TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. announces its results for the second quarter of Fiscal 2015

Highlights

- Revenues increased 2.7%.
- Adjusted net earnings applicable to participating shares grew 13.7%.
- Maintained a solid financial position, with a net indebtedness ratio of 1.0x.
- Completed the sale of consumer magazines produced in Montreal and Toronto for $55.5 million.
- TC Transcontinental again ranked by Corporate Knights as one of the Best 50 Corporate Citizens in Canada.

Montreal, June 11, 2015 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the second quarter of Fiscal 2015, which ended April 30, 2015.

"The increase in our revenues and profitability in the second quarter was once again supported by our strategic decisions," said François Olivier, President and Chief Executive Officer of TC Transcontinental. "The diversification of our operations into flexible packaging, the consolidation of the weekly newspaper market in Quebec and our efforts to optimize our cost structure were all factors that contributed to the growth of our results in an advertising market in transformation."

"We keep generating significant cash flows that will allow us to continue investing in our flexible packaging division and the development of our digital offering to our various customers, in particular local advertisers and retailers."

(in millions of dollars, except per share data)	Q2-2015	Q2-2014	%	YTD 2015	YTD 2014	%
Revenues	**490.5**	**477.5**	**2.7**	**980.2**	**959.2**	**2.2**
Adjusted operating earnings before depreciation and amortization (Adjusted EBITDA)	**87.2**	**79.3**	**10.0**	**168.0**	**151.1**	**11.2**
Adjusted operating earnings (Adjusted EBIT)	**61.6**	**55.5**	**11.0**	**117.3**	**102.8**	**14.1**
Adjusted net earnings applicable to participating shares	**39.1**	**34.4**	**13.7**	**77.3**	**63.7**	**21.4**
Per share	**0.50**	**0.44**	**13.6**	**0.99**	**0.82**	**20.7**
Net earnings applicable to participating shares	**81.2**	**34.7**	**-**	**119.1**	**51.9**	**-**
Per share	**1.04**	**0.45**	**-**	**1.53**	**0.67**	**-**

Please refer to the table "Reconciliation of Non-IFRS financial measures" in this press release.
Financial data, excluding net earnings applicable to participating shares, have been restated to exclude earnings from discontinued operations.

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2015 Second Quarter Results

Revenues for the second quarter of 2015 increased 2.7%, from $477.5 million to $490.5 million. This increase is mainly attributable to the contribution from acquisitions, more specifically the acquisition of Capri Packaging and the Quebec weekly newspapers (net of disposals and closures). The appreciation of the US dollar against the Canadian dollar also had a favourable impact. This increase in revenues was however mitigated mainly by a decrease in flyer printing volumes as a result of the loss of an American customer and the consolidation of two brands by a customer in Canada. In addition, the transformation of the advertising market continues to impact the results of most of the Corporation's other niches.

Adjusted operating earnings went from $55.5 million to $61.6 million in the second quarter of 2015, an increase of 11.0%. This performance is attributable to the effect of acquisitions, disposals and closures, the optimization of the cost structure across the Corporation and the favourable impact of the exchange rate. It was however mitigated by the above-mentioned factors and the impact of the variation in the stock price on the stock-based compensation.

Adjusted net earnings applicable to participating shares grew 13.7%, from $34.4 million, or $0.44 per share, to $39.1 million, or $0.50 per share. Net earnings applicable to participating shares more than doubled, from $34.7 million, or $0.45 per share, to $81.2 million, or $1.04 per share. This improvement results mainly from the gain on the sale of consumer magazines produced in Montreal and Toronto, the reversal of the provision related to multi-employer pension plans and the increase in operating earnings.

Other Highlights

- On March 4, 2015, Transcontinental Capri received Safe Quality Food (SQF) Level 3 certification, an audit standard compliant with Global Food Safety Initiative requirements, established by the Safe Quality Food Institute.

- On March 17, 2015, TC Transcontinental announced the appointment of Mario Plourde, President and Chief Executive Officer of Cascades Inc., to the Corporation's Board of Directors.

- On April 10, 2015, the Corporation announced the renewal of its normal course issuer bid, between April 15, 2015 and April 14, 2016.

- On April 22, 2015, TC Transcontinental Packaging takes three prizes at the PAC (Packaging Consortium) Global Leadership Awards.

- On May 15, 2015, TC Media acquired the *Atouts* series from Septembre éditeur inc. This series has long had an excellent reputation in childcare centres (CPEs), pre-schools and elementary schools in Quebec, in addition to being well-known and used all across Canada.

Highlights of the First Half

For the first half of 2015, TC Transcontinental's revenues increased 2.2%, from $959.2 million to $980.2 million. This increase stems primarily from the contribution of acquisitions, more specifically the acquisition of Capri Packaging and the Quebec weekly newspapers (net of disposals and closures). The appreciation of the US dollar against the Canadian dollar also had a favourable impact. This increase in revenues was however mitigated mainly by a decrease in flyer printing volumes as a result of the loss of an American customer and the consolidation of two brands by a customer in Canada. In addition, the transformation of the advertising market continues to impact the results of most of the Corporation's other niches.

Adjusted operating earnings went from $102.8 million to $117.3 million, an increase of 14.1%. This increase is attributable to the contribution from acquisitions, disposals and closures, the optimization of the cost structure across the Corporation and the favourable impact of the exchange rate. It was however mitigated by the above-mentioned factors and the impact of the variation in the stock price on the stock-based compensation.

Adjusted net earnings applicable to participating shares grew 21.4%, from $63.7 million, or $0.82 per share, to $77.3 million, or $0.99 per share. Net earnings applicable to participating shares increased from $51.9 million, or $0.67 per share, to $119.1 million, or $1.53 per share. This improvement results mainly from the gain on the sale of consumer magazines produced in Montreal and Toronto, the reversal of the provision related to multi-employer pension plans and the increase in operating earnings.

For more detailed financial information, please see *Management's Discussion and Analysis for the second quarter ended April 30th, 2015* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook

We will continue to benefit from the savings realized as a result of the consolidation of our printing plants and the operational efficiencies that we are continuing to implement in order to maximize the profitability of the Printing & Packaging Sector. The impact of new printing agreements announced in 2014 and the development of our point-of-purchase marketing services will also have a positive effect on our results. However, these items should be offset by the transformation of the advertising market, which affects most of our printing niches, the loss of an American customer and the consolidation of two brands by one of our customers in Canada.

The integration of the Quebec weekly newspapers continues to progress and the evolution of our digital platforms is moving forward as anticipated. However, these catalysts are expected to be partially offset by the transformation of the advertising market, which will continue to impact our weekly newspaper publishing activities during fiscal 2015. The Corporation will also be affected by the exit from the Canadian market of a retailer, which will have an impact on our distribution activities. Despite these challenges, we will continue to limit the impact on our profit margin by adjusting our cost structure so that it reflects the realities of the industry. Lastly, we will continue to invest in the development of our digital and interactive marketing products as well as enhance our business and education offerings.

We will continue to generate significant cash flows in the next quarters, and our excellent financial position should permit us to continue investing in our growth. After the first year, the results from our acquisition of Capri Packaging continue to meet our expectations, and we are taking steps to develop our existing operations. However, due to the long sales cycle in this niche, the results of our flexible packaging operations should be stable in the second half compared to last year. In addition, we will maintain our disciplined acquisition approach in this promising market to ensure a sustained long-term growth for the Corporation.

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 April 30		Six months ended April 30	
(in millions of dollars, except per share amounts)	**2015**	2014	**2015**	2014
Net earnings applicable to participating shares	**$ 81.2**	$ 34.7	**$ 119.1**	$ 51.9
Dividends on preferred shares, net of related taxes	**—**	1.7	**—**	3.4
Non-controlling interests	**(0.2)**	0.4	**(0.4)**	0.1
Net earnings from discontinued operations	**(30.7)**	(2.2)	**(28.5)**	1.2
Income taxes	**20.4**	14.2	**32.8**	24.1
Share of net earnings in interests in joint ventures, net of related taxes	**(0.1)**	(0.1)	**(0.2)**	(0.4)
Net financial expenses	**6.3**	4.0	**10.2**	8.6
Impairment of assets	**1.4**	0.1	**1.4**	0.5
Restructuring and other costs (revenues)	**(16.7)**	2.7	**(17.1)**	13.4
Adjusted operating earnings	**$ 61.6**	$ 55.5	**$ 117.3**	$ 102.8
Depreciation and amortization	**25.6**	23.8	**50.7**	48.3
Adjusted operating earnings before depreciation and amortization	**$ 87.2**	$ 79.3	**$ 168.0**	$ 151.1
Net earnings applicable to participating shares	**$ 81.2**	$ 34.7	**$ 119.1**	$ 51.9
Net earnings from discontinued operations	**(30.7)**	(2.2)	**(28.5)**	1.2
Impairment of assets (after tax)	**1.0**	0.1	**1.0**	0.4
Restructuring and other costs (revenues) (after tax)	**(12.4)**	1.8	**(14.3)**	10.2
Adjusted net earnings applicable to participating shares	**$ 39.1**	$ 34.4	**$ 77.3**	$ 63.7
Weighted average number of participating shares outstanding	**78.1**	78.0	**78.1**	78.0
Adjusted net earnings applicable to participating shares per share	**$ 0.50**	$ 0.44	**$ 0.99**	$ 0.82

	As at April 30, 2015	As at October 31, 2014
Long-term debt	**$ 347.4**	$ 358.7
Current portion of long-term debt	**72.8**	118.1
Cash	**(35.4)**	(35.2)
Net indebtedness	**$ 384.8**	$ 441.6
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 371.0**	$ 354.1
Net indebtedness ratio	**1.0 x**	1.2 x

Dividends

Dividend on Participating Shares

The Corporation's Board of Directors declared a quarterly dividend of $0.17 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on July 22, 2015 to shareholders of record at the close of business on July 6, 2015.

Additional Information

Conference Call

Upon releasing its second quarter 2015 results, the Corporation will hold a conference call for the financial community today at 4:15 p.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-in only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at 514-954-3581.

Profile

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

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 8,000 employees in Canada and the United States, and revenues of C$2.1 billion in 2014. Website www.tc.tc

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world and particularly in Canada and the United States, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, energy costs, competition, the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities, the regulatory environment, the safety of its packaging products used in the food industry, innovation of its offering and concentration of its sales in certain segments. The main risks, uncertainties and factors that could influence actual results are described in *Management's Discussion and Analysis (MD&A) for the fiscal year ended on October 31st, 2014*, in the latest *Annual Information Form* and have been updated in the *MD&A for the second quarter ended April 30th, 2015.*

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of June 11, 2015.

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

The forward-looking statements in this release are based on current expectations and information available as at June 11, 2015. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

For the quarter ended April 30, 2015

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

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term “dollar,” as well as the symbol "$" designate Canadian dollars, unless otherwise indicated. In this Management’s Discussion and Analysis we also use non-IFRS financial measures. Please refer to table 6 in the section of this report entitled “Reconciliation of Non-IFRS Financial Measures” for a complete description of these measures. This report should also be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended April 30, 2015. 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, 2014 and in the 2014 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 June 11, 2015.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at June 11, 2015. Forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

SUMMARY OF FORWARD-LOOKING STATEMENTS

Forward-looking Statements	Assumptions	Risk Factors
Continuing ability to generate cash.	- Lower spending on print media advertising will continue to affect both our sectors. - Ability to control our costs. - The impact of our commercial agreements will be as expected. - Stable level of competition in the markets in which we operate. - Moderate growth rate of the Canadian economy.	- The impact of new media and the corresponding shift of advertising revenues to new platforms. - Our ability to execute our strategy. - Our ability to continually improve our operational efficiency to maintain or improve our profitability. - Significant increase in the price of our raw materials and inputs. - Renegotiation of commercial printing agreements with some of our major customers could lead to lower operating earnings despite long-term agreements.
Estimated increase in adjusted operating earnings before depreciation and amortization following the acquisition of weekly newspapers in Quebec.	- Smooth and efficient integration with our operations. - We will be capable of ensuring the retention of key employees throughout the transition.	- The identified increase in adjusted operating earnings before depreciation and amortization could be lower than expected as a result of a reduction in advertising spending and the impact of new media.
Estimated increase in adjusted operating earnings before depreciation and amortization following the acquisition of Capri Packaging and our ability to grow in the flexible packaging industry.	- We will be able to retain key employees in order to ensure customer satisfaction. - Financial forecasts will be accurate with no major decrease in volume from existing customers. - Ability to apply our manufacturing expertise to maintain operational efficiency and properly integrate this new growth area. - Ability to develop new business opportunities to ensure the profitability of our investment.	- The expected increase in sales and adjusted operating earnings before depreciation and amortization could take longer to realize than anticipated.
Investments aimed at achieving our operating strategies.	- We will be able to develop new products and services. - Our internal projects will generate savings and efficiencies that will improve our profitability. - A declining local and national advertising market. - Moderate growth rate of the Canadian economy.	- 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.

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 depreciation and amortization
Net earnings applicable to participating shares	Net earnings applicable to the Corporation's shareholders less dividends on preferred shares
Adjusted net earnings applicable to participating shares	Net earnings applicable to participating shares, before restructuring and other costs (revenues) (net of related income taxes), impairment of assets (net of related income taxes) and net earnings from discontinued operations
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues), as well as impairment of assets
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization, restructuring and other costs (revenues), as well as impairment of assets

PROFILE OF TC TRANSCONTINENTAL

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

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

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PREAMBLE

The condensed interim consolidated financial statements and all financial data included in this Management's Discussion and Analysis have been restated to present net earnings from discontinued operations. Consequently, this financial information relates to our continued operations and, except for net earnings applicable to participating shares, it excludes the results of our consumer magazines.

HIGHLIGHTS

- Revenues increased by $13.0 million, or 2.7%, from $477.5 million in the second quarter of 2014 to $490.5 million in the second quarter of 2015.
- Adjusted operating earnings rose by $6.1 million, or 11.0%, from $55.5 million in the second quarter of 2014 to $61.6 million in the second quarter of 2015.
- Adjusted net earnings applicable to participating shares increased by $4.7 million, or 13.7%, from $34.4 million in the second quarter of 2014 to $39.1 million in the same quarter of 2015.
- On April 12, 2015, following the clearance by the Competition Bureau of Canada, the Corporation completed the sale of its consumer magazines, their websites and all related platforms produced in Montreal and Toronto to TVA Group Inc. for $55.5 million.
- On March 16, 2015, the Board of Directors approved a 6.25% increase in the dividend per participating share to $0.68 per year.

ANALYSIS OF CONSOLIDATED RESULTS - SECOND QUARTER

(unaudited)

Table #1:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
Second quarter of 2014	**$ 477.5**		**$ 55.5**		**$ 34.7**
Acquisitions/disposals and closures	33.8	7.1 %	8.0	14.4 %	4.2
Existing operations					
Exchange rate effect	5.9	1.2 %	2.6	4.7 %	0.8
Organic growth (negative)	(26.7)	(5.6) %	(4.5)	(8.1) %	(1.6)
Restructuring and other costs					14.2
Impairment of assets					(0.9)
Redemption of Preferred Shares					1.3
Discontinued operations					28.5
Second quarter of 2015	**$ 490.5**	**2.7 %**	**$ 61.6**	**11.0 %**	**$ 81.2**

Revenues

Revenues increased by $13.0 million, or 2.7%, from $477.5 million in the second quarter of 2014 to $490.5 million in the second quarter of 2015. This change is due to the following factors:

- The net effect of acquisitions, disposals and closures resulted in an increase of $33.8 million, or 7.1%, mainly due to the contribution from the acquisition of Capri Packaging and, to a lesser extent, due to the acquisition of weekly newspapers in Quebec.

- Revenues from existing operations, excluding the exchange rate effect, were down $26.7 million, or 5.6%, mainly due to the flyer printing operations, which were affected by the loss of an American customer as well as the consolidation of two brands by one of our customers in Canada. In addition, the Corporation is operating in transforming industries, which continues to have a negative impact on both our operating sectors.

Adjusted Operating Earnings

Adjusted operating earnings increased by $6.1 million, or 11.0%, from $55.5 million in the second quarter of 2014 to $61.6 million in the second quarter of 2015. This change is due to the following factors:

- The net effect of acquisitions, disposals and closures resulted in an increase in adjusted operating earnings of $8.0 million, or 14.4%, mainly due to the contribution from the acquisition of Capri Packaging and also due to the acquisition of weekly newspapers in Quebec.

- Excluding the exchange rate effect, adjusted operating earnings decreased by $4.5 million, mostly as a result of the decrease in organic growth, which was partially offset by the continuation of cost reduction initiatives in both our operating sectors. This decrease is also related to the effect of the change in share price on stock-based compensation which explains in large part the $1.4 million unfavorable impact within the other head office activities.

Restructuring and Other Costs (Revenues)

In the second quarter of 2015, a revenue of $16.7 million (revenue of $12.4 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs (revenues). This amount is mainly attributable to Bill 34, which amends the *Supplemental Pension Plans Act,* and limits, as detailed within the plans, the Corporation's obligation to the payment of contributions stipulated in collective agreements. This therefore explains a reversal of $22.6 million of the provision for multi-employer pension plans. On the other hand, the Corporation recorded expenses related to optimization and cost reduction initiatives in both our sectors.

In the second quarter of 2014, an expense of $2.7 million ($1.8 million after tax) had been accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs (revenues), primarily due to optimization and cost reduction initiatives, mainly in the Media sector. The Corporation had also recorded expenses of $0.8 million related to acquisition projects during the second quarter of 2014.

Impairment of Assets

In the second quarter of 2015, an asset impairment charge of $1.4 million ($1.0 million after tax) was recorded, compared to $0.1 million ($0.1 million after tax) in the second quarter of 2014. The charge for the second quarter of 2015 is mainly attributable to the write-off of intangible assets in our Media Sector.

Net Financial Expenses

Net financial expenses increased by $2.3 million, from $4.0 million in the second quarter of 2014 to $6.3 million in the second quarter of 2015. The increase stems mainly from a higher average indebtedness in the quarter, which is due to acquisitions and the redemption of preferred shares, as well as a foreign exchange loss resulting from the depreciation of the US dollar against the Canadian dollar during the second quarter of 2015. This increase was partially offset by the impact of operating cash flows and the refinancing of certain debts at a lower rate.

Income taxes

Income taxes went from $14.2 million in the second quarter of 2014 to $20.4 million in the second quarter of 2015. Excluding income taxes on restructuring and other costs (revenues) and asset impairment charges, income taxes would have amounted to $16.5 million in the second quarter of 2015, for a tax rate of 29.8%, compared to $15.1 million, or 29.3%, in the second quarter of 2014. This increase in the tax rate is mainly due to non-deductible accounting expenses related to the revaluation of US debts during the second quarter of 2015.

Redemption of Preferred Shares

The redemption of 4 million preferred shares bearing a quarterly dividend of $0.4253 during the fourth quarter of 2014 explains an increase of net earnings applicable to participating shares of $1.3 million, net of taxes and financial expenses.

Discontinued Operations

Net earnings from discontinued operations of $30.7 million, net of related taxes, were recorded in the second quarter of 2015, compared to net earnings of $2.2 million in the second quarter of 2014. The operations of our consumer magazine publishing activities generated net earnings of $0.4 million in the second quarter of 2015 compared to net earnings of $2.2 million in the second quarter of 2014. The increase in net earnings from discontinued operations is therefore mostly attributable to the gain on the sale of the consumer magazine publishing activities of $30.3 million, net of related taxes, in the second quarter of 2015.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares rose from $34.7 million in the second quarter of 2014 to $81.2 million in the second quarter of 2015. This improvement is mostly explained by a gain on the sale of the consumer magazines produced in Montreal and Toronto, a reversal of the provision related to multi-employer pension plans as well as an improvement in operating earnings. On a per share basis, net earnings applicable to participating shares rose from $0.45 to $1.04.

Adjusted net earnings applicable to participating shares improved from $34.4 million in the second quarter of 2014 to $39.1 million in the second quarter of 2015. This increase is mostly explained by an improvement in adjusted operating earnings. On a per share basis, it rose from $0.44 to $0.50.

ANALYSIS OF SECTOR RESULTS - SECOND QUARTER

(unaudited)

Table #2:

(in millions of dollars)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues - Second quarter of 2014	**$ 349.9**	**$ 140.3**	**$ (12.7)**	**$ 477.5**
Acquisitions/disposals and closures	24.8	9.0	—	33.8
Existing operations				
Exchange rate effect	5.4	0.5	—	5.9
Organic growth (negative)	(14.9)	(11.7)	(0.1)	(26.7)
Revenues - Second quarter of 2015	**$ 365.2**	**$ 138.1**	**$ (12.8)**	**$ 490.5**
Adjusted operating earnings - Second quarter of 2014	**$ 59.5**	**$ 5.1**	**$ (9.1)**	**$ 55.5**
Acquisitions/disposals and closures	4.9	3.1	—	8.0
Existing operations				
Exchange rate effect	2.5	0.1	—	2.6
Organic growth	0.5	(3.6)	(1.4)	(4.5)
Adjusted operating earnings - Second quarter of 2015	**$ 67.4**	**$ 4.7**	**$ (10.5)**	**$ 61.6**

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

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

Printing & Packaging Sector

Printing & Packaging Sector revenues increased by $15.3 million, or 4.4%, from $349.9 million in the second quarter of 2014 to $365.2 million in the second quarter of 2015. The acquisition of Capri Packaging generated $25.3 million, partially offset by a decrease of $14.9 million in organic growth, excluding the exchange rate effect of $5.4 million. This decrease is mostly attributable to the flyer printing operations, which were affected by the loss of an American customer as well as by the consolidation of two brands by one of our customers in Canada. In addition, printing activities in the other niches continued to be affected by lower advertising spending and the print media transformation, partially offset by already announced new agreements.

Adjusted operating earnings were up 13.3%, or $7.9 million, from $59.5 million in the second quarter of 2014 to $67.4 million in the second quarter of 2015. This increase is mainly attributable to the acquisition of Capri Packaging and the favourable effect of $2.5 million related to the appreciation of the US dollar against the Canadian dollar compared to same period of 2014. In addition, the ongoing optimizations of our cost structure and our printing platform offset the loss of revenues from the transformation of the advertising market. The adjusted operating earnings margin rose from 17.0% in the second quarter of 2014 to 18.5% in the second quarter of 2015.

Media Sector

Media Sector revenues decreased by $2.2 million, or 1.6%, from $140.3 million in the second quarter of 2014 to $138.1 million in the second quarter of 2015. The acquisition of weekly newspapers in Quebec (net of closures and disposals) offset lower advertising revenues in the weekly newspaper publishing activities as well as the exit from the Canadian market by a retailer, which had an impact on distribution activities. Furthermore, the decrease in existing operations is explained by a decline in our interactive offering and book publishing activities.

Adjusted operating earnings were down by $0.4 million, or 7.8%, from $5.1 million in the second quarter of 2014 to $4.7 million in the second quarter of 2015, and the adjusted operating margin decreased from 3.6% in the second quarter of 2014 to 3.4% in the second quarter of 2015. The impact of the acquisition of weekly newspapers in Quebec as well as the closures and disposals of weekly newspapers explains the majority of the effect of acquisitions, disposals and closures. Within existing operations, the above-mentioned decrease in revenues was partially offset by cost reduction initiatives in the sector aimed at adjusting our structure to the realities of the market.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$12.7 million in the second quarter of 2014 to -$12.8 million in the second quarter of 2015. Adjusted operating earnings decreased by $1.4 million, from -$9.1 million in the second quarter of 2014 to -$10.5 million in 2015. This variance is mainly due to the impact of the change in share price on stock-based compensation.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

(unaudited)

Table #3:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
Six months ended April 30, 2014	**$ 959.2**		**$ 102.8**		**$ 51.9**
Acquisitions/disposals and closures	57.2	6.0 %	13.7	13.3 %	6.9
Existing operations					
Exchange rate effect	10.1	1.1 %	4.9	4.8 %	4.0
Organic growth (negative)	(46.3)	(4.8) %	(4.1)	(4.0) %	0.1
Restructuring and other costs					24.5
Impairment of assets					(0.6)
Redemption of Preferred Shares					2.6
Discontinued operations					29.7
Six months ended April 30, 2015	**$ 980.2**	**2.2 %**	**$ 117.3**	**14.1 %**	**$ 119.1**

Revenues

Revenues increased by $21.0 million, or 2.2%, from $959.2 million in the first six months of 2014 to $980.2 million in the corresponding period of 2015. This change is due to the following factors:

- The net effect of acquisitions, disposals and closures resulted in an increase in revenues of $57.2 million or 6.0%, mainly attributable to the acquisition of Capri Packaging and, to a lesser extent, to the acquisition of weekly newspapers in Quebec, partially offset by the sale of Rastar's assets.

- Revenues from existing operations, excluding the exchange rate effect, were down $46.3 million, due, among other factors, to a decrease in our flyer printing operations, which were affected by the loss of an American customer as well as the consolidation of two brands by one of our customers in Canada. In addition, the Corporation is operating in transforming industries, which continues to have a negative impact on most of the Corporation's activities.

Adjusted Operating Earnings

Adjusted operating earnings increased by $14.5 million, or 14.1%, from $102.8 million in the first six months of 2014, to $117.3 million in the corresponding period of 2015. This increase is explained as follows:

- The net effect of acquisitions, disposals and closures resulted in an increase in adjusted operating earnings of $13.7 million, or 13.3%, mainly due to the acquisition of Capri Packaging and, to a lesser extent, due to the impact of the acquisition of weekly newspapers in Quebec.

- Excluding the exchange rate effect, adjusted operating earnings decreased by $4.1 million, mostly as a result of the impact of the change in share price on stock-based compensation which explains in large part the $5.4 million unfavorable impact within the other head office activities. Furthermore, organic growth was positive within both our operating sectors, principally due to cost reduction initiatives which offset the decline in revenues from existing operations.

Restructuring and Other Costs (Revenues)

In the first six months of 2015, a revenue of $17.1 million (revenue of $14.3 million after tax) was accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs (revenues). This amount is mainly attributable to Bill 34, which amends the *Supplemental Pension Plans Act* and limits, as detailed within the plans, the Corporation's obligation with respect to the payment of contributions stipulated in collective agreements. This therefore explains a reversal of $22.6 million of the provision for multi-employer pension plans. In the first quarter of 2015, we also recorded a gain of $6.8 million on the sale of a building. However, these items were partially offset by expenses related to optimization and cost reduction initiatives in both our sectors.

In the first six months of 2014, an amount of $13.4 million ($10.2 million after tax) had been accounted for separately on the Consolidated Statement of Earnings as restructuring and other costs (revenues), primarily related to our printing activities as a result of the continuing integration of the operations of Quad/Graphics Canada, Inc.

Impairment of Assets

In the first six months of 2015, an asset impairment charge of $1.4 million ($1.0 million after tax) was recorded, compared to $0.5 million ($0.4 million after tax) in the corresponding period of 2014. The charge for the first half of 2015 is mainly attributable to the write-off of intangible assets in our Media Sector.

Net Financial Expenses

Net financial expenses increased $1.6 million, from $8.6 million in the first six months of 2014 to $10.2 million in the corresponding period of 2015. The increase stems mainly from a higher average indebtedness in the first half of the year, which is due to acquisitions and the redemption of preferred shares. This increase was partially offset by the impact of operating cash flows and the refinancing of certain debts at a lower rate.

Income taxes

Income taxes rose from $24.1 million in the first six months of 2014 to $32.8 million in the corresponding period of 2015. Excluding income taxes on restructuring and other costs and asset impairment charges, income taxes would have amounted to $30.4 million in the first six months of 2015, for a tax rate of 28.4%, compared to $27.4 million, or 29.1%, in the first six months of 2014. The decrease in tax rate is mostly attributable to the recognition of the tax effect of capital losses during the first quarter of 2015.

Redemption of Preferred Shares

The redemption of 4 million preferred shares bearing a quarterly dividend of $0.4253 during the fourth quarter of 2014 explains an increase of net earnings applicable to participating shares of $2.6 million, net of taxes and financial expenses.

Discontinued Operations

Net earnings from discontinued operations of $28.5 million, net of related taxes, were recorded in the first half of 2015, compared to a net loss of $1.2 million in the first half of 2014. The operations of our consumer magazine publishing activities generated a net loss of $1.2 million in the first half of 2014 compared to a net loss of $1.8 million in the first half of 2015. The increase in net earnings from discontinued operations is therefore mostly attributable to the gain on the sale of the consumer magazine publishing activities of $30.3 million, net of related taxes, in the second quarter of 2015.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares rose from $51.9 million in the first six months of 2014 to $119.1 million in the corresponding period of 2015. This improvement is mostly explained by a gain on the sale of the consumer magazines produced in Montreal and Toronto, a reversal of the provision related to multi-employer pension plans as well as an improvement in operating earnings. On a per share basis, net earnings applicable to participating shares rose from $0.67 to $1.53.

Adjusted net earnings applicable to participating shares increased by $13.6 million, or 21.4%, from $63.7 million for the first six months of 2014 to $77.3 million for the corresponding period of 2015. This increase is mostly attributable to an improvement in adjusted operating earnings. On a per share basis, it rose from $0.82 to $0.99.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #4:

(in millions of dollars)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues - Six months ended April 30, 2014	**$ 711.2**	**$ 272.4**	**$ (24.4)**	**$ 959.2**
Acquisitions/disposals and closures	40.0	17.2	—	57.2
Existing operations				
Exchange rate effect	9.6	0.5		10.1
Organic growth (negative)	(34.1)	(11.8)	(0.4)	(46.3)
Revenues - Six months ended April 30, 2015	**$ 726.7**	**$ 278.3**	**$ (24.8)**	**$ 980.2**
Adjusted operating earnings - Six months ended April 30, 2014	**$ 107.9**	**$ 6.3**	**$ (11.4)**	**$ 102.8**
Acquisitions/disposals and closures	7.8	5.9	—	13.7
Existing operations				
Exchange rate effect	4.9	—	—	4.9
Organic growth	0.7	0.6	(5.4)	(4.1)
Adjusted operating earnings - Six months ended April 30, 2015	**$ 121.3**	**$ 12.8**	**$ (16.8)**	**$ 117.3**

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

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

Printing & Packaging Sector

Printing & Packaging Sector revenues increased by $15.5 million, or 2.2%, from $711.2 million in the first six months of 2014 to $726.7 million in the corresponding period of 2015. The acquisition of Capri Packaging offset the decrease of $34.1 million in organic growth, excluding the exchange rate effect of $9.6 million. This decrease is mostly attributable to the flyer printing operations, which were affected by the loss of an American customer and the consolidation of two brands by one of our customers in Canada. In addition, printing activities in the other niches continued to be affected by lower advertising spending and the print media transformation, partially offset by already announced new agreements.

Adjusted operating earnings were up 12.4%, or $13.4 million, from $107.9 million in the first six months of 2014 to $121.3 million in the corresponding period of 2015. The acquisition of Capri Packaging, in the flexible packaging industry, explains the majority of the increase compared to the prior year. In addition, the increase in existing operations is largely due to the favourable effect of $4.9 million related to the appreciation of the US dollar against the Canadian dollar and the optimization of our cost structure, which offset the loss of revenues from the transformation of the advertising market. As a result, the adjusted operating earnings margin rose from 15.2% in the first six months of 2014 to 16.7% in the corresponding period of 2015.

Media Sector

Media Sector revenues increased by $5.9 million, or 2.2%, from $272.4 million in the first six months of 2014 to $278.3 million in the corresponding period of 2015. This increase is mainly explained by the acquisition of weekly newspapers in Quebec that offset the lower advertising revenues in the weekly newspaper publishing activities. In addition, the sector's existing operations were also affected by a decline in our interactive offering and book publishing activities.

Adjusted operating earnings increased by $6.5 million, from $6.3 million in the first six months of 2014 to $12.8 million in the corresponding period of 2014, and the adjusted operating margin went up from 2.3% in the first six months of 2014 to 4.6% in the six-month period ended April 30, 2015. The impact of the acquisition of weekly newspapers in Quebec (net of closures and disposals) resulted in an improvement in adjusted operating earnings of $4.9 million, while cost reduction initiatives within our existing operations offset the above-mentioned decrease in revenues.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$24.4 million in the first six months of 2014 to -$24.8 million in the corresponding period of 2015. Adjusted operating earnings decreased $5.4 million, from -$11.4 million in the first six months of 2014 to -$16.8 million in the six months ended April 30, 2015. This variation is mainly due to the impact of the change in share price on stock-based compensation.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

	2015		2014				2013 (1)	
(in millions of dollars, except per share amounts)	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$ 490.5**	**$ 489.7**	$ 548.2	$ 483.0	$ 477.5	$ 481.7	$ 532.6	$ 468.6
Adjusted operating earnings before depreciation and amortization	**87.2**	**80.8**	119.1	83.9	79.3	71.8	105.3	76.9
Adjusted operating earnings margin before depreciation and amortization	**17.8 %**	**16.5 %**	21.7 %	17.4 %	16.6 %	14.9 %	19.8 %	16.4 %
Adjusted operating earnings	**61.6**	**55.7**	92.4	58.0	55.5	47.3	79.4	51.0
Adjusted operating earnings margin	**12.6 %**	**11.4 %**	16.9 %	12.0 %	11.6 %	9.8 %	14.9 %	10.9 %
Net earnings applicable to participating shares	**$ 81.2**	**$ 37.9**	$ 9.0	$ 44.2	$ 34.7	$ 17.2	$ (94.4)	$ 30.6
Per share	**1.04**	**0.49**	0.12	0.56	0.45	0.22	(1.21)	0.39
Adjusted net earnings applicable to participating shares	**39.1**	**38.2**	63.5	37.4	34.4	29.3	52.8	31.9
Per share	**0.50**	**0.49**	0.81	0.48	0.44	0.38	0.68	0.41
% of fiscal year	**— %**	**— %**	38 %	23 %	21 %	18 %	37 %	22 %

[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 quarterly results over the past eight quarters. The recent acquisitions of Capri Packaging, in May 2014, and weekly newspapers in Quebec, in June 2014, offset the decrease in existing revenues related to the transformation of advertising markets. In addition, the optimization of our cost structure and the ongoing review of our asset portfolio mitigated the organic decrease in our adjusted operating earnings. Lastly, it should be noted that our volume of activity is cyclical, since it is mainly influenced by our customers' marketing spending, which is higher in the 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 #6:

	Three months ended April 30		Six months ended April 30	
(in millions of dollars, except per share amounts)	**2015**	2014	**2015**	2014
Net earnings applicable to participating shares	**$ 81.2**	$ 34.7	**$ 119.1**	$ 51.9
Dividends on preferred shares, net of related taxes	**—**	1.7	**—**	3.4
Non-controlling interests	**(0.2)**	0.4	**(0.4)**	0.1
Net earnings from discontinued operations	**(30.7)**	(2.2)	**(28.5)**	1.2
Income taxes	**20.4**	14.2	**32.8**	24.1
Share of net earnings in interests in joint ventures, net of related taxes	**(0.1)**	(0.1)	**(0.2)**	(0.4)
Net financial expenses	**6.3**	4.0	**10.2**	8.6
Impairment of assets	**1.4**	0.1	**1.4**	0.5
Restructuring and other costs (revenues)	**(16.7)**	2.7	**(17.1)**	13.4
Adjusted operating earnings	**$ 61.6**	$ 55.5	**$ 117.3**	$ 102.8
Depreciation and amortization	**25.6**	23.8	**50.7**	48.3
Adjusted operating earnings before depreciation and amortization	**$ 87.2**	$ 79.3	**$ 168.0**	$ 151.1
Net earnings applicable to participating shares	**$ 81.2**	$ 34.7	**$ 119.1**	$ 51.9
Net earnings from discontinued operations	**(30.7)**	(2.2)	**(28.5)**	1.2
Impairment of assets (after tax)	**1.0**	0.1	**1.0**	0.4
Restructuring and other costs (revenues) (after tax)	**(12.4)**	1.8	**(14.3)**	10.2
Adjusted net earnings applicable to participating shares	**$ 39.1**	$ 34.4	**$ 77.3**	$ 63.7
Weighted average number of participating shares outstanding	**78.1**	78.0	**78.1**	78.0
Adjusted net earnings applicable to participating shares per share	**$ 0.50**	$ 0.44	**$ 0.99**	$ 0.82

	As at April 30, 2015	As at October 31, 2014
Long-term debt	**347.4**	$ 358.7
Current portion of long-term debt	**72.8**	118.1
Cash	**(35.4)**	(35.2)
Net indebtedness	**384.8**	$ 441.6
Adjusted operating earnings before depreciation and amortization (last 12 months)	**371.0**	$ 354.1
Net indebtedness ratio	**1.0 x**	1.2 x

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES
(unaudited)

Table #7:

(in millions of dollars)	Three-month period ended April 30, 2015	Three-month period ended April 30, 2014
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$ 112.2**	$ 83.3
Changes in non-cash operating items	**(52.2)**	(18.8)
Income taxes paid	**(6.2)**	(3.9)
Cash flows from operating activities of continuing operations	**$ 53.8**	$ 60.6
Investing activities		
Business dispositions	**$ 0.9**	$ 1.5
Acquisitions of property, plant and equipment	**(16.6)**	(9.8)
Disposition of property, plant and equipment	**4.3**	0.1
Increase in intangible assets	**(5.9)**	(4.9)
Cash flows from investing activities of continuing operations	**$ (17.3)**	$ (13.1)
Financing activities		
Reimbursement of long-term debt	**$ (0.1)**	$ (16.9)
Net decrease in credit facility	**(59.5)**	(18.0)
Financial expenses on long-term debt	**(3.2)**	(4.5)
Dividends on participating shares	**(13.3)**	(12.5)
Dividends on preferred shares	**—**	(1.7)
Cash flows from financing activities of continuing operations	**$ (76.1)**	$ (53.6)

Financial position	**As at April 30, 2015**	As at October 31, 2014
Net indebtedness	**$ 384.8**	$ 441.6
Net indebtedness ratio	**1.0 x**	1.2 x
Credit rating		
DBRS	**BBB-**	BBB-
Outlook	**Stable**	Stable
Standard and Poor's	**BBB-**	BBB-
Outlook	**Stable**	Stable

Consolidated Statement of Financial Position	**As at April 30, 2015**	As at October 31, 2014
Current assets	**$ 533.5**	$ 574.4
Current liabilities	**401.8**	532.1
Total assets	**1,957.3**	2,027.7
Total liabilities	**1,061.0**	1,234.6

Cash Flows from Operating Activities

Cash flows from operating activities before changes in non-cash operating items and income taxes paid increased from $83.3 million in the second quarter of 2014 to $112.2 million in the second quarter of 2015, primarily due to higher operating earnings. On the other hand, changes in non-cash operating items resulted in a cash outflow of $52.2 million in the second quarter of 2015, compared to $18.8 million in the second quarter of 2014. This variance is explained mainly by an amount received in the second quarter of 2014 in relation to the agreement with Gesca Ltd. Income taxes paid amounted to $6.2 million in the second quarter of 2015, compared to $3.9 million in the second quarter of 2014. As a result, cash flows from operations decreased to $53.8 million in the second quarter of 2015, from $60.6 million in the second quarter of 2014.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $13.1 million in the second quarter of 2014 to a cash outflow of $17.3 million in the second quarter of 2015. This variance stems mainly from the slight increase in investments in property, plant and equipment, mostly in our Printing & Packaging Sector, partially offset by the receipt of a portion of the sales price of a building.

Cash Flows from Financing Activities

In the second quarter of 2014, the Corporation paid $12.5 million in dividends on participating shares, compared to $13.3 million in the corresponding period of 2015, as a result of the increase in our annual dividend announced on March 17, 2015. In addition, the redemption of preferred shares resulted in a reduction in our cash outflows of $1.7 million compared to the previous year.

Cash flows generated by operating earnings in the second quarter of 2015 were used to pay down $59.5 million on our term revolving credit facility. In the second quarter of 2014, the Corporation had paid down $18.0 million on its term revolving credit facility and repaid senior notes valued at US$15.0 million (C$16.6 million).

Debt Instruments

As at April 30, 2015, our net indebtedness ratio stood at 1.04x (1.25x as at October 31, 2014), and net indebtedness decreased from $441.6 million as at October 31, 2014 to $384.8 million as at April 30, 2015. The decrease in our net indebtedness ratio is primarily attributable to cash flows generated from operations. As at April 30, 2015, an amount of C$55.9 million, including letters of credit, was used on our $400 million unsecured credit facility. The applicable interest rate on this facility is based on the credit rating assigned by Standard & Poor's and DBRS. According to the current credit rating, this rate is either the banker's acceptance rate or LIBOR, plus 1.675%, or the Canadian or U.S. prime rate, plus 0.675%.

Share Capital

During the second quarter ended April 30, 2015, the Corporation did not repurchase any participating shares. The change in issued and outstanding shares results from the exercise of options and the exchange of Class B Shares for Class A Shares.

Under the normal course issuer bid that expired in April 2015, the Corporation did not repurchase any Class A Subordinate Voting Shares or Class B Shares. This normal course issuer bid was renewed for one year as of April 15, 2015, allowing the Corporation to purchase on the open market up to 1,000,000 of its Class A Subordinate Voting Shares and up to 237,250 of its Class B Shares. No shares have been repurchased in the second quarter of 2015 since the renewal of the normal course issuer bid.

Table #8:

Shares Issued and Outstanding	As at April 30, 2015	As at May 31, 2015
Class A (Subordinate Voting Shares)	63,246,208	63,246,208
Class B (Multiple Voting Shares)	14,825,916	14,825,916

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for implementing and maintaining adequate internal control. The purpose of internal control over financial reporting is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of consolidated financial statements in accordance with IFRS. Management certifies disclosures in annual and interim filings under Regulation 52-109 using the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

As at April 30, 2015, Management excluded Capri Packaging from its assessment of internal control over financial reporting; this exclusion is accepted by the Autorité des marchés financiers (AMF) during the first year after the acquisition of a business, to give a Corporation time to integrate the acquisition.

For the second quarter of 2015, Capri Packaging, acquired on May 3, 2014, generated revenues of $25.3 million, adjusted operating earnings before depreciation and amortization of $6.0 million and adjusted operating earnings of $3.9 million. These amounts represent 5.2% of revenues, 6.9% of adjusted operating earnings before depreciation and amortization and 6.3% of adjusted operating earnings of the Corporation. Capri Packaging has two flexible packaging production plants and about 200 employees.

The following table provides additional information about this acquisition:

Statement of Financial Position	**As at April 30, 2015**
Current assets	$15.4 M
Non-current assets	$152.9 M
Current liabilities	$9.2 M
Long-term liabilities	$- M
Statement of Earnings	**For the three months ended April 30, 2015**
Revenues	$25.3 M
Adjusted operating earnings before depreciation and amortization	$6.0 M
Adjusted operating earnings	$3.9 M

In the quarter ended April 30, 2015, except for the information provided above, no change that has materially affected or is reasonably likely to materially affect internal control over financial reporting was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

SUBSEQUENT EVENTS

Sale of a building

On May 12, 2015, the Corporation sold a building for net proceeds of disposal of $16.5 million. This building has been classified as property, plant and equipment held for sale in the Consolidated Statement of Financial Position as at April 30, 2015.

OUTLOOK

We will continue to benefit from the savings realized as a result of the consolidation of our printing plants and the operational efficiencies that we are continuing to implement in order to maximize the profitability of the Printing & Packaging Sector. The impact of new printing agreements announced in 2014 and the development of our point-of-purchase marketing services will also have a positive effect on our results. However, these items should be offset by the transformation of the advertising market, which affects most of our printing niches, the loss of an American customer and the consolidation of two brands by one of our customers in Canada.

The integration of the Quebec weekly newspapers continues to progress and the evolution of our digital platforms is moving forward as anticipated. However, these catalysts are expected to be partially offset by the transformation of the advertising market, which will continue to impact our weekly newspaper publishing activities during fiscal 2015. The Corporation will also be affected by the exit from the Canadian market of a retailer, which will have an impact on our distribution activities. Despite these challenges, we will continue to limit the impact on our profit margin by adjusting our cost structure so that it reflects the realities of the industry. Lastly, we will continue to invest in the development of our digital and interactive marketing products as well as enhance our business and education offerings.

We will continue to generate significant cash flows in the next quarters, and our excellent financial position should permit us to continue investing in our growth. After the first year, the results from our acquisition of Capri Packaging continue to meet our expectations, and we are taking steps to develop our existing operations. However, due to the long sales cycle in this niche, the results of our flexible packaging operations should be stable in the second half compared to last year. In addition, we will maintain our disciplined acquisition approach in this promising market to ensure a sustained long-term growth for the Corporation.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

June 11, 2015

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended April 30 **2015**	2014	Six months ended April 30 **2015**	2014
Revenues		**$ 490.5**	$ 477.5	**$ 980.2**	$ 959.2
Operating expenses	4	**403.3**	398.2	**812.2**	808.1
Restructuring and other costs (revenues)	5	**(16.7)**	2.7	**(17.1)**	13.4
Impairment of assets	6	**1.4**	0.1	**1.4**	0.5
Operating earnings before depreciation and amortization		**102.5**	76.5	**183.7**	137.2
Depreciation and amortization	7	**25.6**	23.8	**50.7**	48.3
Operating earnings		**76.9**	52.7	**133.0**	88.9
Net financial expenses	8	**6.3**	4.0	**10.2**	8.6
Earnings before share of net earnings in interests in joint ventures and income taxes		**70.6**	48.7	**122.8**	80.3
Share of net earnings in interests in joint ventures, net of related taxes		**0.1**	0.1	**0.2**	0.4
Income taxes	9	**20.4**	14.2	**32.8**	24.1
Net earnings from continuing operations		**50.3**	34.6	**90.2**	56.6
Net earnings from discontinued operations	10	**30.7**	2.2	**28.5**	(1.2)
Net earnings		**81.0**	36.8	**118.7**	55.4
Non-controlling interests	10	**(0.2)**	0.4	**(0.4)**	0.1
Net earnings attributable to shareholders of the Corporation		**81.2**	36.4	**119.1**	55.3
Dividends on preferred shares, net of related taxes	13	**—**	1.7	**—**	3.4
Net earnings attributable to participating shares		**$ 81.2**	$ 34.7	**$ 119.1**	$ 51.9
Net earnings per participating share - basic					
Continuing operations	14	**$ 0.64**	$ 0.42	**$ 1.15**	$ 0.68
Discontinued operations		**0.40**	0.03	**0.38**	(0.01)
		$ 1.04	$ 0.45	**$ 1.53**	$ 0.67
Net earnings per participating share - diluted					
Continuing operations	14	**$ 0.64**	$ 0.42	**$ 1.15**	$ 0.68
Discontinued operations		**0.40**	0.02	**0.37**	(0.02)
		$ 1.04	$ 0.44	**$ 1.52**	$ 0.66
Weighted average number of participating shares outstanding - basic (in millions)		**78.1**	78.0	**78.1**	78.0
Weighted average number of participating shares - diluted (in millions)	14	**78.3**	78.2	**78.3**	78.2

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

		Three months ended April 30		Six months ended April 30	
(in millions of Canadian dollars)	Notes	**2015**	2014	**2015**	2014
Net earnings		**$ 81.0**	$ 36.8	**$ 118.7**	$ 55.4
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		**6.4**	0.8	**(2.7)**	0.2
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**1.0**	0.8	**1.5**	—
Related income taxes		**2.0**	0.3	**(0.3)**	0.1
		5.4	1.3	**(0.9)**	0.1
Cumulative translation differences					
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**(8.4)**	(0.1)	**10.6**	2.8
Unrealized exchange gains (losses) on the translation of a debt designated as a hedge of a net investment in foreign operations		**—**	0.1	**—**	(2.4)
		(8.4)	—	**10.6**	0.4
Items that will not be reclassified to net earnings					
Changes in actuarial gains and losses in respect of defined benefit plans					
Actuarial gains (losses) in respect of defined benefit plans		**(6.9)**	17.2	**0.6**	11.2
Related income taxes		**(1.8)**	4.6	**0.2**	3.0
		(5.1)	12.6	**0.4**	8.2
Other comprehensive income (loss) (1)	16	**(8.1)**	13.9	**10.1**	8.7
Comprehensive income		**$ 72.9**	$ 50.7	**$ 128.8**	$ 64.1
Attributable to:					
Shareholders of the Corporation		**$ 73.1**	$ 50.3	**$ 129.2**	$ 64.0
Non-controlling interests	10	**(0.2)**	0.4	**(0.4)**	0.1
		$ 72.9	$ 50.7	**$ 128.8**	$ 64.1

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited

(in millions of Canadian dollars)

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests (Note 10)	Total equity
Balance as at October 31, 2014	**$ 366.0**	**$ 3.4**	**$ 415.6**	**$ 7.1**	**$ 792.1**	**$ 1.0**	**$ 793.1**
Net earnings	**—**	**—**	**119.1**	**—**	**119.1**	**(0.4)**	**118.7**
Other comprehensive income	**—**	**—**	**—**	**10.1**	**10.1**	**—**	**10.1**
Shareholders' contributions and distributions to shareholders							
Exercise of stock options (Note 15)	**0.8**	**(0.1)**	**—**	**—**	**0.7**	**—**	**0.7**
Dividends (Note 13)	**—**	**—**	**(25.8)**	**—**	**(25.8)**	**—**	**(25.8)**
Stock-option based compensation (Note 15)	**—**	**0.1**	**—**	**—**	**0.1**	**—**	**0.1**
Business disposal (Note 10)	**—**	**—**	**—**	**—**	**—**	**(0.6)**	**(0.6)**
Balance as at April 30, 2015	**$ 366.8**	**$ 3.4**	**$ 508.9**	**$ 17.2**	**$ 896.3**	**$ —**	**$ 896.3**
Balance as at October 31, 2013	$ 462.8	$ 2.9	$ 362.5	$ (13.2)	$ 815.0	$ 0.4	$ 815.4
Net earnings	—	—	55.3	—	55.3	0.1	55.4
Other comprehensive income	—	—	—	8.7	8.7	—	8.7
Shareholders' contributions and distributions to shareholders							
Dividends (Note 13)	—	—	(27.2)	—	(27.2)	—	(27.2)
Stock-option based compensation (Note 15)	—	0.3	—	—	0.3	—	0.3
Balance as at April 30, 2014	$ 462.8	$ 3.2	$ 390.6	$ (4.5)	$ 852.1	$ 0.5	$ 852.6

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited

(in millions of Canadian dollars)	Notes	**As at April 30, 2015**	As at October 31, 2014
Current assets			
Cash		**$ 35.4**	$ 35.2
Accounts receivable		**356.5**	415.1
Income taxes receivable		**12.9**	15.2
Inventories		**96.3**	94.2
Prepaid expenses and other current assets		**16.6**	14.7
Property, plant and equipment held for sale	18	**15.8**	—
		533.5	574.4
Property, plant and equipment		**545.2**	565.9
Intangible assets		**247.8**	252.9
Goodwill		**403.9**	419.5
Investments in joint ventures		**2.4**	1.7
Deferred taxes		**155.2**	152.2
Other assets		**69.3**	61.1
		$ 1,957.3	$ 2,027.7
Current liabilities			
Accounts payable and accrued liabilities		**$ 259.8**	$ 301.8
Provisions	12	**12.7**	20.0
Income taxes payable		**9.7**	30.8
Deferred revenues and deposits		**46.8**	61.4
Current portion of long-term debt		**72.8**	118.1
		401.8	532.1
Long-term debt		**347.4**	358.7
Deferred taxes		**86.6**	84.7
Provisions	12	**7.8**	30.3
Other liabilities		**217.4**	228.8
		1,061.0	1,234.6
Equity			
Share capital		**366.8**	366.0
Contributed surplus		**3.4**	3.4
Retained earnings		**508.9**	415.6
Accumulated other comprehensive income	16	**17.2**	7.1
Attributable to shareholders of the Corporation		**896.3**	792.1
Non-controlling interests	10	**—**	1.0
		896.3	793.1
		$ 1,957.3	$ 2,027.7

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended April 30 **2015**	Three months ended April 30 2014	Six months ended April 30 **2015**	Six months ended April 30 2014
Operating activities					
Net earnings		**$ 81.0**	$ 36.8	**$ 118.7**	$ 55.4
Less: Net earnings from discontinued operations	10	**30.7**	2.2	**28.5**	(1.2)
Net earnings from continuing operations		**50.3**	34.6	**90.2**	56.6
Adjustments to reconcile net earnings from continuing operations and cash flows from operating activities:					
Depreciation and amortization	7	**32.3**	30.9	**63.8**	62.3
Impairment of assets	6	**1.4**	0.1	**1.4**	0.5
Financial expenses on long-term debt	8	**4.9**	3.8	**10.5**	8.4
Net losses (gains) on disposal of assets		**0.2**	0.2	**(6.7)**	0.1
Income taxes	9	**20.4**	14.2	**32.8**	24.1
Stock-option based compensation	15	**—**	0.1	**0.1**	0.3
Other		**2.7**	(0.6)	**(1.1)**	0.6
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**112.2**	83.3	**191.0**	152.9
Changes in non-cash operating items		**(52.2)**	(18.8)	**(65.3)**	(22.1)
Income taxes paid		**(6.2)**	(3.9)	**(47.0)**	(1.1)
Cash flows from continuing operations		**53.8**	60.6	**78.7**	129.7
Investing activities					
Business combination		**—**	—	**—**	(1.0)
Business dispositions		**0.9**	1.5	**1.2**	1.5
Acquisitions of property, plant and equipment		**(16.6)**	(9.8)	**(29.6)**	(18.6)
Disposals of property, plant and equipment		**4.3**	0.1	**4.5**	0.8
Increase in intangible assets		**(5.9)**	(4.9)	**(11.4)**	(11.1)
Cash flows from investments in continuing operations		**(17.3)**	(13.1)	**(35.3)**	(28.4)
Financing activities					
Reimbursement of long-term debt	11	**(0.1)**	(16.9)	**(65.1)**	(25.5)
Net decrease in credit facility		**(59.5)**	(18.0)	**(0.3)**	(46.0)
Financial expenses on long-term debt		**(3.2)**	(4.5)	**(11.0)**	(8.0)
Issuance of participating shares	15	**—**	—	**0.7**	—
Dividends on participating shares	13	**(13.3)**	(12.5)	**(25.8)**	(23.8)
Dividends on preferred shares	13	**—**	(1.7)	**—**	(3.4)
Cash flows from the financing of continuing operations		**(76.1)**	(53.6)	**(101.5)**	(106.7)
Effect of exchange rate changes on cash denominated in foreign currencies		**(1.3)**	0.1	**2.1**	1.1
Net change in cash from continuing operations		**(40.9)**	(6.0)	**(56.0)**	(4.3)
Net change in cash from discontinued operations	10	**51.9**	7.0	**56.2**	7.8
Cash at beginning of period		**24.4**	28.9	**35.2**	26.4
Cash at end of period		**$ 35.4**	$ 29.9	**$ 35.4**	$ 29.9
Non-cash investing and financing activities					
Net change in capital asset acquisitions financed by accounts payable		**$ 1.3**	$ 1.4	**$ 0.7**	$ —

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

1 GENERAL INFORMATION

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

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

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on June 11, 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2014, which include the significant accounting policies used by the Corporation.

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at April 30, 2015. Any subsequent changes to the accounting policies, that will take effect in the Corporation's annual consolidated financial statements for the year ending October 31, 2015 or after, could result in a retrospective restatement of these condensed interim consolidated financial statements.

New or amended accounting standards adopted

Levies
On November 1st, 2014, the Corporation adopted retrospectively IFRIC 21 "Levies", an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", regarding the recognition of a liability for levies imposed by a government. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of a levy, as identified by the legislation. The adoption of this interpretation had no material impact on the condensed interim consolidated financial statements of the Corporation.

3 SEGMENTED INFORMATION

The operating segments are defined in terms of the types of products and services offered by the Corporation. The Printing and Packaging Sector generates revenues from activities such as the printing of retail flyers, magazines, newspapers, color books, personalized and mass marketing products, and the production of flexible packaging solutions in the United States. The Media Sector generates revenues through print and digital publishing products, in French and English, of the following type: newspapers, educational books, specialized publications for professionals, retail promotional content, mass and personalized marketing, mobile and interactive applications, and geotargeted door-to-door and digital distribution services. The Media Sector's consumer magazines were reclassified as discontinued operations, as described in Note 10 "Discontinued Operations", and therefore segmented information excludes these activities. Inter-segment sales of the Corporation are recognized at fair value. Transactions other than sales are recognized at carrying amount.

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

3 SEGMENTED INFORMATION (CONTINUED)

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

For the three-month period ended April 30, 2015	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 365.2	$ 138.1	$ (12.8)	$ 490.5
Operating expenses	278.0	129.2	(3.9)	403.3
Adjusted operating earnings before depreciation and amortization (1)	87.2	8.9	(8.9)	87.2
Restructuring and other costs (revenues)	1.5	3.9	(22.1)	(16.7)
Impairment of assets	—	1.4	—	1.4
Operating earnings before depreciation and amortization	85.7	3.6	13.2	102.5
Depreciation and amortization	19.8	4.2	1.6	25.6
Operating earnings	$ 65.9	$ (0.6)	$ 11.6	$ 76.9
Adjusted operating earnings (1)	$ 67.4	$ 4.7	$ (10.5)	$ 61.6
Acquisitions of non-current assets (2)	$ 12.5	$ 7.9	$ 3.4	$ 23.8

For the six-month period ended April 30, 2015	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 726.7	$ 278.3	$ (24.8)	$ 980.2
Operating expenses	566.1	257.2	(11.1)	812.2
Adjusted operating earnings before depreciation and amortization (1)	160.6	21.1	(13.7)	168.0
Restructuring and other costs (revenues)	6.1	5.6	(28.8)	(17.1)
Impairment of assets	—	1.4	—	1.4
Operating earnings before depreciation and amortization	154.5	14.1	15.1	183.7
Depreciation and amortization	39.3	8.3	3.1	50.7
Operating earnings	$ 115.2	$ 5.8	$ 12.0	$ 133.0
Adjusted operating earnings (1)	$ 121.3	$ 12.8	$ (16.8)	$ 117.3
Acquisitions of non-current assets (2)	$ 22.3	$ 15.0	$ 4.4	$ 41.7

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

3 SEGMENTED INFORMATION (CONTINUED)

For the three-month period ended April 30, 2014 [3]	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 349.9	$ 140.3	$ (12.7)	$ 477.5
Operating expenses	272.1	131.3	(5.2)	398.2
Adjusted operating earnings before depreciation and amortization [1]	77.8	9.0	(7.5)	79.3
Restructuring and other costs	0.6	1.4	0.7	2.7
Impairment of assets	—	0.1	—	0.1
Operating earnings before depreciation and amortization	77.2	7.5	(8.2)	76.5
Depreciation and amortization	18.3	3.9	1.6	23.8
Operating earnings	$ 58.9	$ 3.6	$ (9.8)	$ 52.7
Adjusted operating earnings [1]	$ 59.5	$ 5.1	$ (9.1)	$ 55.5
Acquisitions of non-current assets [2]	$ 8.2	$ 6.5	$ 1.4	$ 16.1

For the six-month period ended April 30, 2014 [3]	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 711.2	$ 272.4	$ (24.4)	$ 959.2
Operating expenses	566.4	257.7	(16.0)	808.1
Adjusted operating earnings before depreciation and amortization [1]	144.8	14.7	(8.4)	151.1
Restructuring and other costs	8.1	4.6	0.7	13.4
Impairment of assets	0.4	0.1	—	0.5
Operating earnings before depreciation and amortization	136.3	10.0	(9.1)	137.2
Depreciation and amortization	36.9	8.4	3.0	48.3
Operating earnings	$ 99.4	$ 1.6	$ (12.1)	$ 88.9
Adjusted operating earnings [1]	$ 107.9	$ 6.3	$ (11.4)	$ 102.8
Acquisitions of non-current assets [2]	$ 12.1	$ 13.9	$ 3.7	$ 29.7

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

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

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

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

3 SEGMENTED INFORMATION (CONTINUED)

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

	Three months ended April 30		Six month ended April 30	
	2015	2014	**2015**	2014
Printing and packaging products	**$ 352.5**	$ 337.4	**$ 702.3**	$ 687.5
Publishing and content products	**93.1**	85.3	**182.4**	170.8
Other products and services	**44.9**	54.8	**95.5**	100.9
	$ 490.5	$ 477.5	**$ 980.2**	$ 959.2

The Corporation has revised the categorization of its main products and services. Accordingly, certain comparative figures have been reclassified to reflect this change.

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

	As at April 30, 2015	As at October 31, 2014
Printing and Packaging Sector	**$ 1,257.1**	$ 1,314.5
Media Sector	**547.5**	589.1
Head office and inter-segment eliminations (1)	**152.7**	124.1
	$ 1,957.3	$ 2,027.7

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

4 OPERATING EXPENSES

Operating expenses by major heading are as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014 (3)	**2015**	2014 (3)
Employee-related costs	**$ 161.2**	$ 158.9	**$ 324.6**	$ 322.2
Supply chain and logistics (1)	**212.0**	209.7	**430.7**	432.1
Other goods and services (2)	**30.1**	29.6	**56.9**	53.8
	$ 403.3	$ 398.2	**$ 812.2**	$ 808.1

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

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

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

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

5 RESTRUCTURING AND OTHER COSTS (REVENUES)

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

	Three months ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Workforce reductions	**$ 3.1**	$ 1.6	**$ 8.4**	$ 9.1
Other costs related to restructuring	**1.0**	0.3	**1.9**	1.8
Onerous contracts	**1.8**	—	**1.8**	—
Business acquisition costs [1]	**0.1**	0.8	**0.2**	1.0
Gain on the sale of a building	**—**	—	**(6.8)**	—
Reversal of the provision for multi-employer pension plans (Note 12)	**(22.6)**	—	**(22.6)**	—
Other costs (revenues)	**(0.1)**	—	**—**	1.5
	$ (16.7)	$ 2.7	**$ (17.1)**	$ 13.4

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

6 IMPAIRMENT OF ASSETS

Impairment of assets by major headings is as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Property, plant and equipment [1]	**$ 0.1**	$ —	**$ 0.1**	$ 0.4
Intangible assets [2]	**1.3**	0.1	**1.3**	0.1
	$ 1.4	$ 0.1	**$ 1.4**	$ 0.5

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

[2] The impairment charges for intangible assets are primarily related to technology projects that are no longer used.

7 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Property, plant and equipment	**$ 20.0**	$ 20.0	**$ 39.7**	$ 40.5
Intangible assets	**5.6**	3.8	**11.0**	7.8
	25.6	23.8	**50.7**	48.3
Intangible assets and other assets, recognized in revenues and operating expenses	**6.7**	7.1	**13.1**	14.0
	$ 32.3	$ 30.9	**$ 63.8**	$ 62.3

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

8 NET FINANCIAL EXPENSES

Net financial expenses by major heading are as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Financial expenses on long-term debt	**$ 4.9**	$ 3.8	**$ 10.5**	$ 8.4
Net interest on defined benefit asset and liability	**0.1**	0.2	**0.1**	0.4
Other expenses	**—**	0.1	**0.8**	0.2
Net foreign exchange losses (gains)	**1.3**	(0.1)	**(1.2)**	(0.4)
	$ 6.3	$ 4.0	**$ 10.2**	$ 8.6

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 April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 70.6**	$ 48.7	**$ 122.8**	$ 80.3
Canadian statutory tax rate (1)	**26.90 %**	26.90 %	**26.90 %**	26.90 %
Income taxes at the statutory tax rate	**19.0**	13.1	**33.0**	21.6
Effect of differences in tax rates in other jurisdictions	**0.5**	0.6	**1.5**	1.6
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**0.9**	0.3	**0.2**	0.7
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**0.2**	0.1	**(1.3)**	0.3
Other	**(0.2)**	0.1	**(0.6)**	(0.1)
Income taxes at effective tax rate	**$ 20.4**	$ 14.2	**$ 32.8**	$ 24.1
Income taxes before the following items:	**$ 16.5**	$ 15.1	**$ 30.4**	$ 27.4
Income taxes on restructuring and other costs (revenues)	**4.3**	(0.9)	**2.8**	(3.2)
Income taxes on impairment of assets	**(0.4)**	—	**(0.4)**	(0.1)
Income taxes at effective tax rate	**$ 20.4**	$ 14.2	**$ 32.8**	$ 24.1

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

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

10 DISCONTINUED OPERATIONS

Discontinued consumer magazines

On April 12, 2015, the Corporation sold its consumer magazines produced in Montreal and Toronto, their websites and all related platforms, as well as their brand-related products, to Groupe TVA Inc. for cash consideration of $55.5 million, subject to adjustments. These products were in the Media Sector. The amount of $55.5 million was received during the quarter ended April 30, 2015.

Discontinued operations include other consumer magazines that have been discontinued, but which are not part of the transaction with Groupe TVA Inc. These items are not significant.

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

The following table presents the results from discontinued operations:

	Three months ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Revenues [1]	**$ 16.4**	$ 20.7	**$ 31.3**	$ 38.3
Operating expenses [1]	**14.5**	17.2	**31.7**	38.0
Restructuring and other costs	**0.5**	0.2	**0.7**	1.0
Impairment of assets	**0.8**	—	**0.8**	—
Depreciation and amortization	**0.4**	0.5	**0.9**	1.1
Net financial expenses	**(0.1)**	—	**(0.1)**	—
Earnings before share of net earnings in interests in joint ventures and income taxes	**0.3**	2.8	**(2.7)**	(1.8)
Share of net earnings in interests in joint ventures, net of related taxes	**0.2**	0.1	**0.2**	0.1
Income taxes	**0.1**	0.7	**(0.7)**	(0.5)
Net earnings related to discontinued operations	**0.4**	2.2	**(1.8)**	(1.2)
Gain on disposal of business, net of related taxes of $4.2	**30.3**	—	**30.3**	—
Net earnings and comprehensive income (loss) from discontinued operations	**$ 30.7**	$ 2.2	**$ 28.5**	$ (1.2)
Attributable to:				
Shareholders of the Corporation	**$ 30.9**	$ 1.8	**$ 28.9**	$ (1.3)
Non-controlling interests	**(0.2)**	0.4	**(0.4)**	0.1
	$ 30.7	$ 2.2	**$ 28.5**	$ (1.2)

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

The following table presents cash flows from discontinued operations:

	Three months ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Cash flows from operating activities	**$ (3.5)**	$ 7.1	**$ 1.2**	$ 8.0
Cash flows from investing activities	**55.4**	(0.1)	**55.0**	(0.2)
Net change in cash from discontinued operations	**$ 51.9**	$ 7.0	**$ 56.2**	$ 7.8

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

10 DISCONTINUED OPERATIONS (CONTINUED)

The following table summarizes the carrying value of the assets and liabilities sold in the course of this transaction:

	Consumer Magazines
Current assets	$ 21.0
Property, plant and equipment	2.2
Intangible assets	1.7
Investments in joint ventures	(0.4)
Goodwill	20.0
Assets sold	44.5
Current liabilities	18.2
Other liabilities	4.1
Liabilities transferred	22.3
Net assets sold	$ 22.2
Non-controlling interests	$ 0.6

11 LONG TERM DEBT

Reimbursement of Senior Notes Series 2002 A
On December 15, 2014, the Corporation repaid its Senior Notes Series 2002 A, which matured, amounting to US$50.0 million ($58.1 million). This financing was for a period of twelve years, at 5.73%.

Credit facility extension
On December 9, 2014, the Corporation extended its credit facility, in the amount of $400.0 million or the U.S dollar equivalent, for two additional years, extending the maturity date to February 2020.

Letters of credit facilities extension
On April 11, 2015, the Corporation extended its two renewable and uncommitted letters of credit facilities, amounting to $15.0 million each, for one additional year, extending the maturity date to April 11, 2016. The annual fees applicable to the portion issued on these letter of credit facilities is 1.00%.

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

12 PROVISIONS

The following table presents changes in provisions for the six-month period ended April 30, 2015:

	Restructuring costs	Onerous contracts	Multi-employer pension plans [1]	Other [2]	Total
Balance as at October 31, 2014	$ 15.5	$ 10.5	$ 22.6	$ 1.7	$ 50.3
Provisions recorded	8.9	1.8	—	0.2	10.9
Amounts used	(15.9)	(1.5)	—	(0.4)	(17.8)
Provisions reversed	(0.5)	(0.2)	(22.6)	(0.1)	(23.4)
Other	—	0.5	—	—	0.5
Balance as at April 30, 2015	$ 8.0	$ 11.1	$ —	$ 1.4	$ 20.5
Current portion	$ 8.0	$ 4.0	$ —	$ 0.7	$ 12.7
Non-current portion	—	7.1	—	0.7	7.8
	$ 8.0	$ 11.1	$ —	$ 1.4	$ 20.5

[1] The Bill no 34, *An Act to amend the Supplemental Pension Plans Act with respect to the funding and restructuring of certain multi-employer pension plans*, was adopted on April 2, 2015. Based on the provisions of the legislation, the Corporation's obligation related to multi-employer pension plans in Quebec is limited to making contributions per the collective agreements of the Corporation and the plans are classified as defined contribution plans. Consequently, the Corporation reversed its provision for multi-employer pension plans in Quebec during the six-month period ended April 30, 2015.

[2] Other provisions include provisions for asset retirement obligations, provisions related to claims and litigations and other obligations.

13 SHARE CAPITAL

Participating shares redemptions

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

During the six-month period ended April 30, 2015, 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.

Dividends

Dividends of $0.17 and $0.16 per share were declared and paid to participating shareholders for the three-month periods ended April 30, 2015 and 2014, respectively. Dividends of $0.33 and $0.305 per share were declared and paid to participating shareholders for the six-month periods ended April 30, 2015 and 2014, respectively. Dividends of $0.4161 and $0.8322 per share were declared and paid to preferred shareholders for the three-month and six-month periods ended April 30, 2014. The preferred shares were redeemed by the Corporation on October 15, 2014.

14 NET EARNINGS PER PARTICIPATING SHARE

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

	Three months ended April 30		Six months ended April 30	
	2015	2014	**2015**	2014
Numerator				
Net earnings from continuing operations	**$ 50.3**	$ 34.6	**$ 90.2**	$ 56.6
Dividends on preferred shares, net of related taxes	**—**	1.7	**—**	3.4
Net earnings from continuing operations, attributable to participating shares	**$ 50.3**	$ 32.9	**$ 90.2**	$ 53.2
Denominator (in millions)				
Weighted average number of participating shares outstanding - basic	**78.1**	78.0	**78.1**	78.0
Dilutive effect of stock options	**0.2**	0.2	**0.2**	0.2
Weighted average number of participating shares - diluted	**78.3**	78.2	**78.3**	78.2

As at April 30, 2015, all stock options are included in the calculation of the diluted net earnings from continuing operations due to their potential dilutive effect. As at April 30, 2014, 324,344 stock options were excluded from the calculation of the diluted net earnings from continuing operations since they are anti-dilutive, their exercise price being higher than the average share price of Class A Subordinate Voting Shares during the period.

15 STOCK-BASED COMPENSATION

Stock option plan

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

For the three-month and six-month periods ended April 30, 2015, stock-based compensation expenses of a negligible amount and $0.1 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity. For the three-month and six-month periods ended April 30, 2014, stock-based compensation expenses of $0.1 million and $0.3 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	Three months ended April 30			
	2015		2014	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**928,839**	**$ 12.18**	1,177,720	$ 13.38
Expired	**—**	**—**	(3,700)	22.41
Options outstanding at end of period	**928,839**	**$ 12.18**	1,174,020	$ 13.35

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

15 STOCK-BASED COMPENSATION (CONTINUED)

	Six months ended April 30			
	2015		2014	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**1,160,296**	**$ 13.33**	1,354,076	$ 14.44
Exercised	**(50,357)**	**13.09**	—	—
Cancelled	**—**	**—**	(1,376)	16.20
Expired	**(181,100)**	**19.32**	(178,680)	21.56
Options outstanding at end of period	**928,839**	**$ 12.18**	1,174,020	$ 13.35
Options exercisable at end of period	**687,247**	**$ 12.39**	750,368	$ 14.16

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 six-month period ended April 30, 2015, the consideration received was $0.7 million and $0.1 million was transferred from contributed surplus to share capital. For the three-month period ended April 30, 2015, as well as for the three-month and six-month periods ended April 30, 2014, no stock options were exercised.

Share unit plan for certain officers and senior executives

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

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

	Three months ended April 30			
Number of units	**2015**	2014	**2015**	2014
	DSU		RSU	
Balance, beginning of period	**273,463**	238,453	**1,061,190**	966,752
Dividends paid in units	**2,753**	2,342	**7,186**	4,139
Balance, end of period	**276,216**	240,795	**1,068,376**	970,891

	Six months ended April 30			
Number of units	**2015**	2014	**2015**	2014
	DSU		RSU	
Balance, beginning of period	**241,812**	225,051	**924,627**	713,704
Units granted	**3,121**	—	**378,396**	418,934
Units cancelled	**—**	—	**(12,969)**	(12,740)
Units paid	**(1,624)**	(4,086)	**(205,894)**	(138,130)
Units converted	**27,194**	15,016	**(27,194)**	(15,016)
Dividends paid in units	**5,713**	4,814	**11,410**	4,139
Balance, end of period	**276,216**	240,795	**1,068,376**	970,891

As at April 30, 2015, the liability related to the share unit plan for certain officers and senior executives was $13.0 million ($11.2 million as at October 31, 2014). The expense recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2015 were $3.6 million and $4.9 million, respectively. The expense recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2014 were $2.6 million and $2.3 million, respectively. No amount was paid under this plan for the three-month periods ended April 30, 2015 and 2014. Amounts of $3.1 million and $2.3 million were paid under this plan for the six-month periods ended April 30, 2015 and 2014, respectively.

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

15 STOCK-BASED COMPENSATION (CONTINUED)

Share unit plan for directors

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

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

	Three months ended April 30		Six months ended April 30	
Number of units	**2015**	2014	**2015**	2014
Balance, beginning of period	**333,990**	332,361	**371,086**	318,875
Directors' compensation	**7,025**	8,505	**15,266**	18,648
Units paid	**—**	—	**(48,678)**	—
Dividends paid in units	**3,074**	3,251	**6,415**	6,594
Balance, end of period	**344,089**	344,117	**344,089**	344,117

As at April 30, 2015, the liability related to the share unit plan for directors was $6.4 million ($5.6 million as at October 31, 2014). The expense recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2015 were $1.3 million and $1.5 million, respectively. The expense recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2014 were $0.9 million and $0.2 million, respectively. An amount of $0.7 million was paid under this plan for the six-month period ended April 30, 2015. No amount was paid under this plan for the three-month period ended April 30, 2015, as well as for the three-month and six-month periods ended April 30, 2014.

16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive Income (loss)
Balance as at October 31, 2014	**$ (3.3)**	**$ 1.7**	**$ 8.7**	**$ 7.1**
Net change in gains (losses), net of income taxes	**(0.9)**	**10.6**	**0.4**	**10.1**
Balance as at April 30, 2015	**$ (4.2)**	**$ 12.3**	**$ 9.1**	**$ 17.2**
Balance as at October 31, 2013	$ (3.7)	$ (1.6)	$ (7.9)	$ (13.2)
Net change in gains (losses), net of income taxes	0.1	0.4	8.2	8.7
Balance as at April 30, 2014	$ (3.6)	$ (1.2)	$ 0.3	$ (4.5)

As at April 30, 2015, the amounts expected to be reclassified to net earnings in future fiscal years are as follows:

	2015	2016	2017	2018	2019 and thereafter	Total
Losses on derivatives designated as cash flow hedges	$ (2.4)	$ (2.2)	$ (0.2)	$ (0.9)	$ (0.3)	$ (6.0)
Income taxes	(0.7)	(0.6)	(0.1)	(0.3)	(0.1)	(1.8)
	$ (1.7)	$ (1.6)	$ (0.1)	$ (0.6)	$ (0.2)	$ (4.2)

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

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to their short term maturities. The table below indicates the fair value and the carrying amount of the other financial instruments and derivative financial instruments as at April 30, 2015 and as at October 31, 2014.

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

The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. The only financial instruments of the Corporation that are evaluated at fair value on a recurring basis subsequent to their initial recording are derivative financial instruments, including foreign exchange forward contracts and cross currency interest rate swaps.

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

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

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

	As at April 30, 2015		As at October 31, 2014	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 2.5**	**$ 2.5**	$ —	$ —
Long-term debt	**(434.5)**	**(420.2)**	(490.7)	(476.8)
Foreign exchange forward contracts in liabilities	**(3.9)**	**(3.9)**	(1.0)	(1.0)
Cross currency interest rate swap	**(1.1)**	**(1.1)**	(1.7)	(1.7)

These financial instruments are classified in Level 2 of the fair value hierarchy. For the six-month period ended April 30, 2015, no financial instruments were transferred between levels 1, 2 and 3.

18 SUBSEQUENT EVENT

Sale of a building
On May 12, 2015, the Corporation sold a building for a net proceed of $16.5 million. As at April 30, 2015, this building was classified as property, plant and equipment held for sale in the Consolidated Statements of Financial Position.