized in Statements of Comprehensive Income for the nine-month period ended July 31, 2015 are explained by the change in the discount rate, that went from 4.3% as at October 31, 2014, to 3.7% as at January 31, 2015, to 3.9% as at April 30, 2015 and to 4.0% as at July 31, 2015. Actuarial gains (losses) on plan assets are due to actual rates of return on assets that was less than expected return for three-month period ended July 31, 2015, and was greater than expected return for the nine-month period ended July 31, 2015.

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

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The only financial instruments of the Corporation that are measured at fair value on a recurring basis subsequent to their initial recognition are derivative financial instruments, including foreign exchange forward contracts and contingent considerations payable as part of business combinations. The fair value of derivative financial instruments is determined by 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 long-term debt, derivative financial instruments and contingent considerations:

	As at July 31, 2016		As at October 31, 2015	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 4.6**	**$ 4.6**	$ —	$ —
Contingent considerations	**(13.7)**	**(13.7)**	(11.1)	(11.1)
Long-term debt	**(365.5)**	**(348.0)**	(400.5)	(384.1)
Foreign exchange forward contracts in liabilities	**(1.4)**	**(1.4)**	(6.5)	(6.5)

These financial instruments are classified in Level 2 of the fair value hierarchy, excepted contingent considerations payable as part of business combinations which are classified as Level 3. For the nine-month period ended July 31, 2016, no financial instruments were transferred between levels 1, 2 and 3.