TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. maintains its profitability in the first quarter and increases its dividend by 10%

(in millions of dollars, except per share data)	Q1-14	Q1-13 [1]	%
Revenues	**499.3**	**525.6**	**(5.0)**
Adjusted operating earnings before amortization (Adjusted EBITDA)	**68.6**	**69.4**	**(1.2)**
Adjusted operating earnings (Adjusted EBIT)	**43.5**	**43.5**	**—**
Adjusted net earnings applicable to participating shares	**26.4**	**26.4**	**—**
Per share	**0.34**	**0.34**	**—**
Net earnings applicable to participating shares	**17.2**	**15.7**	**9.6**
Per share	**0.22**	**0.20**	**10.0**

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

(1) 2013 financial information has been restated to reflect the impact of the adoption of IFRS 11 "Joint Arrangements", amended IAS 19 "Employee benefits" and other elements.

Highlights

- Revenues decreased 5.0%, primarily due to a particularly soft advertising market.
- Net earnings applicable to participating shares grew 9.6%, from $15.7 million to $17.2 million. On a per share basis, they rose from $0.20 to $0.22.
- Concluded a definitive agreement to acquire the assets of Capri Packaging, a division of Schreiber Foods, Inc., for US$133.0 million, subject to approval by U.S. regulators. The agreement includes a 10-year contract with Schreiber Foods, Inc., representing about 75% of the annual revenues of Capri (US$72 million), which will provide a recurring revenue stream. Please refer to the Capri Packaging press release and fact sheet on our website at www.tc.tc
- Concluded a final agreement, subject to the approval of the Competition Bureau, to acquire all Quebec community newspapers and associated web properties from Sun Media Corporation, a subsidiary of Quebecor Media, for a total purchase price of $75 million, as well as an agreement with Quebecor Media for the printing of some of its magazines and direct marketing material.
- Concluded an agreement with Gesca Ltd. amending the terms and conditions to print the *La Presse* newspaper.
- Concluded new distribution agreements with several retailers.
- Increased the dividend per participating share by 10%, to $0.64 per year.
- Maintained a solid financial position, with a net indebtedness ratio of 0.85x.

Montreal, March 11, 2014 - Transcontinental Inc.'s (TSX: TCL.A, TCL.B, TCL.PR.D) revenues decreased by 5.0% in the first quarter of 2014, from $525.6 to $499.3 million, primarily due to the soft advertising market, which affected both our operating sectors. In the Printing Sector, the volume in our marketing products and magazine operations decreased. In the Media Sector, the soft advertising market continued to impact our local solutions, magazines and interactive marketing solutions.

Adjusted operating earnings remained stable at $43.5 million. This performance is primarily due to the optimization of our cost structure, especially in the Printing Sector; the positive impact of the Canadian dollar versus the U.S. dollar; and the share price variance in the first quarter of 2014 compared to 2013, which decreased the stock-based compensation expense. Net earnings applicable to participating shares increased, from $15.7 million, or $0.20 per share, to $17.2 million, or $0.22 per share. This improvement stems primarily from the significantly lower financial expenses, partially offset by higher income taxes compared to the first quarter of 2013. Adjusted net earnings applicable to participating shares remained stable at $26.4million, or $0.34 per share.

“We concluded a definitive agreement to acquire the assets of Capri Packaging, a company that specializes in printed flexible packaging. This is a strategic acquisition for TC Transcontinental’s future in a new growth area,” said François Olivier, President and Chief Executive Officer. “This acquisition is an attractive asset for us as it allows us to leverage our core manufacturing competencies, and focuses on a production process that is similar to our current printing process. It also marks the start of a long-term partnership with Schreiber Foods Inc., and of our activities in a new niche.

“Moreover, our quarterly results reflect the impact of a challenging advertising environment, which led to lower revenues in both our operating sectors. That being said, despite the soft market conditions in which we operate, we were able to maintain our profitability due to the many cost saving initiatives company-wide. In the months ahead, we will continue to adjust our cost-optimization strategy to ensure the Corporation is aligned with the current market reality, and will continue to strengthen our existing assets and develop new products and services.

Furthermore, we continue to be in excellent financial position and to generate significant cash flows. In fact, as a result of our solid balance sheet, we have been able to increase the dividend per participating share by 10% and continue to reduce our debt. We are ideally positioned to pursue our transformation, invest in the future and diversify our operations into a promising new niche.”

Other Highlights

- On February 5, 2014, the credit rating of the Corporation was lowered one level by DBRS (from BBB to BBB (low)). This change will have impact on the interest rate applicable to the credit facility, which is based on the credit rating assigned by Standard & Poor's and DBRS.

- On February 6, 2014, the Corporation amended the terms of its $50.0 million unsecured debenture with the Solidarity Fund QFL. The debenture now expires on February 6, 2020 and bears interest at 4.011% payable every six months.

- On February 11, 2014, TC Transcontinental Printing announced the sale of the assets of Rastar, based in Utah, USA, a subsidiary which specializes in commercial products.

- TC Transcontinental plans to renew its normal course issuer bid when the current one expires on April 14, subject to regulatory approval.

- On March 11, 2014, the Corporation released its fifth annual Sustainability Report titled “Guide. Mobilize. Achieve.” The report outlines the Corporation’s progress with respect to its three-year plan (2013-2015) based on three pillars: the environment, employees and communities. To learn more about the commitments, achievements and progress of TC Transcontinental with respect to corporate social responsibility, refer to the 2013 report, which is on the Corporation’s website at www.tc.tc/social responsibility.

For more detailed financial information, please see *Management’s Discussion and Analysis for the first quarter ended January 31st, 2014* as well as the financial statements in the “Investors” section of our website at www.tc.tc

Outlook

The new agreements signed in December 2013 with Quebecor Media to print some of its magazines and direct marketing products will have a progressively positive impact on our results. Furthermore, we will continue to develop our offering to retailers, more specifically with respect to in-store marketing, and pursue our efforts to integrate other Canadian newspaper publishers into our highly efficient printing network. The Printing Sector will continue to optimize its operations to maintain its long-term profitability. However, these items will likely be offset by an anticipated decrease in volume within our existing direct marketing operations.

In the Media Sector, the difficult market conditions with respect to advertising revenues in our local and national markets are likely to continue. As a result, we will remain focused on optimizing our cost structure in order to limit the potential impact on profit margins. Furthermore, we will keep investing in the development of new products and services that will have value not only for consumers, but also for our main advertising clients. The acquisition of the Quebec community papers owned by Sun Media Corporation should also enable us to improve our offering in local markets once this transaction has been approved by the Competition Bureau. Lastly, the signature of new flyer distribution agreements should have a positive impact on our revenues and operating earnings as of the second quarter.

The Corporation approved a definitive agreement to acquire the assets of Capri Packaging, a division of Schreiber Foods, Inc. In addition, we are also pleased to maintain a business relationship with Schreiber Foods Inc., which, under a long-term agreement, will remain the largest customer of our packaging operations in the United States. This acquisition will allow the Corporation to apply its manufacturing expertise to pursue its transformation in the flexible packaging industry in order to generate growth. Following the closure of this transaction, we expect these items to have an annualized impact of around US$17 million on adjusted operating earnings before amortization. This transaction will be financed via our revolving term credit facility.

We will continue to generate significant cash flows in the coming quarters, and our excellent financial position should permit us to continue with our balanced approach to capital management, which allows us to reduce our debt, pay dividends and invest in our transformation focused on our core competencies. We will also keep on developing internal projects and evaluating strategic acquisitions to maintain our position in the Canadian marketing activation market, while developing our new packaging growth area to ensure the long-term success and profitability of the business.

Reconciliation of Non-IFRS Financial Measures

Financial data have been prepared in conformity with IFRS. However, certain measures used in this press release do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many readers analyze our results based on certain non-IFRS financial measures because such measures are more appropriate for evaluating the Corporation's operating performance. Internally, management uses such non-IFRS financial information as an indicator of business performance, and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS.

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

TRANSCONTINENTAL

Reconciliation of Non-IFRS financial measures

(unaudited)

	Three months ended January 31	
(in millions of dollars, except per share amounts)	**2014**	2013 (1)
Net earnings applicable to participating shares	**$ 17.2**	$ 15.7
Dividends on preferred shares, net of related taxes	**1.7**	1.7
Non-controlling interests	**(0.3)**	(0.3)
Income tax	**8.7**	3.0
Share of earnings in interests in joint ventures, net of related taxes	**(0.3)**	(0.1)
Net financial expenses	**4.6**	8.7
Impairment of assets	**0.4**	2.1
Restructuring and other costs	**11.5**	12.7
Adjusted operating earnings	**$ 43.5**	$ 43.5
Amortization	**25.1**	25.9
Adjusted operating earnings before amortization	**$ 68.6**	$ 69.4
Net earnings applicable to participating shares	**$ 17.2**	$ 15.7
Impairment of assets (after tax)	**0.3**	1.5
Restructuring and other costs (after tax)	**8.9**	9.2
Adjusted net earnings applicable to participating shares	**$ 26.4**	$ 26.4
Weighted Average number of participating shares outstanding	**78.0**	78.2
Adjusted net earnings applicable to participating shares per share	**$ 0.34**	$ 0.34

	As at January 31, 2014	As at October 31, 2013 (1)
Long-term debt	**$ 70.5**	$ 128.9
Current portion of long-term debt	**246.3**	218.3
Cash	**(28.9)**	(26.4)
Net indebtedness	**$ 287.9**	$ 320.8
Adjusted operating earnings before amortization (last 12 months)	**$ 337.8**	$ 338.6
Net indebtedness ratio	**0.85 x**	0.95 x

(1) 2013 financial information has been restated to reflect the impact of the adoption of IFRS 11 “Joint Arrangements”, amended IAS 19 “Employee benefits” and other elements

Dividends

Dividend on Participating Shares

The Corporation's Board of Directors declared a quarterly dividend of $0.16 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 24, 2014 to shareholders of record at the close of business on April 4, 2014. The Corporation thus increased the dividend per participating share by 10%, or $0.06, raising the annual dividend from $0.58 to $0.64 per share. This increase reflects TC Transcontinental's solid cash flow position.

Dividend on Preferred shares

The Corporation's Board of Directors declared a quarterly dividend of $0.4161 per share on Cumulative 5-Year Rate Reset First Preferred Shares, Series D. This dividend is payable on April 15, 2014. On an annual basis, this represents a dividend of $1.6875 per preferred share.

Additional Information

Annual Meeting of Shareholders

Transcontinental Inc. will hold its annual shareholders' meeting today at 9:30 a.m. at the Centre Mont-Royal, 2200 Mansfield Street, Montreal. For those who are unable to attend in person, a live (audio only) webcast of the meeting will be available on the Corporation's website at www.tc.tc

Conference Call

Upon releasing its first quarter 2014 results, the Corporation will hold a conference call for the financial community today at 2:00 p.m. The dial-in numbers are 1 416-642-5212 or 1 866-321-6651 and the access code is 8339872. 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, Corporation Communications of TC Transcontinental, at 514-954-3581.

Profile

Largest printer and leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, interactive and mobile applications, and door-to-door distribution.

Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), including TC Transcontinental, TC Media and TC Transcontinental Printing, has over 9,000 employees in Canada and the United States, and revenues of C$2.1 billion in 2013. Website www.tc.tc

TRANSCONTINENTAL

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, as well as the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities. 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, 2013*, in the latest *Annual Information Form* and have been updated in the *MD&A for the first quarter ended January 31st, 2014*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of March 10, 2014.

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

The forward-looking statements in this release are based on current expectations and information available as at March 10, 2014. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

- 30 -

For information:

Media

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

Financial Community

Jennifer F. McCaughey
Senior Director, Investor Relations and External Corporate Communications
TC Transcontinental
Telephone : 514 954-2821
jennifer.mccaughey@tc.tc
www.tc.tc

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter ended January 31, 2014

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

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term "dollar," as well as the symbol "$" designate Canadian dollars, unless otherwise indicated. In this Management's Discussion and Analysis we also use non-IFRS financial measures. Please refer to table 4 in the section of this report entitled "Reconciliation of Non-IFRS Financial Measures" for a complete description of these measures. This report should also be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended January 31, 2014. 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, 2013 and in the 2013 Annual Information Form. We caution that the table appearing on the following page regarding the Corporation's forward-looking statements is not exhaustive, and investors relying on it to make decisions with respect to Transcontinental Inc. should consider the related assumptions and risk factors.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced or concluded after the date of March 10, 2014.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at March 10, 2014. 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 excess cash.	- A declining local and national advertising market. - Ability to control our costs. - Volume with most of our major customers will be maintained. - Stable level of competition in the markets in which we operate. - Low but stable growth rate of the Canadian economy.	- The effects of new media and the corresponding shift of advertising revenues to new platforms. - Our ability to develop new opportunities. - The Corporation must continually improve its operational efficiency in order to maintain or improve profitability. There is no guarantee that the Corporation will be able to do so in the future.
Expected impact of commercial agreements signed with customers.	- Level of demand expected upon signature of agreements will not fluctuate significantly.	- Significant increase in the price of our input costs. - A quick and significant shift of product demand from print to digital. - Renegotiation of printing contracts with some of our principal clients could lead to lower operating earnings despite long-term agreements.
Estimated increase in adjusted operating earnings before amortization related to the announced acquisition of all Quebec local newspapers from Sun Media Corporation, a subsidiary of Quebecor Media	- The transaction must be approved by the competition bureau. - A smooth and efficient integration to our operations. - We will be capable of ensuring the retention of key employees throughout the transition.	- The increase in adjusted operating earnings before amortization may not be completely realized and/or could take more time than anticipated.
Internal and external investments aimed at achieving our operating strategies.	- Our investments in the development of new products and services will generate additional revenues and increase profitability. - Decline in local and national advertising markets. - Low but stable growth rate of the Canadian economy. - Our internal projects will generate savings and efficiencies that will improve our profitability.	- Inappropriate selection of priority investments and an inability to create value. - Well-established competitors entering our various markets could force us to change our investment strategies.
Estimated increase in adjusted operating earnings before amortization related to the acquisition of Capri Packaging, a division of Schreiber Foods, Inc.	- The transaction must be approved by regulatory bodies in the United States. - We will be able to retain key employees in order to ensure a smooth transition and customer satisfaction. - The accuracy of our financial forecasts and the fact that there will be no significant decrease in volume with respect to existing clients. - We will be able to apply our manufacturing expertise to maintain operational efficiency and to properly integrate this new growth area.	- Difficulty in implementing certain of the hypotheses associated with this acquisition could impact the adjusted operating earnings before amortization and/or the timing of these amounts.

DEFINITION OF TERMS USED IN THIS REPORT

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

Terms Used	Definitions
Net indebtedness	Total of long-term debt plus current portion of long-term debt plus bank overdraft less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before amortization
Net earnings applicable to participating shares	Net earnings less dividends on preferred shares
Adjusted net earnings applicable to participating shares	Net earnings applicable to participating shares, before restructuring and other costs, as well as asset impairments.
Adjusted operating earnings	Operating earnings before restructuring and other costs, as well as asset impairments
Adjusted operating earnings before amortization	Operating earnings before amortization, restructuring and other costs, as well as asset impairments

PROFILE OF TC TRANSCONTINENTAL

Largest printer and leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, interactive and mobile applications, and door-to-door distribution.

Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), including TC Transcontinental, TC Media and TC Transcontinental Printing, has over 9,000 employees in Canada and the United States, and revenues of C$2.1 billion in 2013. Website www.tc.tc.

HIGHLIGHTS

- Revenues decreased by $26.3 million, or 5.0%, from $525.6 million in the first quarter of 2013 to $499.3 million in the first quarter ended January 31, 2014.
- Adjusted operating earnings were stable at $43.5 million in the first quarter of 2014 and 2013.
- Adjusted net earnings applicable to participating shares were also stable at $26.4 million in the first quarter of 2014 compared to the same quarter a year ago.
- The net indebtedness ratio improved in the first quarter of 2014, from 0.95x as at October 31, 2013 to 0.85x as at January 31, 2014.
- The Corporation concluded a definitive agreement to acquire the assets of Capri Packaging, a division of Schreiber Foods, Inc., for US$133.0 million, subject to approval by U.S. regulators. The Corporation also signed a 10-year packaging supply contract with the seller, Schreiber Foods, Inc. This acquisition will allow the Corporation to apply its manufacturing expertise to pursue its transformation in the flexible packaging industry in order to generate growth.
- The Corporation concluded an agreement to acquire all of the community newspapers and related web properties in Quebec owned by Sun Media Corporation, a subsidiary of Quebecor Media, subject to the approval of the Competition Bureau, for a total purchase price of $75 million. The Corporation also signed an agreement to print certain magazines and marketing products owned by Quebecor Media.
- The Corporation reached an agreement with Gesca Ltd to amend the terms and conditions of the contract to print *La Presse* newspaper. TC Transcontinental received a one-time cash payment of $31.0 million to compensate for price reductions on future services and increased flexibility.
- The Corporation amended the terms of its $50 million unsecured debenture with the Solidarity Fund QFL to extend the maturity date by six years, with an interest rate of 4.011% payable every six months.
- The Corporation's board of directors approved an increase of 10.3% to the dividend per participating share which will become $0.64 on an annualized basis.

ANALYSIS OF CONSOLIDATED RESULTS
(unaudited)

Table #1:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
First quarter of 2013	**$ 525.6**		**$ 43.5**		**$ 15.7**
Acquisitions/Closures	1.5	0.3 %	0.7	1.6 %	0.4
Existing operations	(27.8)	(5.3) %	(0.7)	(1.6) %	(0.4)
Restructuring and other costs					0.3
Impairment of assets					1.2
First quarter of 2014	**$ 499.3**	**(5.0) %**	**$ 43.5**	**0.0 %**	**$ 17.2**

Revenues
Revenues decreased by $26.3 million, or 5.0%, from $525.6 million in the first quarter of 2013 to $499.3 million in the first quarter of 2014. This change is due to the following factors:

- Revenues from existing operations were down $27.8 million due to the difficult market conditions in both local and national advertising spending, which affected our two operating sectors. The decrease in our Printing Sector revenues also stems from a decline in the printing of direct marketing products and magazines.

- The net effect of the acquisition of Groupe Modulo and closures increased revenues by $1.5 million.

Adjusted Operating Earnings
Adjusted operating earnings remained stable at $43.5 million in the first quarter of 2014. This amount is explained by:

- Adjusted operating earnings in the Media Sector were negatively affected by soft local and national advertising spending, which primarily impacted our newspaper and magazine-publishing operations. However, this decrease was partially offset by improved results in the Printing Sector, stemming from the positive impact of $1.9 million due to the appreciation of the U.S. dollar versus the Canadian dollar and cost-saving initiatives. Furthermore, our costs related to other head office activities were lower by $2.7 million, principally as a result of the impact on our stock-based compensation expense resulting from a decrease in share-price in the first quarter of 2014 compared to an increase in price during the corresponding quarter of 2013.

- The net effect of acquisitions and closures resulted in a $0.7 million improvement in adjusted operating earnings, primarily due to the acquisition of Groupe Modulo.

Restructuring and Other Costs
In the first quarter of 2014, an amount of $11.5 million ($8.9 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs, of which $9.9 million is related to optimization initiatives, mainly in the Printing Sector due to the ongoing integration of the operations of Quad/Graphics Canada, Inc., and, to a lesser extent, due to other reductions in our cost structure within both our operating sectors.

In the first quarter of 2013, an amount of $12.7 million before tax ($9.2 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs, primarily due to workforce reductions related to the integration of the printing operations of Quad/Graphics Canada, Inc. as well as an onerous contract following the closure of the Lasalle plant.

Asset Impairment

In the first quarter of 2014, an asset impairment charge of $0.4 million ($0.3 million after tax) was recorded, compared to $2.1 million ($1.5 million after tax) in the first quarter of 2013. These amounts are primarily related to Printing Sector assets.

Net Financial Expenses

Net financial expenses decreased $4.1 million, from $8.7 million in the first quarter of 2013 to $4.6 million in the first quarter of 2014. The decrease stems mainly from a lower net indebtedness than in the first quarter of 2013, lower financial expenses related to pension plans and an exchange loss in the first quarter of 2013.

Income taxes

Income taxes rose from $3.0 million in the first quarter of 2013 to $8.7 million in the first quarter of 2014. Excluding income taxes on restructuring and other costs and asset impairment charges, income taxes would have amounted to $11.4 million in the first quarter of 2014, for a tax rate of 29.3%, compared to $7.1 million, or 20.4%, in the first quarter of 2013. The increase is mostly attributable to favourable non-recurring items related to the geographic distribution of revenues in 2013.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares rose from $15.7 million in the first quarter of 2013 to $17.2 million in the first quarter of 2014. The change is mostly due to an increase in operating earnings before amortization and lower financial expenses, offset by the increase in income taxes. On a per share basis, net earnings applicable to participating shares rose from $0.20 to $0.22.

Adjusted net earnings applicable to participating shares were stable at $26.4 million. On a per share basis, the figure remained at $0.34.

ANALYSIS OF SECTOR RESULTS
(unaudited)

Table #2:

(in millions of dollars)	Printing Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues - First quarter of 2013	**$ 381.2**	**$ 164.0**	**$ (19.6)**	**$ 525.6**
Acquisitions/Closures	—	1.5	—	1.5
Existing operations	(18.1)	(11.9)	2.2	(27.8)
Revenues - First quarter of 2014	**$ 363.1**	**$ 153.6**	**$ (17.4)**	**$ 499.3**
Adjusted operating earnings - First quarter of 2013	**$ 45.8**	**$ 1.7**	**$ (4.0)**	**$ 43.5**
Acquisitions/Closures	—	0.7	—	0.7
Existing operations	2.8	(6.2)	2.7	(0.7)
Adjusted operating earnings - First quarter of 2014	**$ 48.6**	**$ (3.8)**	**$ (1.3)**	**$ 43.5**

In this section, Management uses adjusted operating earnings to evaluate the financial performance of its operating sectors and deems this measure is appropriate.

Printing Sector
Printing Sector revenues were down $18.1 million, or 4.7%, from $381.2 million in the first quarter of 2013 to $363.1 million in the first quarter ended January 31, 2014. This decrease is principally attributable to the difficult market conditions which affected our direct marketing and magazine printing operations. Changes in the size and type of paper used by our customers also affected our revenues.

Adjusted operating earnings were up 6.1%, or $2.8 million, from $45.8 million in the first quarter of 2013 to $48.6 million in the first quarter of 2014. The increase is largely due to the positive impact of $1.9 million due to the appreciation of the U.S. dollar versus the Canadian dollar and the optimization of our cost structure, which offset the loss of volume due to difficult market conditions in our direct marketing and magazine printing operations. As a result, the adjusted operating earnings margin rose from 12.0% in the first quarter of 2013 to 13.4% in the first quarter of 2014.

Media Sector
Media Sector revenues were lower by $10.4 million, or 6.3%, from $164.0 million in the first quarter of 2013 to $153.6 million in the first quarter of 2014. The decrease is largely due to a reduction in advertising spending in our local newspaper and magazine publishing operations as well as a lower volume related to our interactive offering. This decline was partially offset by incremental revenues from the Groupe Modulo acquisition.

Adjusted operating earnings were lower by $5.5 million, from $1.7 million in the first quarter of 2013 to a loss of $3.8 million in the first quarter of 2014. The adjusted operating margin declined from 1.0% in the first quarter of 2013 to -2.5% in 2014. Within our existing operations, the above-mentioned lower revenues had a significant unfavourable effect on adjusted operating earnings mostly as a result of the soft local and national advertising market. The net effect of acquisitions and closures resulted in a $0.7 million improvement in adjusted operating earnings, mainly due to the acquisition of Groupe Modulo.

Head office and Inter-Segment Eliminations
Eliminations of inter-segment revenues and other activities went from -$19.6 million in the first quarter of 2013 to -$17.4 million in the first quarter of 2014. Adjusted operating earnings increased by $2.7 million, from $-4.0 million in the first quarter of 2013 to -$1.3 million in 2014. This improvement is mainly due to a significantly lower stock-based compensation expense as a result of the decrease in share-price during the first quarter of 2014 compared to an increase in the corresponding quarter of 2013.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #3:

(in millions of dollars, except per share amounts)	2014 Q1	2013 (1) Q4	2013 (1) Q3	2013 (1) Q2	2013 (1) Q1	2012 Q4	2012 Q3	2012 Q2
Revenues	**$ 499.3**	$ 562.6	$ 490.7	$ 517.8	$ 525.6	$ 585.1	$ 517.0	$ 522.4
Adjusted operating earnings before amortization	**68.6**	110.0	78.8	80.4	69.4	123.8	78.6	83.8
Adjusted operating earnings margin before amortization	**13.7 %**	19.6 %	16.1 %	15.5 %	13.2 %	21.2 %	15.2 %	16.0 %
Adjusted operating earnings	**43.5**	83.4	52.5	54.2	43.5	96.4	49.9	55.9
Adjusted operating earnings margin	**8.7 %**	14.8 %	10.7 %	10.5 %	8.3 %	16.5 %	9.7 %	10.7 %
Net earnings applicable to participating shares	**$ 17.2**	$ (94.5)	$ 30.1	$ 25.3	$ 15.7	$ (51.9)	$ 8.1	$ (106.2)
Per share	**0.22**	(1.21)	0.39	0.32	0.20	(0.65)	0.10	(1.31)
Adjusted net earnings applicable to participating shares	**26.4**	55.9	33.4	32.6	26.4	61.9	24.9	35.5
Per share	**0.34**	0.71	0.43	0.42	0.34	0.77	0.31	0.44
% of fiscal year	**— %**	37 %	23 %	22 %	18 %	41 %	17 %	24 %

1 2013 figures have been restated to take into account the effects of IAS 19 amended - Employee Benefits, IFRS 11 - Joint Arrangements and other elements.

The above table shows changes in our results over the past eight quarters. The acquisition of Quad/Graphics Canada, Inc., effective March 1, 2012, had a positive effect on our revenues and impacted our adjusted operating earnings as of the fourth quarter of 2012 due to the synergies generated from the integration of these operations with our more productive equipment. However, this acquisition was offset by incentives granted for early renewal of several major long-term contracts, by the volume decrease from the closing of Zellers stores, and by difficult market conditions, particularly with respect to advertising spending in our local and national markets that affected the Media Sector. Lastly, our volume of activity is cyclical, since it is mainly influenced by our customers' marketing spending, which is higher in the fall.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES
(unaudited)

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

Table #4:

	Three months ended January 31	
(in millions of dollars, except per share amounts)	**2014**	2013 (1)
Net earnings applicable to participating shares	**$ 17.2**	$ 15.7
Dividends on preferred shares, net of related taxes	**1.7**	1.7
Non-controlling interests	**(0.3)**	(0.3)
Income tax	**8.7**	3.0
Share of earnings in interests in joint ventures, net of related taxes	**(0.3)**	(0.1)
Net financial expenses	**4.6**	8.7
Impairment of assets	**0.4**	2.1
Restructuring and other costs	**11.5**	12.7
Adjusted operating earnings	**$ 43.5**	$ 43.5
Amortization	**25.1**	25.9
Adjusted operating earnings before amortization	**$ 68.6**	$ 69.4
Net earnings applicable to participating shares	**$ 17.2**	$ 15.7
Impairment of assets (after tax)	**0.3**	1.5
Restructuring and other costs (after tax)	**8.9**	9.2
Adjusted net earnings applicable to participating shares	**$ 26.4**	$ 26.4
Weighted Average number of participating shares outstanding	**78.0**	78.2
Adjusted net earnings applicable to participating shares per share	**$ 0.34**	$ 0.34

	As at January 31, 2014	As at October 31, 2013 (1)
Long-term debt	**$ 70.5**	$ 128.9
Current portion of long-term debt	**246.3**	218.3
Cash	**(28.9)**	(26.4)
Net indebtedness	**$ 287.9**	$ 320.8
Adjusted operating earnings before amortization (last 12 months)	**$ 337.8**	$ 338.6
Net indebtedness ratio	**0.85 x**	0.95 x

[1] 2013 figures have been restated to take into account the effects of amended IAS 19 - Employee Benefits, IFRS 11 - Joint Arrangements and other elements.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES – FOR THE THREE MONTHS ENDED JANUARY 31 (unaudited)

Table #5:

(in millions of dollars)		**2014**		2013 (1)
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes recovered (paid)	**$**	**65.6**	$	62.4
Changes in non-cash operating items		**1.6**		158.3
Income taxes recovered (paid)		**2.8**		(10.8)
Cash flows from operating activities	**$**	**70.0**	$	209.9
Investing activities				
Business acquisitions	**$**	**(1.0)**	$	(23.3)
Acquisitions of property, plant and equipment, net of disposals		**(8.1)**		(10.8)
Increase in intangible assets		**(6.3)**		(4.2)
Cash flows from investing activities	**$**	**(15.4)**	$	(38.3)
Financing activities				
Reimbursement of long-term debt	**$**	**(8.6)**	$	(80.6)
Net decrease in revolving term credit facility		**(28.0)**		(46.5)
Financial expenses on long-term debt		**(3.5)**		(6.6)
Participating share repurchases		**—**		(12.1)
Dividends on participating shares		**(11.3)**		(11.3)
Dividends on preferred shares		**(1.7)**		(1.7)
Dividends on non-controlling interests		**—**		(1.4)
Cash flows from financing activities	**$**	**(53.1)**	$	(160.2)

Financial position		**As at January 31, 2014**		As at October 31, 2013 (1)
Net indebtedness	**$**	**287.9**	$	320.8
Net indebtedness ratio		**0.85 x**		0.95 x
Credit rating				
DBRS		**BBB**		BBB
Outlook		**Negative**		Negative
Standard and Poor's		**BBB-**		BBB-
Outlook		**Stable**		Stable

Consolidated Statement of Financial Position		**As at January 31, 2014**		As at October 31, 2013 (1)
Current assets	**$**	**474.6**	$	553.6
Current liabilities		**535.6**		563.6
Total assets		**1,773.4**		1,850.8
Total liabilities		**957.4**		1,035.4

[1] 2013 figures have been restated to take into account the effects of amended IAS 19 - Employee Benefits, IFRS 11 - Joint Arrangements and other elements

Cash Flows from Operating Activities

Cash flows generated by operating activities before changes in non-cash operating items and income taxes recovered (paid) increased from $62.4 million in the first quarter of 2013 to $65.6 million in the first quarter of 2014. Furthermore, changes in non-cash operating items generated $1.6 million in the first quarter of 2014, compared to the $158.3 million generated in the first quarter of 2013, mainly as a result of the amount of US$200.0 million ($197.0 million) received last year from the renegotiation of the agreement with Hearst Corporation to print the *San Francisco Chronicle*. With respect to income taxes, we paid $10.8 million in the first quarter of 2013 related to notices of reassessment, compared to a recovery of $2.8 million in the first quarter of 2014, due to provincial tax credits received in relation our book publishing operations. Cash flows from operations fell to $70.0 million in the first quarter of 2014, compared to $209.9 million in the first quarter of 2013.

Cash Flows from Investing Activities

Our cash flows from investing activities declined from $38.3 million in the first quarter of 2013 to $15.4 million in the first quarter of 2014. This decrease stems mainly from the effect of business acquisitions due to the purchase of Group Modulo in the first quarter of 2013.

Cash Flows from Financing Activities

In the first quarters of 2013 and 2014, we paid $11.3 million in dividends on participating shares and $1.7 million on preferred shares. In the first quarter of 2014 we did not repurchase any shares under our normal course issuer bid which ends on April 14, 2014, compared to a disbursement of $12.1 million in the first quarter of 2013.

Most of the variance in cash flows from financing activities is attributable to repayments in the first quarter of 2013, notably the US$75 million for our Senior Notes Series 2002 A. Cash flows generated by operating earnings in the first quarter of 2014 were used to pay $28.0 million on our term revolving credit facility, compared to $46.5 million in the first quarter of 2013.

Debt Instruments

As at January 31, 2014, our net indebtedness ratio stood at 0.85x (0.95x as at October 31, 2012), and net indebtedness declined from $320.8 million as at October 31, 2013 to $287.9 million as at January 31, 2014. Cash flows from operations helped improve our net indebtedness ratio due to a decrease in our term revolving credit. As at January 31, 2014, we had drawn C$109.0 million on our unsecured credit facility of $400 million. The applicable interest rate on the term revolving credit facility is based on the credit rating assigned by Standard & Poor’s and DBRS. According to the current credit rating, which was lowered one level by DBRS on February 5, 2014, it is either the banker’s acceptance rate or LIBOR, plus 1.675%, or the Canadian or U.S. prime rate, plus 0.675%. It should also be noted that on February 6, 2014 the Corporation amended the terms of its $50.0 million unsecured debenture with the Solidarity Fund QFL. This debenture now has a six-year term and bears interest at the rate of 4.011% payable every six months.

Share Capital

During the first quarter ended January 31, 2014, the Corporation did not repurchase any participating shares under its normal course issuer bid which ends in April 2014. The Corporation plans to renew its normal course issuer bid when the one currently in effect terminates on April 14, 2014, subject to the approval of regulators.

Table #6:

Shares Issued and Outstanding	As at January 31, 2014	As at February 28, 2014
Class A (Subordinate Voting Shares)	63,188,951	63,188,951
Class B (Multiple Voting Shares)	14,832,816	14,832,816
Series D Preferred (Cumulative dividend with rate reset)	4,000,000	4,000,000

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for implementing and maintaining adequate internal control. The purpose of internal control with respect to financial information 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.

In the quarter ended January 31, 2014, no change that has materially affected or is reasonably likely to materially affect internal control over financial reporting was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

SUBSEQUENT EVENTS

Approval of a definitive agreement to acquire Capri Packaging, a division of Schreiber Foods, Inc.

On March 10, 2014, the Corporation signed a definitive agreement to acquire the assets of Capri Packaging, a division of Schreiber Foods, Inc., for US$133.0 million. Furthermore, the Corporation signed a 10-year packaging supply contract with Schreiber Foods, Inc., representing about 75% of the annual revenues of Capri Packaging which will provide a recurring revenue stream. This acquisition will allow the Corporation to apply its manufacturing expertise to pursue its transformation in the flexible packaging industry in order to generate growth. This agreement has been approved by the boards of directors of Transcontinental Inc. and Schreiber Foods, Inc. This transaction is subject to approval by regulators in the United States.

Renegotiation of agreement with Gesca Ltd

On February 17, 2014, the Corporation announced that it had renegotiated its agreement with Gesca Ltd to print La Presse newspaper. The Corporation received a one-time payment of $31.0 million to compensate for price reductions on future services and to give Gesca Ltd greater flexibility for the remainder of the contract. The cash amount will be recorded as deferred revenues and recognized in revenues during the remaining term of the contract.

Sale of printing assets in the United States

On February 11, 2014, the Corporation announced that it was selling the assets of its subsidiary, Rastar, Inc., which specializes in personalized print products, in the United States. The impact of this transaction on the Consolidated Financial Statements of the Corporation will not be significant.

Amendment of the Solidarity Fund QFL financing terms

On February 6, 2014, the Corporation amended the terms of its $50.0 million unsecured debenture with the Solidarity Fund QFL. The debenture now has a six-year term and bears interest at 4.011% payable every six months. This financing, whose original maturity date was February 6, 2014, was presented under current liabilities in the Statement of Financial Position as at January 31, 2014.

OUTLOOK

The new agreements signed in December 2013 with Quebecor Media to print some of its magazines and direct marketing products will have a progressively positive impact on our results. Furthermore, we will continue to develop our offering to retailers, more specifically with respect to in-store marketing, and pursue our efforts to integrate other Canadian newspaper publishers into our highly efficient printing network. The Printing Sector will continue to optimize its operations to maintain its long-term profitability. However, these items will likely be offset by an anticipated decrease in volume within our existing direct marketing operations.

In the Media Sector, the difficult market conditions with respect to advertising revenues in our local and national markets are likely to continue. As a result, we will remain focused on optimizing our cost structure in order to limit the potential impact on profit margins. Furthermore, we will keep investing in the development of new products and services that will have value not only for consumers, but also for our main advertising clients. The acquisition of the Quebec community papers owned by Sun Media Corporation should also enable us to improve our offering in local markets once this transaction has been approved by the Competition Bureau. Lastly, the signature of new flyer distribution agreements should have a positive impact on our revenues and operating earnings as of the second quarter.

The Corporation approved a definitive agreement to acquire the assets of Capri Packaging, a division of Schreiber Foods, Inc. In addition, we are also pleased to maintain a business relationship with Schreiber Foods Inc., which, under a long-term agreement, will remain the largest customer of our packaging operations in the United States. This acquisition will allow the Corporation to apply its manufacturing expertise to pursue its transformation in the flexible packaging industry in order to generate growth. Following the closure of this transaction, we expect these items to have an annualized impact of around US$17 million on adjusted operating earnings before amortization. This transaction will be financed via our revolving term credit facility.

We will continue to generate significant cash flows in the coming quarters, and our excellent financial position should permit us to continue with our balanced approach to capital management, which allows us to reduce our debt, pay dividends and invest in our transformation focused on our core competencies. We will also keep on developing internal projects and evaluating strategic acquisitions to maintain our position in the Canadian marketing activation market, while developing our new packaging growth area to ensure the long-term success and profitability of the business.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

March 10, 2014

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended January 31 **2014**	2013 Restated (Note 3)
Revenues		**$ 499.3**	$ 525.6
Operating expenses	4	**430.7**	456.2
Restructuring and other costs	5	**11.5**	12.7
Impairment of assets	6	**0.4**	2.1
Operating earnings before amortization		**56.7**	54.6
Amortization	7	**25.1**	25.9
Operating earnings		**31.6**	28.7
Net financial expenses	8	**4.6**	8.7
Earnings before share of net earnings in interests in joint ventures and income taxes		**27.0**	20.0
Share of net earnings in interests in joint ventures, net of related taxes		**0.3**	0.1
Income taxes	9	**8.7**	3.0
Net earnings		**18.6**	17.1
Non-controlling interests		**(0.3)**	(0.3)
Net earnings attributable to shareholders of the Corporation		**18.9**	17.4
Dividends on preferred shares, net of related taxes	11	**1.7**	1.7
Net earnings attributable to participating shares		**$ 17.2**	$ 15.7
Net earnings per participating share - basic and diluted	12	**$ 0.22**	$ 0.20
Weighted average number of participating shares outstanding - basic (in millions)		**78.0**	78.2
Weighted average number of participating shares - diluted (in millions)	12	**78.2**	78.2

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended January 31 2014	2013 Restated (Note 3)
Net earnings		**$ 18.6**	$ 17.1
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		**(0.6)**	2.1
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**(0.8)**	(1.5)
Related income taxes		**(0.2)**	0.2
		(1.2)	0.4
Cumulative translation differences			
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**2.9**	(0.3)
Unrealized exchange losses on the translation of a debt designated as a hedge of a net investment in foreign operations		**(2.5)**	(0.4)
		0.4	(0.7)
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		**(6.0)**	12.0
Related income taxes		**(1.6)**	3.0
		(4.4)	9.0
Other comprehensive income (loss)	14	**(5.2)**	8.7
Comprehensive income		**$ 13.4**	$ 25.8
Attributable to:			
Shareholders of the Corporation		**$ 13.7**	$ 26.1
Non-controlling interests		**(0.3)**	(0.3)
		$ 13.4	$ 25.8

The notes are an integral part of these interim condensed 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 loss	Total	Non-controlling interests	Total equity
Balance as at October 31, 2013 (Restated, Note 3)	**$ 462.8**	**$ 2.9**	**$ 362.5**	**$ (13.2)**	**$ 815.0**	**$ 0.4**	**$ 815.4**
Net earnings	**—**	**—**	**18.9**	**—**	**18.9**	**(0.3)**	**18.6**
Other comprehensive loss	**—**	**—**	**—**	**(5.2)**	**(5.2)**	**—**	**(5.2)**
Shareholders' contributions and distributions to shareholders							
Dividends (Note 11)	**—**	**—**	**(13.0)**	**—**	**(13.0)**	**—**	**(13.0)**
Stock-option based compensation (Note 13)	**—**	**0.2**	**—**	**—**	**0.2**	**—**	**0.2**
Balance as at January 31, 2014	**$ 462.8**	**$ 3.1**	**$ 368.4**	**$ (18.4)**	**$ 815.9**	**$ 0.1**	**$ 816.0**
Balance as at November 1, 2012 (Note 3)	$ 467.7	$ 2.5	$ 514.2	$ (84.4)	$ 900.0	$ 1.4	$ 901.4
Net earnings	—	—	17.4	—	17.4	(0.3)	17.1
Other comprehensive income	—	—	—	8.7	8.7	—	8.7
Shareholders' contributions and distributions to shareholders							
Participating share redemptions (Note 11)	(6.4)	—	(5.2)	—	(11.6)	—	(11.6)
Dividends (Note 11)	—	—	(13.0)	—	(13.0)	(1.4)	(14.4)
Stock-option based compensation (Note 13)	—	0.2	—	—	0.2	—	0.2
Balance as at January 31, 2013 (Restated, Note 3)	$ 461.3	$ 2.7	$ 513.4	$ (75.7)	$ 901.7	$ (0.3)	$ 901.4

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	**As at January 31, 2014**	As at October 31, 2013 Restated (Note 3)
Current assets			
Cash		**$ 28.9**	$ 26.4
Accounts receivable		**343.9**	419.2
Income taxes receivable		**9.2**	12.1
Inventories		**78.7**	82.0
Prepaid expenses and other current assets		**13.9**	13.9
		474.6	553.6
Property, plant and equipment		**588.7**	596.0
Intangible assets		**193.3**	194.1
Goodwill		**324.0**	324.0
Investments in joint ventures		**1.1**	0.8
Deferred income taxes		**156.2**	147.7
Other assets		**35.5**	34.6
		$ 1,773.4	$ 1,850.8
Current liabilities			
Accounts payable and accrued liabilities		**$ 212.6**	$ 272.8
Provisions	10	**10.8**	10.3
Income taxes payable		**5.5**	6.3
Deferred revenues and deposits		**60.4**	55.9
Current portion of long-term debt	18	**246.3**	218.3
		535.6	563.6
Long-term debt	18	**70.5**	128.9
Deferred income taxes		**77.1**	67.1
Provisions	10	**40.0**	40.2
Other liabilities		**234.2**	235.6
		957.4	1,035.4
Equity			
Share capital	11	**462.8**	462.8
Contributed surplus		**3.1**	2.9
Retained earnings		**368.4**	362.5
Accumulated other comprehensive loss	14	**(18.4)**	(13.2)
Attributable to shareholders of the Corporation		**815.9**	815.0
Non-controlling interests		**0.1**	0.4
		816.0	815.4
		$ 1,773.4	$ 1,850.8

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended January 31 2014	2013 Restated (Note 3)
Operating activities			
Net earnings		**$ 18.6**	$ 17.1
Adjustments to reconcile net earnings and cash flows from operating activities:			
Amortization	7	**32.0**	32.2
Impairment of assets	6	**0.4**	2.1
Financial expenses on long-term debt	8	**4.6**	5.9
Net gains on disposal of assets		**(0.1)**	(0.2)
Income taxes	9	**8.7**	3.0
Stock-option based compensation	13	**0.2**	0.2
Other		**1.2**	2.1
Cash flows generated by operating activities before changes in non-cash operating items and income taxes recovered (paid)		**65.6**	62.4
Changes in non-cash operating items		**1.6**	158.3
Income taxes recovered (paid)		**2.8**	(10.8)
Cash flows from operating activities		**70.0**	209.9
Investing activities			
Business combinations		**(1.0)**	(23.3)
Acquisitions of property, plant and equipment		**(8.8)**	(11.1)
Disposals of property, plant and equipment		**0.7**	0.3
Increase in intangible assets		**(6.3)**	(4.2)
Cash flows from investing activities		**(15.4)**	(38.3)
Financing activities			
Reimbursement of long-term debt		**(8.6)**	(80.6)
Net decrease in revolving term credit facility		**(28.0)**	(46.5)
Financial expenses on long-term debt		**(3.5)**	(6.6)
Dividends on participating shares	11	**(11.3)**	(11.3)
Dividends on preferred shares	11	**(1.7)**	(1.7)
Dividends paid to non-controlling interests		**—**	(1.4)
Participating share redemptions	11	**—**	(12.1)
Cash flows from financing activities		**(53.1)**	(160.2)
Effect of exchange rate changes on cash denominated in foreign currencies		**1.0**	(0.1)
Net change in cash		**2.5**	11.3
Cash at beginning of period		**26.4**	12.8
Cash at end of period		**$ 28.9**	$ 24.1
Non-cash investing and financing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ (1.4)**	$ (4.8)

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

1 GENERAL INFORMATION

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

The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, mobile and interactive applications, and door-to-door distribution. The Corporation conducts business in Canada and the United States in two separate sectors: the Printing Sector and the Media Sector. The Corporation's main activities are described in Note 17 "Segment Reporting".

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

The Corporation's Board of Directors approved these interim condensed consolidated financial statements on March 10, 2014.

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 interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2013, including the significant accounting policies used by the Corporation.

The accounting policies adopted in these interim condensed consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at January 31, 2014. Any subsequent changes to the accounting policies, that are taking effect in the Corporation's annual consolidated financial statements for the year ending October 31, 2014 or after, could result in a retrospective restatement of these interim condensed consolidated financial statements.

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

3 CHANGES IN ACCOUNTING POLICIES

Accounting standards impacting the consolidated financial statements of the Corporation

The following tables present the effect of the adoption of standards that came into effect as at November 1, 2013 and the reclassification of certain figures. Explanations regarding the restatements are provided in the section that follows the tables.

Retroactive restatements of the Consolidated Statements of Earnings and Comprehensive Income of the Corporation for the three-month period ended January 31, 2013 are as follows:

	As reported	Restatements IFRS 11 (a)	Restatements Amended IAS 19 (b)	Restatements Other (c)	Restated
Revenues	$ 528.7	$ (3.1)	$ —	$ —	$ 525.6
Operating expenses	457.1	(3.0)	1.3	0.8	456.2
Restructuring and other costs	12.7	—	—	—	12.7
Impairment of assets	2.1	—	—	—	2.1
Operating earnings before amortization	56.8	(0.1)	(1.3)	(0.8)	54.6
Amortization	25.9	—	—	—	25.9
Operating earnings	30.9	(0.1)	(1.3)	(0.8)	28.7
Net financial expenses	7.9	—	1.6	(0.8)	8.7
Earnings before share of net earnings in interests in joint ventures and income taxes	23.0	(0.1)	(2.9)	—	20.0
Share of net earnings in interests in joint ventures, net of related taxes	—	0.1	—	—	0.1
Income taxes	3.8	—	(0.8)	—	3.0
Net earnings	19.2	—	(2.1)	—	17.1
Non-controlling interests	(0.3)	—	—	—	(0.3)
Net earnings attributable to shareholders of the Corporation	19.5	—	(2.1)	—	17.4
Dividends on preferred shares, net of related taxes	1.7	—	—	—	1.7
Net earnings attributable to participating shares	$ 17.8	$ —	$ (2.1)	$ —	$ 15.7
Net earnings per participating share - basic and diluted	$ 0.23	$ —	$ (0.03)	$ —	$ 0.20
Other comprehensive income	6.6	—	2.1	—	8.7
Comprehensive income	$ 25.8	$ —	$ —	$ —	$ 25.8

Retroactive restatements of the Consolidated Statement of Changes in Equity of the Corporation as at January 31, 2013 are as follows:

	As reported	Restatements Amended IAS 19 (b)	Restated
Equity			
Share capital	$ 461.3	$ —	$ 461.3
Contributed surplus	2.7	—	2.7
Retained earnings	515.5	(2.1)	513.4
Accumulated other comprehensive loss	(77.8)	2.1	(75.7)
Attributable to shareholders of the Corporation	901.7	—	901.7
Non-controlling interests	(0.3)	—	(0.3)
	$ 901.4	$ —	$ 901.4

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Financial Position of the Corporation as at October 31, 2013 are as follows:

		Restatements		
	As reported	IFRS 11 (a)	Amended IAS 19 (b)	**Restated**
Current assets				
Cash	**$ 30.3**	$ (3.9)	$ —	**$ 26.4**
Accounts receivable	**421.2**	(2.0)	—	**419.2**
Income taxes receivable	**12.5**	(0.4)	—	**12.1**
Inventories	**82.0**	—	—	**82.0**
Prepaid expenses and other current assets	**14.1**	(0.2)	—	**13.9**
	560.1	(6.5)	—	**553.6**
Property, plant and equipment	**596.6**	(0.6)	—	**596.0**
Intangible assets	**194.2**	(0.1)	—	**194.1**
Goodwill	**325.7**	(1.7)	—	**324.0**
Investments in joint ventures	**—**	0.8	—	**0.8**
Deferred income taxes	**148.0**	(0.3)	—	**147.7**
Other assets	**34.7**	(0.1)	—	**34.6**
	$ 1,859.3	$ (8.5)	$ —	**$ 1,850.8**
Current liabilities				
Accounts payable and accrued liabilities	**$ 275.8**	$ (3.0)	$ —	**$ 272.8**
Provisions	**10.3**	—	—	**10.3**
Income taxes payable	**6.4**	(0.1)	—	**6.3**
Deferred revenues and deposits	**61.1**	(5.2)	—	**55.9**
Current portion of long-term debt	**218.3**	—	—	**218.3**
	571.9	(8.3)	—	**563.6**
Long-term debt	**128.9**	—	—	**128.9**
Deferred income taxes	**67.1**	—	—	**67.1**
Provisions	**40.2**	—	—	**40.2**
Other liabilities	**235.8**	(0.2)	—	**235.6**
	1,043.9	(8.5)	—	**1,035.4**
Equity				
Share capital	**462.8**	—	—	**462.8**
Contributed surplus	**2.9**	—	—	**2.9**
Retained earnings	**371.4**	—	(8.9)	**362.5**
Accumulated other comprehensive loss	**(22.1)**	—	8.9	**(13.2)**
Attributable to shareholders of the Corporation	**815.0**	—	—	**815.0**
Non-controlling interests	**0.4**	—	—	**0.4**
	815.4	—	—	**815.4**
	$ 1,859.3	$ (8.5)	$ —	**$ 1,850.8**

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Financial Position of the Corporation as at November 1, 2012 are as follows:

	As reported	Restatements IFRS 11 (a)	Restated
Current assets			
Cash	$ 16.8	$ (4.0)	$ 12.8
Accounts receivable	449.8	(2.0)	447.8
Income taxes receivable	38.9	(0.2)	38.7
Inventories	82.5	—	82.5
Prepaid expenses and other current assets	14.7	(0.2)	14.5
	602.7	(6.4)	596.3
Property, plant and equipment	651.2	(0.5)	650.7
Intangible assets	171.5	(0.1)	171.4
Goodwill	487.0	(1.7)	485.3
Deferred income taxes	192.6	(0.2)	192.4
Other assets	31.2	0.3	31.5
	$ 2,136.2	$ (8.6)	$ 2,127.6
Current liabilities			
Accounts payable and accrued liabilities	$ 336.8	$ (3.3)	$ 333.5
Provisions	15.5	—	15.5
Income taxes payable	50.3	(0.1)	50.2
Deferred revenues and deposits	39.3	(5.0)	34.3
Current portion of long-term debt	283.5	—	283.5
	725.4	(8.4)	717.0
Long-term debt	204.1	—	204.1
Investments in joint ventures	—	0.1	0.1
Deferred income taxes	68.4	—	68.4
Provisions	45.3	—	45.3
Other liabilities	191.6	(0.3)	191.3
	1,234.8	(8.6)	1,226.2
Equity			
Share capital	467.7	—	467.7
Contributed surplus	2.5	—	2.5
Retained earnings	514.2	—	514.2
Accumulated other comprehensive loss	(84.4)	—	(84.4)
Attributable to shareholders of the Corporation	900.0	—	900.0
Non-controlling interests	1.4	—	1.4
	901.4	—	901.4
	$ 2,136.2	$ (8.6)	$ 2,127.6

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Cash Flows of the Corporation for the three-month period ended January 31, 2013 are as follows:

	As reported	Restatements IFRS 11 (a)	Restated
Cash flows from operating activities	**$ 209.4**	$ 0.5	**$ 209.9**
Cash flows from investing activities	**(38.3)**	—	**(38.3)**
Cash flows from financing activities	**(160.2)**	—	**(160.2)**
Effect of exchange rate changes on cash denominated in foreign currencies	**(0.1)**	—	**(0.1)**
Net change in cash	**10.8**	0.5	**11.3**
Cash at beginning of period	**16.8**	(4.0)	**12.8**
Cash at end of period	**$ 27.6**	$ (3.5)	**$ 24.1**

a) Joint arrangements
On November 1st 2013, the Corporation adopted IFRS 11, "Joint Arrangements", intended to replace IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". IFRS 11 deals with the contractual rights and obligations inherent in a joint arrangement, rather than the legal form of the arrangement. IFRS 11 eliminates the election to use the proportionate consolidation method when recognizing interests in jointly controlled entities, and requires the use of the equity method.

In accordance with the standards previously in force, the Corporation used the proportionate consolidation method to recognize interests in joint ventures, but now applies the equity method under IFRS 11. Under this method, the Corporation's share of the net assets, net earnings and other comprehensive income (loss) in the joint ventures will be presented in a single line item in the Consolidated Statement of Financial Position, the Consolidated Statement of Earnings and the Consolidated Statement of Comprehensive Income, respectively.

b) Employee benefits
On November 1st 2013, the Corporation adopted an amended version of IAS 19, "Employee Benefits", in order to reflect significant changes in the recognition and measurement of the defined benefit pension expense. Amended IAS 19 introduces a new approach to calculate the net interest expense on defined benefit liabilities (assets), under which the rate of return on the asset will be identical to the rate used to discount the obligation. The presentation has also been changed such that current and past service costs and plan administration costs are presented under “Operating expenses” and the net interest expense is presented under “Net financial expenses”.

c) Other
Certain prior period figures have been reclassified to conform with the current period presentation.

Accounting standards not impacting the consolidated financial statements of the Corporation

d) Consolidated financial statements
On November 1st 2013, the Corporation adopted IFRS 10, "Consolidated Financial Statements", intended to replace IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidation - Special Purpose Entities". IFRS 10 defines the concept of control as the determining factor in whether an entity should be included in the basis of consolidation in another entity's consolidated financial statements and provides additional guidance to assist in determining control. The Corporation has completed its analysis, and the adoption of this standard has no impact on its consolidated financial statements.

e) Disclosure of interests in other entities
On November 1st 2013, the Corporation adopted IFRS 12, "Disclosure of Interests in Other Entities". IFRS 12 complements the disclosure requirements concerning interests that an entity holds in subsidiaries, joint ventures, associates and consolidated structured entities. IFRS 12 requires an entity to disclose information regarding the nature and risks associated with all its interests in other entities and the effect of those interests on its financial position, financial performance and cash flows.These new annual reporting requirements have no effect on the financial position or operating results of the Corporation and will be included in the annual consolidated financial statements for the year ending October 31, 2014.

f) Fair value measurement
On November 1st 2013, the Corporation adopted IFRS 13, "Fair Value Measurement". IFRS 13 improves consistency and reduces complexity by providing a specific definition of fair value. IFRS 13 therefore replaces the guidance on measurement of fair value contained in individual IFRS with a single source of guidance on all measurements of fair value. The Corporation has completed its analysis, and the adoption of this standard has no impact on its consolidated financial statements, except for the presentation of additional informations as presented in Note 16 "Fair Value of Financial Instruments".

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

4 OPERATING EXPENSES

Operating expenses by major heading are as follows:

	Three months ended January 31	
	2014	2013 Restated (Note 3)
Employee-related costs	**$ 170.9**	$ 173.8
Supply chain and logistics [(1)]	**232.3**	250.4
Other goods and services [(2)]	**27.5**	32.0
	$ 430.7	$ 456.2

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

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

5 RESTRUCTURING AND OTHER COSTS

Restructuring and other costs by major heading are as follows:

	Three months ended January 31	
	2014	2013
Workforce reductions	**$ 8.4**	$ 5.9
Other costs related to restructuring	**1.5**	0.6
Onerous contracts	**(0.1)**	5.9
Business acquisition costs [(1)]	**0.2**	0.3
Other costs	**1.5**	—
	$ 11.5	$ 12.7

(1) Business acquisition costs include transaction costs, comprising legal and bank fees, and costs related to the potential or realized integration of acquired businesses.

6 IMPAIRMENT OF ASSETS

	Three months ended January 31	
	2014	2013
Property, plant and equipment [(1)]	**$ 0.4**	$ 2.1

(1) Impairment charges of property, plant and equipment are primarily related to machinery and equipment which is no longer used.

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

7 AMORTIZATION

Amortization by major heading is as follows:

	Three months ended January 31	
	2014	2013 Restated (Note 3)
Property, plant and equipment	**$ 20.8**	$ 23.0
Intangible assets	**4.3**	2.9
	25.1	25.9
Intangible assets and other assets, recognized in revenues and operating expenses	**6.9**	6.3
	$ 32.0	$ 32.2

8 NET FINANCIAL EXPENSES

Net financial expenses by major heading are as follows:

	Three months ended January 31	
	2014	2013 Restated (Note 3)
Financial expenses on long-term debt	**$ 4.6**	$ 5.9
Net interest on defined benefit liability	**0.2**	1.6
Other expenses	**0.1**	0.3
Foreign exchange net losses (net gains)	**(0.3)**	0.9
	$ 4.6	$ 8.7

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

9 INCOME TAXES

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

	Three months ended January 31	
	2014	2013 Restated (Note 3)
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 27.0**	$ 20.0
Canadian statutory tax rate	**26.90 %**	26.90 %
Income taxes at the statutory tax rate	**7.3**	5.4
Effect of differences in tax rates in other jurisdictions	**1.0**	(2.5)
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**0.4**	0.8
Change in deferred income tax assets on tax losses or temporary differences not previously recognized	**0.2**	(0.3)
Other	**(0.2)**	(0.4)
Income taxes at effective tax rate	**$ 8.7**	$ 3.0
Income taxes include the following items:		
Income taxes before the following items:	**$ 11.4**	$ 7.1
Income taxes on restructuring and other costs	**(2.6)**	(3.5)
Income taxes on impairment of assets	**(0.1)**	(0.6)
Income taxes at effective tax rate	**$ 8.7**	$ 3.0

10 PROVISIONS

The following table presents changes in provisions for the three-month period ended January 31, 2014:

	Restructuring costs	Onerous contracts	Multi-employer pension plans	Other [1]	Total
Balance as at October 31, 2013	$ 5.4	$ 10.6	$ 32.6	$ 1.9	$ 50.5
Provisions recorded	8.4	—	—	—	8.4
Amounts used	(6.5)	(1.6)	—	(0.1)	(8.2)
Provisions reversed	—	(0.1)	—	(0.1)	(0.2)
Exchange rate change	—	0.3	—	—	0.3
Balance as at January 31, 2014	$ 7.3	$ 9.2	$ 32.6	$ 1.7	$ 50.8
Current portion	7.3	2.3	—	1.2	10.8
Non-current portion	—	6.9	32.6	0.5	40.0
	$ 7.3	$ 9.2	$ 32.6	$ 1.7	$ 50.8

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

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

11 SHARE CAPITAL

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

	Three months ended January 31			
	2014		2013	
	Number of shares	**Amount**	Number of shares	Amount
Participating shares				
Class A Subordinate Voting Shares				
Balance, beginning of period	**63,188,951**	**$ 345.9**	64,056,651	$ 350.6
Conversion of Class B Shares into Class A Subordinate Voting Shares	**—**	**—**	153,800	0.2
Participating shares redeemed and cancelled	**—**	**—**	(1,161,600)	(6.4)
Balance, end of period	**63,188,951**	**345.9**	63,048,851	344.4
Class B Shares				
Balance, beginning of period	**14,832,816**	**20.1**	15,005,616	20.3
Conversion of Class B Shares into Class A Subordinate Voting Shares	**—**	**—**	(153,800)	(0.2)
Balance, end of period	**14,832,816**	**20.1**	14,851,816	20.1
	78,021,767	**$ 366.0**	77,900,667	$ 364.5
Preferred shares				
Cumulative Rate Reset First Preferred Shares, Series D				
Balance, beginning and end of period	**4,000,000**	**$ 96.8**	4,000,000	$ 96.8
		$ 462.8		$ 461.3

Participating 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, 2013 and April 14, 2014, or at an earlier date if the Corporation concludes or cancels the offer, up to 3,906,520 Class A Subordinate Voting Shares, representing 6.2% of its 63,051,851 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2013, and up to 742,440 Class B Shares, representing 5.0% of its 14,848,816 Class B Shares issued and outstanding as at April 2, 2013. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the three-month period ended January 31, 2014, the Corporation did not repurchase any of its Class A Subordinate Voting Shares and Class B Shares, and had no obligation as such at that date.

The Corporation has been authorized to repurchase, for cancellation on the open market, between April 13, 2012 and April 12, 2013 up to 3,295,096 Class A Subordinate Voting Shares, representing 5.0% of its 65,901,932 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2012, and up to 757,561 Class B Shares, representing 5.0% of its 15,151,235 Class B Shares issued and outstanding as at April 2, 2012. The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange.

During the three-month period ended January 31, 2013, the Corporation repurchased 1,161,600 of its Class A Subordinate Voting Shares at a weighted average price of $9.98 for a total cash consideration of $11.6 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $5.2 million, was applied against retained earnings. During the same period, the Corporation also paid an amount of $0.5 million, which was in accounts payable and accrued liabilities as at October 31, 2012, for shares that were repurchased before October 31, 2012, but were still held by the Corporation at that date. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares as at January 31, 2013. For the three-month period ended January 31, 2013, the Corporation did not repurchase any of its Class B shares and had no obligation as such at that date.

Preferred Shares
The Cumulative Rate Reset First Preferred Shares, Series D are redeemable at the option of the Corporation, and may be converted at the option of the holder (under certain conditions) to Series E Preferred Shares, as at October 15, 2014.

Dividends
Dividends of $0.145 per share were declared and paid to the holders of participating shares for the three-month periods ended January 31, 2014 and 2013. Dividends of $0.4253 per share were declared and paid to the holders of preferred shares for the three-month periods ended January 31, 2014 and 2013.

12 NET EARNINGS PER PARTICIPATING SHARE

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

	Three months ended January 31	
	2014	2013 Restated (Note 3)
Numerator		
Net earnings	**$ 18.6**	$ 17.1
Non-controlling interests	**0.3**	0.3
Dividends on preferred shares, net of related taxes	**(1.7)**	(1.7)
Net earnings attributable to participating shares	**$ 17.2**	$ 15.7
Denominator (in millions)		
Weighted average number of participating shares outstanding - basic	**78.0**	78.2
Dilutive effect of stock options	**0.2**	—
Weighted average number of participating shares - diluted	**78.2**	78.2

In the calculation of the diluted net earnings per participating share, 328,044 stock options were considered anti-dilutive as at January 31, 2014 (1,263,076 options as at January 31, 2013), since their exercise price was greater than the average share price of Class A Subordinate Voting Shares during the period. Therefore, these stock options were excluded from the calculation of the diluted net earnings per participating share for those periods.

13 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.

For the three-month periods ended January 31, 2014 and 2013, stock-based compensation expenses of $0.2 million were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	Three months ended January 31			
	2014		2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**1,354,076**	**$ 14.44**	1,432,616	$ 16.11
Granted	**—**	**—**	386,940	11.33
Cancelled	**(1,376)**	**16.20**	—	—
Expired	**(174,980)**	**21.54**	(302,980)	19.43
Options outstanding at end of period	**1,177,720**	**$ 13.38**	1,516,576	$ 14.23
Options exercisable at end of period	**754,068**	**$ 14.20**	882,074	$ 15.72

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 January 31, 2014 and 2013, no stock options were exercised.

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

13 STOCK-BASED COMPENSATION (CONTINUED)

Share unit plan for certain officers and senior executives

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

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

	Three months ended January 31			
Number of units	**2014**	2013	**2014**	2013
	DSU		RSU	
Balance, beginning of period	**225,051**	178,907	**713,704**	606,597
Units granted	**—**	—	**418,934**	322,438
Units cancelled	**—**	—	**(12,740)**	(6,916)
Units paid	**(4,086)**	—	**(138,130)**	(148,874)
Units converted	**15,016**	21,340	**(15,016)**	(21,340)
Dividends paid in units	**2,472**	2,446	**—**	—
Balance, end of period	**238,453**	202,693	**966,752**	751,905

As at January 31, 2014, the liability related to the share unit plan for certain officers and senior executives was $7.1 million ($9.7 million as at October 31, 2013). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 31, 2014 and 2013 were $(0.3) million and $1.2 million, respectively. Amounts of $2.3 million and $1.5 million were paid under this plan for the three-month periods ended January 31, 2014 and 2013, respectively.

Share unit plan for directors

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

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

	Three months ended January 31	
Number of units	**2014**	2013
Balance, beginning of period	**318,875**	247,505
Directors' compensation	**10,143**	11,006
Dividends paid in units	**3,343**	3,023
Balance, end of period	**332,361**	261,534

As at January 31, 2014, the liability related to the share unit plan for directors was $4.6 million ($5.3 million as at October 31, 2013). The expense (reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 31, 2014 and 2013 were $(0.7) million and $0.7 million, respectively. No amount was paid under this plan for the three-month periods ended January 31, 2014 and 2013.

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

14 ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive loss
Balance as at October 31, 2013 (Restated, Note 3)	**$ (3.7)**	**$ (1.6)**	**$ (7.9)**	**$ (13.2)**
Net change in gains (losses), net of income taxes	**(1.2)**	**0.4**	**(4.4)**	**(5.2)**
Balance as at January 31, 2014	**$ (4.9)**	**$ (1.2)**	**$ (12.3)**	**$ (18.4)**
Balance as at November 1, 2012 (Note 3)	$ (3.9)	$ (1.2)	$ (79.3)	$ (84.4)
Net change in gains (losses), net of income taxes	0.4	(0.7)	9.0	8.7
Balance as at January 31, 2013 (Restated, Note 3)	$ (3.5)	$ (1.9)	$ (70.3)	$ (75.7)

As at January 31, 2014, the amounts expected to be reclassified to net earnings in future fiscal years are as follows:

	2014	2015	2016	2017	2018 and thereafter	Total
Losses on derivatives designated as cash flow hedges	$ (3.0)	$ (1.2)	$ (0.8)	$ (0.8)	$ (0.9)	$ (6.7)
Income taxes	(0.8)	(0.3)	(0.2)	(0.2)	(0.3)	(1.8)
	$ (2.2)	$ (0.9)	$ (0.6)	$ (0.6)	$ (0.6)	$ (4.9)

15 BUSINESS COMBINATIONS

On December 5, 2013, the Corporation announced that it had entered into a definitive agreement pursuant to which it will acquire all Quebec community newspapers and associated web properties from Sun Media Corporation, a subsidiary of Quebecor Media Inc., for a total purchase price of $75.0 million. This agreement has been approved by the Boards of Directors of both Transcontinental Inc. and Quebecor Media Inc., and the transaction is subject to obtaining regulatory clearances under the Canadian Competition Act. At the date of publication of these interim condensed consolidated financial statements, the Corporation is still waiting for regulatory approval.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to their short term maturities. The table below indicates the fair value and the carrying amount of the other financial instruments as at January 31, 2014 and as at October 31, 2013.

The fair value of long-term debt is determined using market rates for the same or similar issues. The fair value of derivatives is determined using an estimated credit-adjusted market value. The fair values calculated approximate the amounts for which the financial instruments could be settled between consenting parties based on current market data for similar instruments. Accordingly, by virtue of its estimative nature, the fair value must not be interpreted as being realizable in the event of the immediate settlement of instruments.

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 - Quoted prices (unadjusted) 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, either directly (prices) or indirectly (derived from prices)
Level 3 - Inputs for the asset or liability that are not based on observable market data

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

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	As at January 31, 2014		As at October 31, 2013	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Long-term debt	**$ 328.7**	**$ 316.8**	$ 354.2	$ 347.2
Foreign exchange forward contracts	**(2.3)**	**(2.3)**	(0.8)	(0.8)
Interest rate swaps	**(0.2)**	**(0.2)**	(0.4)	(0.4)
Cross currency interest rate swap	**(1.5)**	**(1.5)**	(3.6)	(3.6)

These financial instruments are classified in Level 2 of the fair value hierarchy. For the three-month period ended January 31, 2014, no financial instruments were transferred between levels 1, 2 and 3.

17 SEGMENT REPORTING

The operating segments are defined in terms of the types of products and services offered by the Corporation. The Printing Sector derives revenues from activities such as the printing of retail flyers, magazines, newspapers, color books and personalized and mass marketing products. The Media Sector generates revenues through the publishing of magazines, newspapers and books, a diversified digital platform and a door-to-door network for distributing advertising material that allows advertisers to reach consumers directly. The Media Sector also offers mass and personalized interactive marketing services and products that use new communication platforms supported by marketing strategy and planning services, database analytics, premedia, e-flyers, email marketing, custom communications and mobile solutions. Inter-segment sales of the Corporation are recognized at fair value. Transactions other than sales are recognized at the carrying amount.

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

Three-month period ended January 31, 2014	Printing Sector	Media Sector	Head office and inter-segment eliminations	Total
Revenues	**$ 363.1**	**$ 153.6**	**$ (17.4)**	**$ 499.3**
Operating expenses	**295.8**	**152.4**	**(17.5)**	**430.7**
Adjusted operating earnings before amortization (1)	**67.3**	**1.2**	**0.1**	**68.6**
Restructuring and other costs	**7.5**	**4.0**	**—**	**11.5**
Impairment of assets	**0.4**	**—**	**—**	**0.4**
Operating earnings before amortization	**59.4**	**(2.8)**	**0.1**	**56.7**
Amortization	**18.7**	**5.0**	**1.4**	**25.1**
Operating earnings	**$ 40.7**	**$ (7.8)**	**$ (1.3)**	**$ 31.6**
Adjusted operating earnings (1)	**$ 48.6**	**$ (3.8)**	**$ (1.3)**	**$ 43.5**
Acquisitions of non-current assets (2)	**$ 3.9**	**$ 7.5**	**$ 2.3**	**$ 13.7**

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

17 SEGMENT REPORTING (CONTINUED)

Three-month period ended January 31, 2013 (Restated, Note 3)	Printing Sector	Media Sector	Head office and inter-segment eliminations	Total
Revenues	$ 381.2	$ 164.0	$ (19.6)	$ 525.6
Operating expenses	315.4	157.8	(17.0)	456.2
Adjusted operating earnings before amortization (1)	65.8	6.2	(2.6)	69.4
Restructuring and other costs	10.8	2.0	(0.1)	12.7
Impairment of assets	1.6	—	0.5	2.1
Operating earnings before amortization	53.4	4.2	(3.0)	54.6
Amortization	20.0	4.5	1.4	25.9
Operating earnings	$ 33.4	$ (0.3)	$ (4.4)	$ 28.7
Adjusted operating earnings (1)	$ 45.8	$ 1.7	$ (4.0)	$ 43.5
Acquisitions of non-current assets (2)	$ 4.1	$ 6.1	$ 0.3	$ 10.5

(1) The Corporation’s primary operating decision-makers mainly make decisions and assess segment performance based on adjusted operating earnings. Adjusted operating earnings before amortization and the adjusted operating earnings exclude restructuring and other costs and asset impairment.

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

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

	Three months ended January 31 2014	2013 Restated (Note 3)
Main products and services		
Printed products	**$ 346.2**	$ 362.3
Publishing products	**86.8**	96.3
Digital and interactive products	**32.7**	37.3
Other products and services	**33.6**	29.7
	$ 499.3	$ 525.6

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

	As at January 31, 2014	As at October 31, 2013 Restated (Note 3)
Operating segments		
Printing Sector	**$ 1,084.5**	$ 1,145.4
Media sector	**573.5**	602.6
Head office and inter-segment eliminations (1)	**115.4**	102.8
	$ 1,773.4	$ 1,850.8

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

18 SUBSEQUENT EVENTS

Approval of a definitive agreement to acquire Capri Packaging, a division of Schreiber Foods, Inc.

On March 10, 2014, the Corporation signed a definitive agreement to acquire the assets of Capri Packaging, a division of Schreiber Foods, Inc., for US$133.0 million. Furthermore, the Corporation signed a 10-year packaging supply contract with Schreiber Foods, Inc., representing about 75% of the annual revenues of Capri Packaging which will provide a recurring revenue stream. This acquisition will allow the Corporation to apply its manufacturing expertise to pursue its transformation in the flexible packaging industry in order to generate growth. This agreement has been approved by the boards of directors of Transcontinental Inc. and Schreiber Foods, Inc. This transaction is subject to approval by regulators in the United States.

Renegotiation of agreement with Gesca Ltd

On February 17, 2014, the Corporation announced that it had renegotiated its agreement with Gesca Ltd to print *La Presse* newspaper. The Corporation received a one-time payment of $31.0 million to compensate for price reductions on future services and to give Gesca Ltd greater flexibility for the remainder of the contract. The cash amount will be recorded as deferred revenues and recognized in revenues during the remaining term of the contract.

Sale of printing assets in the United States

On February 11, 2014, the Corporation announced that it was selling the assets of its subsidiary, Rastar, Inc., which specializes in personalized print products, in the United States. The impact of this transaction on the Consolidated Financial Statements of the Corporation will not be significant.

Amendment of the Solidarity Fund QFL financing terms

On February 6, 2014, the Corporation amended the terms of its $50.0 million unsecured debenture with the Solidarity Fund QFL. The debenture now matures on February 6, 2020 and bears interest at 4.011% payable every six months. This financing, whose original maturity date was February 6, 2014, was presented under current liabilities in the Statement of Financial Position as at January 31, 2014.