tc • TRANSCONTINENTAL

Press Release

For Immediate Release

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

Highlights

- Revenues increased 1.4%.
- Adjusted operating earnings before depreciation and amortization decreased 4.7%.
- Adjusted net earnings attributable to shareholders of the Corporation decreased 12.5%.
- Maintained a solid financial position, with a stable net indebtedness ratio of 0.8x.
- Renewed the normal course issuer bid for one year as of April 15, 2016.
- Ranked by Corporate Knights as one of the Best 50 Corporate Citizens in Canada.

Montreal, June 10, 2016 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the second quarter of Fiscal 2016, which ended April 30, 2016.

"We experienced a more difficult second quarter in terms of profitability, as certain optimization initiatives that were implemented will only impact our results in upcoming quarters", said François Olivier, President and Chief Executive Officer of TC Transcontinental. "In our printing division, the second half of the year should be more favorable, since we also have gained market share with some new customer wins in recent months. Our Media Sector already begun to benefit from the efficiency measures implemented during the quarter. As for our packaging division, we have a solid sales funnel which continues to improve, we have invested to increase our production capacity and remain very active on the acquisition front."

"Finally, we have a sound financial position and continue to generate significant cash flows that will enable us to pursue our transformation."

Financial Highlights

(in millions of dollars, except per share amounts)	Q2-2016	Q2-2015	%	YTD 2016	YTD 2015	%
Revenues	**497.2**	**490.5**	**1.4**	**996.1**	**980.2**	**1.6**
Adjusted operating earnings before depreciation and amortization (Adjusted EBITDA)	**83.1**	**87.2**	**(4.7)**	**167.0**	**168.0**	**(0.6)**
Adjusted operating earnings (Adjusted EBIT)	**56.2**	**61.6**	**(8.8)**	**113.3**	**117.3**	**(3.4)**
Adjusted net earnings attributable to shareholders of the Corporation	**34.2**	**39.1**	**(12.5)**	**75.6**	**77.3**	**(2.2)**
Per share	**0.44**	**0.50**	**(12.0)**	**0.97**	**0.99**	**(2.0)**
Net earnings attributable to shareholders of the Corporation	**5.4**	**81.2**	**(93.3)**	**42.7**	**119.1**	**(64.1)**
Per share	**0.07**	**1.04**	**(93.3)**	**0.55**	**1.53**	**(64.1)**

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

2016 Second Quarter Results

Revenues for the second quarter of 2016 increased from $490.5 million to $497.2 million. The contribution from the acquisition of Ultra Flex Packaging and the appreciation of the U.S. dollar against the Canadian dollar more than offset the decrease in existing operations. In the printing division, the contribution of previously announced new contracts and the growth of the in-store marketing product niche were more than offset by the decline in advertising spending in several segments and the loss of a U.S. customer early in 2015. However, most of the printing volume stemming from Canadian retailers remained relatively stable. The decrease in the packaging division is mainly attributable to the loss of a customer as a result of its sale and to inventory balancing at an important customer. In the Media Sector, the decline in advertising revenues continued to significantly impact the newspapers in the Local Solutions Group.

Adjusted operating earnings went from $61.6 million to $56.2 million in the second quarter of 2016, a decrease of 8.8%. The contribution from the acquisition of Ultra Flex Packaging, the favourable exchange rate effect and the optimization of the cost structure in the Media Sector only partially offset the decrease in existing operations and the investments made to increase capacity and support the growth strategy of the packaging division.

Adjusted net earnings attributable to shareholders of the Corporation decreased 12.5%, from $39.1 million, or $0.50 per share, to $34.2 million, or $0.44 per share. This decrease is mainly due to lower adjusted operating earnings. Net earnings attributable to shareholders of the Corporation went from $81.2 million, or $1.04 per share, to $5.4 million, or $0.07 per share. This decrease is attributable to several unusual items totalling more than $80 million, including the gain on the sale of the consumer magazine publishing activities and the reversal of the provision for multi-employer pension plans in the second quarter of 2015, as well as the asset impairment charge related to the newspapers in the Atlantic provinces in the second quarter of 2016.

Other Highlights

- On March 10, 2016, TC Transcontinental announced the appointment of Jacynthe Côté, corporate director, to the Board of Directors of the Corporation.
- On April 22, 2016, TC Transcontinental released its latest Corporate Social Responsibility Report entitled “Guide. Mobilize. Achieve.”, marking the completion of the 2013-2015 three-year plan. It also released its 2016-2018 Corporate Social Responsibility Plan entitled “Driving Sustainable Results”. To learn more about TC Transcontinental’s commitments and achievements with respect to corporate social responsibility, please refer to the 2015 Report and the 2016-2018 Plan, which are available on the Corporation’s website at www.tc.tc/socialresponsibility.
- On May 17, 2016, the Corporation won in the “Business Transfer” category at the Mercuriades Awards.
- On May 30, 2016, TC Transcontinental announced that it divested its assets in the province of Saskatchewan. The transaction included the sale of its 13 local newspapers and associated web properties, as well as some commercial printing equipment and related book of business in Saskatchewan. The Saskatoon printing plant will remain in operation for a transition period, after which it will close.

Highlights of the First Half

For the first half of 2016, TC Transcontinental's revenues grew 1.6%, from $980.2 million to $996.1 million. The acquisition of Ultra Flex Packaging and the appreciation of the U.S. dollar against the Canadian dollar more than offset the decrease in existing operations. In the printing division, the contribution of previously announced new contracts and the growth of the in-store marketing product niche were more than offset by the decline in advertising spending in several segments as well as the loss of a U.S. customer and a Canadian retailer early in 2015. However, most of the printing volume stemming from Canadian retailers remained stable. In the packaging division, both the loss of a customer as a result of its sale and inventory balancing at an important customer had an unfavourable impact. In the Media Sector, the decline in advertising revenues continued to have a significant effect on the newspapers in the Local Solutions Group. In addition, distribution activities were impacted by the exit of a retailer from the Canadian market in 2015.

Adjusted operating earnings went from $117.3 million to $113.3 million in the first half of 2016, a decrease of 3.4%. The contribution from the acquisition of Ultra Flex Packaging, the favourable exchange rate effect and the optimization of the cost structure in the printing division and the Media Sector only partially offset the decrease in existing operations and the investments made to increase capacity and support the growth strategy of the packaging division.

Adjusted net earnings attributable to shareholders of the Corporation decreased 2.2%, from $77.3 million, or $0.99 per share, to $75.6 million, or $0.97 per share. This decrease is mainly due to lower adjusted operating earnings, partially mitigated by a decrease in adjusted income taxes and net financial expenses. Net earnings attributable to shareholders of the Corporation went from $119.1 million, or $1.53 per share, to $42.7 million, or $0.55 per share. This decrease is attributable to several unusual items totalling close to $90 million, including the gain on the sale of the consumer magazine publishing activities, the reversal of the provision for multi-employer pension plans and the gain on the sale of a building in the first half of 2015, as well as the asset impairment charge related to the newspapers in the Atlantic provinces in the second quarter of 2016.

For more detailed financial information, please see *Management's Discussion and Analysis for the second quarter ended April 30th, 2016* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook for 2016

Flyer printing volume is expected to remain relatively stable during the second half of 2016. In addition, the success of our in-store marketing product offering for retailers and the net impact of new contracts, including the contract to print the *Toronto Star*, should act as positive catalysts during the second half of the year. However, these items should be offset by the continued negative impact of the advertising market on our traditional magazine, newspaper and marketing product printing activities. In addition, the positive impact of the non-recurring contract to print the Census of Canada will end after the third quarter. Lastly, we will continue to improve our operational efficiency in order to offset the decline in revenues.

With respect to our flexible packaging offering, we will continue developing new business opportunities and qualifying our products with customers to drive growth in this division. However, the loss of a customer as a result of its sale in early 2016 and our recent investments to increase our capacity and support our development strategy will continue to have an unfavourable impact on organic growth in the second half of 2016.

Within the Media Sector, the significant impact of the transformation of the advertising market should continue to affect our newspaper publishing activities. However, the impact of the optimization of our cost structure should enable us to stabilize our adjusted operating earnings during the second half of 2016.

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

Reconciliation of Non-IFRS Financial Measures

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

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

(in millions of dollars, except per share amounts)	Three months ended April 30 **2016**	2015	Six months ended April 30 **2016**	2015
Net earnings attributable to shareholders of the Corporation	**$ 5.4**	$ 81.2	**$ 42.7**	$ 119.1
Non-controlling interests	**—**	(0.2)	**—**	(0.4)
Net earnings from discontinued operations	**—**	(30.7)	**—**	(28.5)
Income taxes	**4.8**	20.4	**16.0**	32.8
Share of net earnings in interests in joint ventures, net of related taxes	**(0.3)**	(0.1)	**(0.3)**	(0.2)
Net financial expenses	**6.4**	6.3	**9.5**	10.2
Impairment of assets	**30.3**	1.4	**30.3**	1.4
Restructuring and other costs (revenues)	**9.6**	(16.7)	**15.1**	(17.1)
Adjusted operating earnings	**$ 56.2**	$ 61.6	**$ 113.3**	$ 117.3
Depreciation and amortization	**26.9**	25.6	**53.7**	50.7
Adjusted operating earnings before depreciation and amortization	**$ 83.1**	$ 87.2	**$ 167.0**	$ 168.0
Net earnings attributable to shareholders of the Corporation	**$ 5.4**	$ 81.2	**$ 42.7**	$ 119.1
Net earnings from discontinued operations	**—**	(30.7)	**—**	(28.5)
Impairment of assets (after tax)	**21.9**	1.0	**21.9**	1.0
Restructuring and other costs (revenues), net of related taxes	**6.9**	(12.4)	**11.0**	(14.3)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 34.2**	$ 39.1	**$ 75.6**	$ 77.3
Weighted average number of shares outstanding	**77.6**	78.1	**77.8**	78.1
Adjusted net earnings attributable to shareholders of the Corporation per share	**$ 0.44**	$ 0.50	**$ 0.97**	$ 0.99

	As at April 30, 2016	As at October 31, 2015
Long-term debt	**$ 347.6**	$ 347.7
Current portion of long-term debt	**2.2**	36.4
Cash	**(42.9)**	(38.6)
Net indebtedness	**$ 306.9**	$ 345.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 377.7**	$ 378.7
Net indebtedness ratio	**0.8 x**	0.9 x

Dividend

The Corporation's Board of Directors declared a quarterly dividend of $0.185 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on July 21, 2016 to shareholders of record at the close of business on July 5, 2016.

Conference Call

Upon releasing its second quarter 2016 results, the Corporation will hold a conference call for the financial community today at 9:30 a.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-in only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Communications of TC Transcontinental, at 514-954-3581.

Profile

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

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

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

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world and particularly in Canada and the United States, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, energy costs, competition, the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities, the regulatory environment, the safety of its packaging products used in the food industry, innovation of its offering and concentration of its sales in certain segments. The main risks, uncertainties and factors that could influence actual results are described in *Management's Discussion and Analysis (MD&A) for the fiscal year ended on October 31st, 2015*, in the latest *Annual Information Form* and have been updated in the *MD&A for the second quarter ended April 30th, 2016.*

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of June 9, 2016.

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

The forward-looking statements in this release are based on current expectations and information available as at June 9, 2016. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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TRANSCONTINENTAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter ended April 30, 2016

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

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term "dollar," as well as the symbol "$" designate Canadian dollars, unless otherwise indicated. In this Management's Discussion and Analysis we also use non-IFRS financial measures. Please refer to table #6 in the section of this report entitled "Reconciliation of Non-IFRS Financial Measures" for a complete description of these measures. This report should be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended April 30, 2016. Additional information about the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or concluded after the date of June 9, 2016.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at June 9, 2016. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

SUMMARY OF FORWARD-LOOKING STATEMENTS

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

DEFINITION OF TERMS USED IN THIS MANAGEMENT REPORT

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

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

PROFILE OF TC TRANSCONTINENTAL

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

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HIGHLIGHTS

- Revenues increased by $6.7 million, or 1.4%, from $490.5 million in the second quarter of 2015 to $497.2 million in the second quarter of 2016.
- Adjusted operating earnings decreased by $5.4 million, or 8.8%, from $61.6 million in the second quarter of 2015 to $56.2 million in the corresponding period of 2016.
- Adjusted net earnings attributable to shareholders of the Corporation decreased by $4.9 million, or 12.5%, from $39.1 million in the second quarter of 2015 to $34.2 million in the corresponding period of 2016.

ANALYSIS OF SECTOR RESULTS - SECOND QUARTER
(unaudited)

Table #1:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Second quarter of 2015	**$ 365.2**	**$ 138.1**	**$ (12.8)**	**$ 490.5**
Acquisitions/disposals and closures	29.3	(1.7)	—	27.6
Existing operations				
Exchange rate effect	4.8	0.1	—	4.9
Organic growth (negative)	(17.4)	(8.3)	(0.1)	(25.8)
Revenues - Second quarter of 2016	**$ 381.9**	**$ 128.2**	**$ (12.9)**	**$ 497.2**
Adjusted operating earnings - Second quarter of 2015	**$ 67.4**	**$ 6.2**	**$ (12.0)**	**$ 61.6**
Acquisitions/disposals and closures	3.7	—	—	3.7
Existing operations				
Exchange rate effect	1.5	—	—	1.5
Organic growth (negative)	(14.2)	0.6	3.0	(10.6)
Adjusted operating earnings - Second quarter of 2016	**$ 58.4**	**$ 6.8**	**$ (9.0)**	**$ 56.2**

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

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

Printing & Packaging Sector

Printing & Packaging Sector revenues increased by $16.7 million, or 4.6%, from $365.2 million in the second quarter of 2015 to $381.9 million in the second quarter of 2016. Revenues associated with the acquisition of Ultra Flex Packaging and the favourable exchange rate effect more than offset the organic decrease. This negative growth is mainly attributable to the reduction in advertising spending that continues to affect several offerings and to the loss of a US customer early in the 2015 calendar year. In addition, a decrease within the packaging division is mainly due to the loss of a customer as a result of its sale and to inventory balancing at an important customer. These items were partly offset by the net impact of new contracts, including the contract to print the Census of Canada, and the growth within in-store marketing products. It should be noted that the majority of the printing volume from Canadian retailers remained stable in the second quarter of 2016.

Adjusted operating earnings decreased by 13.4%, or $9.0 million, from $67.4 million in the second quarter of 2015 to $58.4 million in the second quarter of 2016. The organic decrease in the print division is mostly attributable to the above-mentioned lower revenues. With respect to the packaging division, the lower volume noted above as well as the impact of investments to increase our capacity and support our growth strategy explain the decrease in operating earnings compared to the prior year. This organic decrease was partly offset by the acquisition of Ultra Flex Packaging, which recorded adjusted operating earnings of $3.7 million in the second quarter of 2016, and the favourable exchange rate effect. The sector's adjusted operating earnings margin declined from 18.5% in the second quarter of 2015 to 15.3% in the second quarter of 2016.

Media Sector

Media Sector revenues decreased by $9.9 million, or 7.2%, from $138.1 million in the second quarter of 2015 to $128.2 million in the second quarter of 2016. With respect to existing operations, the decline in advertising revenues continues to significantly impact publishing activities, mainly within the local newspapers segment. In addition, revenues within the digital advertising networks in the interactive marketing division decreased significantly. Lastly, the disposals and closures of weekly newspapers accounted for a $1.7 million decrease in the sector's revenues.

Adjusted operating earnings increased by $0.6 million, or 9.7%, from $6.2 million in the second quarter of 2015 to $6.8 million in the second quarter of 2016. The adjusted operating earnings margin increased from 4.5% in the second quarter of 2015 to 5.3% in 2016. This improvement is mainly explained by initiatives, launched in the second quarter of 2016, aimed at improving operational efficiency and product profitability, which offset the decline in revenues noted above.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$12.8 million in the second quarter of 2015 to -$12.9 million in the second quarter of 2016. Adjusted operating earnings improved by $3.0 million, from $-12.0 million in the second quarter of 2015 to -$9.0 million in 2016. This improvement is primarily due to stock-based compensation as a result of the change in the share price in the second quarter of 2016 compared to prior year and cost reduction initiatives at head office.

ANALYSIS OF CONSOLIDATED RESULTS - SECOND QUARTER

(unaudited)

Table #2:

(in millions of dollars)	2016	2015	Variance fav / (unfav)
Adjusted operating earnings	**$ 56.2**	**$ 61.6**	**$ (5.4)**
Net financial expenses	6.4	6.3	(0.1)
Adjusted income taxes	15.9	16.5	0.6
Share of net earnings in interests in joint ventures, net of related taxes	(0.3)	(0.1)	0.2
Non-controlling interests	—	(0.2)	(0.2)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 34.2**	**$ 39.1**	**$ (4.9)**
Restructuring and other costs (revenues), net of related taxes	6.9	(12.4)	(19.3)
Impairment of assets (after tax)	21.9	1.0	(20.9)
Net earnings from discontinued operations	—	(30.7)	(30.7)
Net earnings attributable to shareholders of the Corporation	**$ 5.4**	**$ 81.2**	**$ (75.8)**

Net Financial Expenses

Net financial expenses increased by $0.1 million, from $6.3 million in the second quarter of 2015 to $6.4 million in the second quarter of 2016. Excess free cash flow enabled continued reduction in the indebtedness level, which led to lower financial expenses compared to 2015. However, this decrease in net financial expenses was offset by the impact of a higher exchange loss in the second quarter of 2016.

Adjusted Income Taxes

Excluding income taxes on restructuring and other costs (revenues) and income taxes on impairment of assets, income taxes would have amounted to $16.5 million in the second quarter of 2015, for a tax rate of 29.7%, compared to $15.9 million, or 31.6%, in the second quarter of 2016. This increase in tax rate stems mainly from differences between the accounting and tax treatment of certain items.

Adjusted Net Earnings Attributable to Shareholders of the Corporation

Adjusted net earnings attributable to shareholders of the Corporation decreased by $4.9 million, or 12.5%, from $39.1 million in the second quarter of 2015 to $34.2 million in the second quarter of 2016. This decrease is mostly due to lower adjusted operating earnings. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation decreased from $0.50 to $0.44.

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

Restructuring and other costs (revenues) increased by $19.3 million after tax compared to the prior year. This increase is mainly attributable to the reversal of the provision for multi-employer pension plans in the second quarter of 2015. The variance is also explained by an increase in expenses related to workforce reduction initiatives, mostly in the Media Sector.

Impairment of Assets (After Tax)

In the second quarter of 2016, the Corporation recorded an asset impairment charge (after tax) of $21.9 million related to the intangible assets of daily and weekly newspapers outside of Quebec. This charge is due to a decrease in profitability within the operations of this group as a result of lower advertising revenues.

Discontinued Operations

In the second quarter of 2015, net earnings from discontinued operations amounted to $30.7 million, mostly attributable to a gain on the sale of the consumer magazine publishing activities in April 2015.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased from $81.2 million in the second quarter of 2015 to $5.4 million in the second quarter of 2016. This decrease is mostly explained by two favourable items in the second quarter of 2015: the gain on the sale of the consumer magazine publishing activities and a reversal of the provision for multi-employer pension plans. In addition, in the second quarter of 2016, the asset impairment charge contributed to the decrease in net earnings attributable to shareholders of the Corporation. On a per share basis, net earnings attributable to shareholders of the Corporation decreased from $1.04 to $0.07.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #3:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Six months ended April 30, 2015	**$ 726.7**	**$ 278.3**	**$ (24.8)**	**$ 980.2**
Acquisitions/disposals and closures	50.4	(3.5)	—	46.9
Existing operations				
Exchange rate effect	15.3	0.1	—	15.4
Organic growth (negative)	(28.3)	(19.7)	1.6	(46.4)
Revenues - Six months ended April 30, 2016	**$ 764.1**	**$ 255.2**	**$ (23.2)**	**$ 996.1**
Adjusted operating earnings - Six months ended April 30, 2015	**$ 121.3**	**$ 15.6**	**$ (19.6)**	**$ 117.3**
Acquisitions/disposals and closures	5.2	(0.2)	—	5.0
Existing operations				
Exchange rate effect	5.2	—	—	5.2
Organic growth (negative)	(15.6)	(4.9)	6.3	(14.2)
Adjusted operating earnings - Six months ended April 30, 2016	**$ 116.1**	**$ 10.5**	**$ (13.3)**	**$ 113.3**

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 deems it appropriate to use adjusted operating earnings to evaluate the financial performance of its operating sectors.

Printing & Packaging Sector

Printing & Packaging Sector revenues increased by $37.4 million, or 5.1%, from $726.7 million in the first six months of 2015 to $764.1 million in the corresponding period of 2016. Revenues associated with the acquisition of Ultra Flex Packaging and the favourable exchange rate effect more than offset the organic decline. This organic decrease is mainly attributable to the reduction in advertising spending that continues to affect the newspaper, magazine and marketing product printing operations. The impact of the loss of a US customer and a Canadian retailer early in 2015 within the printing division also explains the lower organic revenues. Within the packaging division, the loss of a customer as a result of its sale and inventory balancing at an important customer had an unfavourable impact during the first six months of the year. These items were partly offset by previously announced new contracts and the growth of the in-store marketing product offering. It should be noted that the majority of the printing volume from Canadian retailers remained stable in the first half of 2016.

Adjusted operating earnings decreased by 4.3%, or $5.2 million, from $121.3 million in the first six months of 2015 to $116.1 million in the corresponding period of 2016. This decrease is mostly attributable to the above-mentioned lower volume and investments to increase our capacity and support our growth strategy in the packaging division. These items were partly offset by continued cost optimization initiatives, the favourable exchange rate effect and the acquisition of Ultra Flex Packaging. The sector's adjusted operating earnings margin declined from 16.7% in the first six months of 2015 to 15.2% in the corresponding period of 2016.

Media Sector

Media Sector revenues decreased by $23.1 million, or 8.3%, from $278.3 million in the first six months of 2015 to $255.2 million in the corresponding period of 2016. With respect to existing operations, the decline in advertising revenues continues to significantly impact publishing activities, mainly within the local newspapers segment. In addition, the exit from the Canadian market by a retailer in 2015 continued to have an impact on distribution operations, and revenues of the digital advertising networks in the interactive marketing division also decreased significantly. Lastly, the disposals and closures of weekly newspapers accounted for a $3.5 million decrease in the sector's revenues.

Adjusted operating earnings decreased by $5.1 million, from $15.6 million in the first six months of 2015 to $10.5 million in the corresponding period of 2016. The adjusted operating earnings margin decreased from 5.6% in the first six months of 2015 to 4.1% in 2016. This decrease is mainly explained by the lower revenues noted above, partly offset by optimization initiatives undertaken in the second quarter of 2016.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$24.8 million in the first six months of 2015 to -$23.2 million in the corresponding period of 2016. Adjusted operating earnings improved by $6.3 million, from -$19.6 million in the first six months of 2015 to -$13.3 million in 2016. This improvement is primarily due to stock-based compensation as a result of the change in the share price in the first half of 2016 compared to prior year and cost reduction initiatives at head office.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

(unaudited)

Table #4:

(in millions of dollars)	2016	2015	Variance fav / (unfav)
Adjusted operating earnings	**$ 113.3**	**$ 117.3**	**$ (4.0)**
Net financial expenses	9.5	10.2	0.7
Adjusted income taxes	28.5	30.4	1.9
Share of net earnings in interests in joint ventures, net of related taxes	(0.3)	(0.2)	0.1
Non-controlling interests	—	(0.4)	(0.4)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 75.6**	**$ 77.3**	**$ (1.7)**
Restructuring and other costs (revenues), net of related taxes	11.0	(14.3)	(25.3)
Impairment of assets (after tax)	21.9	1.0	(20.9)
Net earnings from discontinued operations	—	(28.5)	(28.5)
Net earnings attributable to shareholders of the Corporation	**$ 42.7**	**$ 119.1**	**$ (76.4)**

Net Financial Expenses

Net financial expenses decreased by $0.7 million, from $10.2 million in the first six months of 2015 to $9.5 million in the corresponding period of 2016. Excess free cash flows enabled continued reduction in the indebtedness level, which led to lower financial expenses compared to 2015. However, this decrease was partly offset by the impact of a higher exchange loss.

Adjusted Income Taxes

Excluding income taxes on restructuring and other costs (revenues) and income taxes on impairment of assets, 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 $28.5 million, or 27.4%, in the first six months of 2016. This decrease in tax rate stems mainly from the geographic distribution of the Corporation's revenues.

Adjusted Net Earnings Attributable to Shareholders of the Corporation

Adjusted net earnings attributable to shareholders of the Corporation decreased by $1.7 million, or 2.2%, from $77.3 million in the first six months of 2015 to $75.6 million in the corresponding period of 2016. This decrease is mainly due to lower adjusted operating earnings, partly offset by a decrease in adjusted income taxes and net financial expenses. On a per share basis, it decreased from $0.99 to $0.97.

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

Restructuring and other costs (revenues), net of related taxes, increased by $25.3 million compared to the prior year. This increase is mainly attributable to the impact of the reversal of the provision for multi-employer pension plans in the second quarter of 2015 and a gain on the sale of a building in the first quarter of 2015. In addition, expenses related to workforce reduction initiatives increased, mostly as a result of the optimization of the operating structure in the Media Sector.

Impairment of Assets (After Tax)

In the second quarter of 2016, the Corporation recorded an asset impairment charge (after tax) of $21.9 million related to the intangible assets of daily and weekly newspapers outside of Quebec. This charge is due to a decrease in profitability as a result of lower advertising revenues within this group.

Discontinued Operations

In the first six months of 2015, net earnings from discontinued operations amounted to $28.5 million, mostly attributable to a gain on the sale of the consumer magazine publishing activities in April 2015.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased from $119.1 million in the first six months of 2015 to $42.7 million in the corresponding period of 2016. This decrease is mostly explained by three favourable items in 2015: the gain on the sale of the consumer magazine publishing activities, a reversal of the provision for multi-employer pension plans and a gain on the sale of a building. In addition, in the second quarter of 2016, the asset impairment charge contributed to the decrease in net earnings attributable to shareholders of the Corporation. On a per share basis, net earnings attributable to shareholders of the Corporation decreased from $1.53 to $0.55.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

(in millions of dollars, except per share amounts)	**2016**		2015				2014	
	Q2	Q1	Q4	Q3	**Q2**	Q1	Q4	Q3
Revenues	**$ 497.2**	$ 498.9	$ 540.1	$ 481.9	**$ 490.5**	$ 489.7	$ 548.2	$ 483.0
Adjusted operating earnings before depreciation and amortization	**83.1**	83.9	114.3	96.4	**87.2**	80.8	119.1	83.9
Adjusted operating earnings margin before depreciation and amortization	**16.7 %**	16.8 %	21.2 %	20.0 %	**17.8 %**	16.5 %	21.7 %	17.4 %
Adjusted operating earnings	**56.2**	57.1	87.8	71.6	**61.6**	55.7	92.4	58.0
Adjusted operating earnings margin	**11.3 %**	11.4 %	16.3 %	14.9 %	**12.6 %**	11.4 %	16.9 %	12.0 %
Net earnings attributable to shareholders of the Corporation	**$ 5.4**	$ 37.3	$ 100.2	$ 43.3	**$ 81.2**	$ 37.9	$ 9.0	$ 44.2
Per share	**0.07**	0.48	1.28	0.55	**1.04**	0.49	0.12	0.56
Adjusted net earnings attributable to shareholders of the Corporation	**34.2**	41.4	60.6	48.8	**39.1**	38.2	63.6	37.4
Per share	**0.44**	0.53	0.78	0.62	**0.50**	0.49	0.81	0.48
% of fiscal year	**— %**	— %	33 %	26 %	**21 %**	20 %	38 %	23 %

The above table shows changes in our results over the past eight quarters and reflects a certain stability in revenues. The acquisition of Capri Packaging, in May 2014, and Ultra Flex Packaging, in September 2015, as well as the favourable impact of the exchange rate and new contracts offset the decrease in existing operations related to the transformation of the printing and publishing industries. With respect to adjusted operating earnings, the items noted above as well as operational efficiencies in both our sectors maintained and even improved operating margins. Lastly, it should be noted that our volume of activity is cyclical, since it is mainly influenced by our customers' marketing spending, which is higher in the fourth quarter.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES (unaudited)

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

Table #6:

	Three months ended April 30		Six months ended April 30	
(in millions of dollars, except per share amounts)	**2016**	2015	**2016**	2015
Net earnings attributable to shareholders of the Corporation	**$ 5.4**	$ 81.2	**$ 42.7**	$ 119.1
Non-controlling interests	**—**	(0.2)	**—**	(0.4)
Net earnings from discontinued operations	**—**	(30.7)	**—**	(28.5)
Income taxes	**4.8**	20.4	**16.0**	32.8
Share of net earnings in interests in joint ventures, net of related taxes	**(0.3)**	(0.1)	**(0.3)**	(0.2)
Net financial expenses	**6.4**	6.3	**9.5**	10.2
Impairment of assets	**30.3**	1.4	**30.3**	1.4
Restructuring and other costs (revenues)	**9.6**	(16.7)	**15.1**	(17.1)
Adjusted operating earnings	**$ 56.2**	$ 61.6	**$ 113.3**	$ 117.3
Depreciation and amortization	**26.9**	25.6	**53.7**	50.7
Adjusted operating earnings before depreciation and amortization	**$ 83.1**	$ 87.2	**$ 167.0**	$ 168.0
Net earnings attributable to shareholders of the Corporation	**$ 5.4**	$ 81.2	**$ 42.7**	$ 119.1
Net earnings from discontinued operations	**—**	(30.7)	**—**	(28.5)
Impairment of assets (after tax)	**21.9**	1.0	**21.9**	1.0
Restructuring and other costs (revenues), net of related taxes	**6.9**	(12.4)	**11.0**	(14.3)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 34.2**	$ 39.1	**$ 75.6**	$ 77.3
Weighted average number of shares outstanding	**77.6**	78.1	**77.8**	78.1
Adjusted net earnings attributable to shareholders of the Corporation per share	**$ 0.44**	$ 0.50	**$ 0.97**	$ 0.99

	As at April 30, 2016	As at October 31, 2015
Long-term debt	**$ 347.6**	$ 347.7
Current portion of long-term debt	**2.2**	36.4
Cash	**(42.9)**	(38.6)
Net indebtedness	**$ 306.9**	$ 345.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 377.7**	$ 378.7
Net indebtedness ratio	**0.8 x**	0.9 x

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES
(unaudited)

Table #7:

(in millions of dollars)		Three months ended April 30, 2016		Three months ended April 30, 2015
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	$	94.9	$	89.6
Changes in non-cash operating items		14.7		(29.6)
Income taxes paid		(17.3)		(6.2)
Cash flows from continuing operating activities	$	92.3	$	53.8
Investing activities				
Business combinations	$	(9.9)	$	—
Business disposals		—		0.9
Acquisitions of property, plant and equipment		(13.7)		(16.6)
Disposals of property, plant and equipment		0.2		4.3
Increase in intangible assets		(6.3)		(5.9)
Cash flows from investments in continuing operations	$	(29.7)	$	(17.3)
Financing activities				
Reimbursement of long-term debt	$	(13.5)	$	(0.1)
Net decrease in credit facility		(14.0)		(59.5)
Financial expenses on long-term debt		(2.8)		(3.2)
Interest received related to previous tax reassessments		2.5		—
Exercise of stock options		0.4		—
Dividends		(14.4)		(13.3)
Cash flows from the financing of continuing operations	$	(41.8)	$	(76.1)

Financial position		**As at April 30, 2016**		As at October 31, 2015
Net indebtedness	$	306.9	$	345.5
Net indebtedness ratio		0.8 x		0.9 x
Credit rating				
DBRS		BBB (low)		BBB (low)
Outlook		Stable		Stable
Standard and Poor’s		BBB-		BBB-
Outlook		Stable		Stable
Balance sheet		**As at April 30, 2016**		As at October 31, 2015
Current assets	$	514.4	$	579.3
Current liabilities		349.8		458.4
Total assets		1,952.2		2,098
Total liabilities		950.8		1,081.7

Cash Flows from Continuing Operating Activities

Cash flows from continuing operating activities increased from $53.8 million in the second quarter of 2015 to $92.3 million in the second quarter of 2016. This favourable change is primarily explained by the timing of the collection of receivables from certain customers, partly offset by an increase in income taxes paid.

Cash Flows from Investments in Continuing Operations

Cash flows from investments in continuing operations went from a cash outflow of $17.3 million in the second quarter of 2015 to a cash outflow of $29.7 million in the second quarter of 2016. This increase in outflows is mainly due to the fact that the Corporation exercised its option to purchase the 40% of Redux Media's shares it did not own, for a total cash consideration of $7.7 million. In addition, the Corporation disbursed US$1.6 million ($2.2 million) to reflect the final working capital adjustments for Ultra Flex Packaging, acquired on September 30, 2015.

Cash Flows from the Financing of Continuing Operations

Cash flows from the financing of continuing operations went from a cash outflow of $76.1 million in the second quarter of 2015 to a cash outflow of $41.8 million in the second quarter of 2016. This change is mainly due to a reduction in outflows related to the reimbursement of debt instruments. In the second quarter of 2015, we had reimbursed $59.5 million on the credit facility, whereas in the second quarter of 2016, we reimbursed $14.0 million on the credit facility and reimbursed our Senior Notes Series 2004 D amounting to US$10.0 million ($13.5 million).

Debt Instruments

As at April 30, 2016, our net indebtedness ratio stood at 0.8x (0.9x as at October 31, 2015), and net indebtedness decreased from $345.5 million as at October 31, 2015 to $306.9 million as at April 30, 2016. Excess free cash flows from operations enabled us to reduce our net indebtedness.

Share Capital

In the second quarter of 2016, the conversion of 618,600 Class B Shares into Class A Subordinate Voting Shares explains the majority of the change in share capital. In addition, certain stock options were exercised during the quarter, which explains an increase of 19,163 in the number of Class A Shares issued and outstanding.

Under the share repurchase program that expired in April 2016, the Corporation repurchased 543,500 of its Class A Subordinate Voting Shares. This program was renewed for one year as of April 15, 2016, allowing the Corporation to purchase on the open market up to 1,000,000 of its Class A Subordinate Voting Shares and up to 226,334 of its Class B Shares. No shares have been repurchased since the renewal of the share repurchase program.

Table #8:

Shares Issued and Outstanding	As at April 30, 2016	As at May 31, 2016
Class A (Subordinate Voting Shares)	63,538,472	63,546,872
Class B (Multiple Voting Shares)	14,121,526	14,113,126

CHANGES IN ACCOUNTING STANDARDS

New or amended accounting standards not yet adopted

In January 2016, the IASB issued IFRS 16, "Leases", and amendments to IAS 7, "Statement of Cash Flows". The Corporation has not yet completed its assessment of the impact of adopting these changes on its consolidated financial statements. Please see Note 2 to the condensed interim consolidated financial statements in order to obtain more information.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As at April 30, 2016, Management excluded Ultra Flex Packaging from its evaluation of internal control over financial reporting; this exclusion is accepted by the Autorité des marchés financiers (AMF) during the first year after the acquisition of a business, to give a corporation time to integrate the acquisition.

Ultra Flex Packaging is a supplier of printed flexible packaging that has close to 300 employees. Acquired on September 30, 2015, Ultra Flex Packaging generated revenues of $29.3 million and adjusted operating earnings of $3.7 million in the second quarter of 2016, or 5.9% and 6.6%, respectively, of the Corporation's consolidated results.

The following table provides additional information about this acquisition:

Statement of financial position	**As at April 30, 2016**
Current assets	34.5 $M
Non-current assets	107.7 $M
Current liabilities	7.0 $M
Long-term liabilities	23.4 $M
Statement of earnings	**For the three months ended April 30, 2016**
Revenues	29.3 $M
Adjusted operating earnings before depreciation and amortization	5.1 $M
Adjusted operating earnings	3.7 $M

In the quarter ended April 30, 2016, except for the information provided above, no change that has materially affected or is reasonably likely to materially affect internal control over financial reporting was brought to the attention of Management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

OUTLOOK FOR 2016

Flyer printing volume is expected to remain relatively stable during the second half of 2016. In addition, the success of our in-store marketing product offering for retailers and the net impact of new contracts, including the contract to print the *Toronto Star*, should act as positive catalysts during the second half of the year. However, these items should be offset by the continued negative impact of the advertising market on our traditional magazine, newspaper and marketing product printing activities. In addition, the positive impact of the non-recurring contract to print the Census of Canada will end after the third quarter. Lastly, we will continue to improve our operational efficiency in order to offset the decline in revenues.

With respect to our flexible packaging offering, we will continue developing new business opportunities and qualifying our products with customers to drive growth in this division. However, the loss of a customer as a result of its sale in early 2016 and our recent investments to increase our capacity and support our development strategy will continue to have an unfavourable impact on organic growth in the second half of 2016.

Within the Media Sector, the significant impact of the transformation of the advertising market should continue to affect our newspaper publishing activities. However, the impact of the optimization of our cost structure should enable us to stabilize our adjusted operating earnings during the second half of 2016.

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

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

June 9, 2016

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended April 30 2016	2015	Six months ended April 30 2016	2015
Revenues		**$ 497.2**	$ 490.5	**$ 996.1**	$ 980.2
Operating expenses	5	**414.1**	403.3	**829.1**	812.2
Restructuring and other costs (revenues)	6	**9.6**	(16.7)	**15.1**	(17.1)
Impairment of assets	7	**30.3**	1.4	**30.3**	1.4
Operating earnings before depreciation and amortization		**43.2**	102.5	**121.6**	183.7
Depreciation and amortization	8	**26.9**	25.6	**53.7**	50.7
Operating earnings		**16.3**	76.9	**67.9**	133.0
Net financial expenses	9	**6.4**	6.3	**9.5**	10.2
Earnings before share of net earnings in interests in joint ventures and income taxes		**9.9**	70.6	**58.4**	122.8
Share of net earnings in interests in joint ventures, net of related taxes		**0.3**	0.1	**0.3**	0.2
Income taxes	10	**4.8**	20.4	**16.0**	32.8
Net earnings from continuing operations		**5.4**	50.3	**42.7**	90.2
Net earnings from discontinued operations	11	**—**	30.7	**—**	28.5
Net earnings		**5.4**	81.0	**42.7**	118.7
Non-controlling interests	11	**—**	(0.2)	**—**	(0.4)
Net earnings attributable to shareholders of the Corporation		**$ 5.4**	$ 81.2	**$ 42.7**	$ 119.1
Net earnings per share - basic					
Continuing operations	16	**$ 0.07**	$ 0.64	**$ 0.55**	$ 1.15
Discontinued operations		**—**	0.40	**—**	0.38
		$ 0.07	$ 1.04	**$ 0.55**	$ 1.53
Net earnings per share - diluted					
Continuing operations	16	**$ 0.07**	$ 0.64	**$ 0.55**	$ 1.15
Discontinued operations		**—**	0.40	**—**	0.37
		$ 0.07	$ 1.04	**$ 0.55**	$ 1.52
Weighted average number of shares outstanding - basic (in millions)		**77.6**	78.1	**77.8**	78.1
Weighted average number of shares - diluted (in millions)	16	**77.9**	78.3	**78.1**	78.3

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Unaudited

		Three months ended April 30				Six months ended April 30			
(in millions of Canadian dollars)	Notes		**2016**		2015		**2016**		2015
Net earnings		**$**	**5.4**	$	81.0	**$**	**42.7**	$	118.7
Other comprehensive income (loss)									
Items that will be reclassified to net earnings									
Net change related to cash flow hedges									
Net change in the fair value of derivatives designated as cash flow hedges			**12.8**		6.4		**6.3**		(2.7)
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			**4.1**		1.0		**6.1**		1.5
Related income taxes			**4.6**		2.0		**3.3**		(0.3)
			12.3		5.4		**9.1**		(0.9)
Cumulative translation differences									
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations			**(34.8)**		(8.4)		**(15.2)**		10.6
Net change in the fair value of derivatives designated as hedges of net investments in foreign operations			**3.7**		—		**3.0**		—
Related income taxes			**1.0**		—		**0.8**		—
			(32.1)		(8.4)		**(13.0)**		10.6
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			**(5.4)**		(6.9)		**(23.3)**		0.6
Related income taxes			**(1.4)**		(1.8)		**(6.2)**		0.2
			(4.0)		(5.1)		**(17.1)**		0.4
Other comprehensive income (loss) [(1)]	18		**(23.8)**		(8.1)		**(21.0)**		10.1
Comprehensive income (loss)		**$**	**(18.4)**	$	72.9	**$**	**21.7**	$	128.8
Attributable to:									
Shareholders of the Corporation		**$**	**(18.4)**	$	73.1	**$**	**21.7**	$	129.2
Non-controlling interests	11		**—**		(0.2)		**—**		(0.4)
		$	**(18.4)**	$	72.9	**$**	**21.7**	$	128.8

(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 11)	Total equity
Balance as at October 31, 2015	**$ 368.2**	**$ 3.2**	**$ 625.5**	**$ 19.4**	**$ 1,016.3**	**$ —**	**$ 1,016.3**
Net earnings	**—**	**—**	**42.7**	**—**	**42.7**	**—**	**42.7**
Other comprehensive loss	**—**	**—**	**—**	**(21.0)**	**(21.0)**	**—**	**(21.0)**
Shareholders' contributions and distributions to shareholders							
Share redemptions (Note 15)	**(3.0)**	**—**	**(6.4)**	**—**	**(9.4)**	**—**	**(9.4)**
Exercise of stock options (Note 15)	**0.5**	**(0.1)**	**—**	**—**	**0.4**	**—**	**0.4**
Dividends (Note 15)	**—**	**—**	**(27.6)**	**—**	**(27.6)**	**—**	**(27.6)**
Balance as at April 30, 2016	**$ 365.7**	**$ 3.1**	**$ 634.2**	**$ (1.6)**	**$ 1,001.4**	**$ —**	**$ 1,001.4**
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 15)	—	—	(25.8)	—	(25.8)	—	(25.8)
Stock-option based compensation (Note 17)	—	0.1	—	—	0.1	—	0.1
Business disposal (Note 11)	—	—	—	—	—	(0.6)	(0.6)
Balance as at April 30, 2015	$ 366.8	$ 3.4	$ 508.9	$ 17.2	$ 896.3	$ —	$ 896.3

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, 2016**	As at October 31, 2015 [1]
Current assets			
Cash		**$ 42.9**	$ 38.6
Accounts receivable		**337.3**	393.0
Income taxes receivable		**7.2**	15.2
Inventories		**97.9**	116.3
Prepaid expenses and other current assets		**29.1**	16.2
		514.4	579.3
Property, plant and equipment		**544.5**	567.5
Intangible assets	7	**225.0**	257.5
Goodwill		**452.7**	459.5
Investments in joint ventures		**2.6**	2.5
Deferred taxes		**172.6**	181.6
Other assets		**40.4**	50.1
		$ 1,952.2	$ 2,098.0
Current liabilities			
Accounts payable and accrued liabilities		**$ 274.6**	$ 339.7
Provisions	13	**12.1**	10.2
Income taxes payable		**6.8**	20.7
Deferred revenues and deposits	14	**54.1**	51.4
Current portion of long-term debt	12	**2.2**	36.4
		349.8	458.4
Long-term debt		**347.6**	347.7
Deferred taxes		**44.9**	64.4
Provisions	13	**3.9**	5.7
Other liabilities	14	**204.6**	205.5
		950.8	1,081.7
Equity			
Share capital	15	**365.7**	368.2
Contributed surplus		**3.1**	3.2
Retained earnings		**634.2**	625.5
Accumulated other comprehensive income (loss)	18	**(1.6)**	19.4
		1,001.4	1,016.3
		$ 1,952.2	$ 2,098.0

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

		Three months ended April 30		Six months ended April 30	
(in millions of Canadian dollars)	Notes	**2016**	2015 (2)	**2016**	2015 (2)
Operating activities					
Net earnings		**$ 5.4**	$ 81.0	**$ 42.7**	$ 118.7
Less: Net earnings from discontinued operations	11	**—**	30.7	**—**	28.5
Net earnings from continuing operations		**5.4**	50.3	**42.7**	90.2
Adjustments to reconcile net earnings from continuing operations and cash flows from operating activities:					
Reversal of the provision for multi-employer pension plans	6	**—**	(22.6)	**—**	(22.6)
Impairment of assets	7	**30.3**	1.4	**30.3**	1.4
Depreciation and amortization	8	**34.2**	32.3	**67.8**	63.8
Financial expenses on long-term debt	9	**4.4**	4.9	**9.0**	10.5
Net losses (gains) on disposal of assets		**0.3**	0.2	**0.7**	(6.7)
Income taxes	10	**4.8**	20.4	**16.0**	32.8
Net foreign exchange differences and other		**15.5**	2.7	**1.9**	(1.0)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**94.9**	89.6	**168.4**	168.4
Changes in non-cash operating items (1)		**14.7**	(29.6)	**2.8**	(42.7)
Income taxes paid		**(17.3)**	(6.2)	**(44.6)**	(47.0)
Cash flows from continuing operating activities		**92.3**	53.8	**126.6**	78.7
Investing activities					
Business combinations	4	**(9.9)**	—	**(9.9)**	—
Business disposals		**—**	0.9	**0.5**	1.2
Acquisitions of property, plant and equipment		**(13.7)**	(16.6)	**(27.8)**	(29.6)
Disposals of property, plant and equipment		**0.2**	4.3	**0.2**	4.5
Increase in intangible assets		**(6.3)**	(5.9)	**(10.9)**	(11.4)
Cash flows from investments in continuing operations		**(29.7)**	(17.3)	**(47.9)**	(35.3)
Financing activities					
Reimbursement of long-term debt	12	**(13.5)**	(0.1)	**(13.6)**	(65.1)
Net decrease in credit facility		**(14.0)**	(59.5)	**(22.0)**	(0.3)
Financial expenses on long-term debt		**(2.8)**	(3.2)	**(8.2)**	(11.0)
Interest received related to previous tax reassessments		**2.5**	—	**7.9**	—
Exercise of stock options	15	**0.4**	—	**0.4**	0.7
Dividends	15	**(14.4)**	(13.3)	**(27.6)**	(25.8)
Share redemptions	15	**—**	—	**(9.4)**	—
Cash flows from the financing of continuing operations		**(41.8)**	(76.1)	**(72.5)**	(101.5)
Effect of exchange rate changes on cash denominated in foreign currencies		**(3.5)**	(1.3)	**(1.9)**	2.1
Net change in cash from continuing operations		**17.3**	(40.9)	**4.3**	(56.0)
Net change in cash from discontinued operations	11	**—**	51.9	**—**	56.2
Cash at beginning of period		**25.6**	24.4	**38.6**	35.2
Cash at end of period		**$ 42.9**	$ 35.4	**$ 42.9**	$ 35.4
Non-cash investing activities					
Net change in capital asset acquisitions financed by accounts payable		**$ 4.0**	$ 1.3	**$ 3.2**	$ 0.7

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

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

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

1 GENERAL INFORMATION

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

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

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on June 9, 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at April 30, 2016. Any subsequent changes to the accounting policies, that will take effect in the Corporation's annual consolidated financial statements for the year ending October 31, 2016 or after, could result in a retrospective restatement of these condensed interim consolidated financial statements.

Net investment hedge
During the six-month period ended April 30, 2016, the Corporation designated certain foreign exchange forward contracts denominated in U.S. dollars as hedging instruments for an equivalent amount of its net investment in certain foreign establishments, that have the U.S. dollar as their functional currency. Thus, the effective portion of changes in fair value of hedging instruments, net of related income taxes, is recognized in other comprehensive income and the ineffective portion is recognized in net earnings. Cumulative gains and losses recognized in accumulated other comprehensive income, are reclassified in net earnings in the period in which the related net investment in foreign operations is subject to a total or partial disposal.

New or amended accounting standards not yet adopted

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

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases. The only exemptions to this treatment are for lease contracts with duration of less than one year and those with a low value of the underlying asset. This accounting treatment will result in the grossing up of the statement of financial position due to a right-of-use asset being recognized with an offsetting liability representing the obligation to make lease payments. Lessor accounting under the standard remains largely unchanged. IFRS 16 is to be applied retrospectively or on a modified retrospective basis and is effective for years beginning on or after January 1, 2019, with earlier application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

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

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

3 SEGMENTED INFORMATION

The operating segments were determined and grouped by management in two separate sectors according to the type of activity, which are manufacturing and publishing activities. The Printing and Packaging Sector includes the manufacturing activities of the Corporation and generates revenues from activities such as the printing of retail flyers, magazines, newspapers, color books, personalized and mass marketing products, and the production of flexible packaging solutions in Canada and the United States. The Media Sector generates revenues through print and digital publishing products, in French and English, of the following types: newspapers, educational books, specialized publications for professionals, retail promotional content, 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 11 "Discontinued Operations", and segmented information excludes these operations. Inter-segment sales of the Corporation are recognized at fair value. Transactions other than sales are recognized at carrying amount.

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

For the three-month period ended April 30, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 381.9**	**$ 128.2**	**$ (12.9)**	**$ 497.2**
Operating expenses	**302.3**	**117.5**	**(5.7)**	**414.1**
Adjusted operating earnings before depreciation and amortization [(1)]	**79.6**	**10.7**	**(7.2)**	**83.1**
Restructuring and other costs	**1.7**	**7.4**	**0.5**	**9.6**
Impairment of assets	**0.2**	**29.7**	**0.4**	**30.3**
Operating earnings before depreciation and amortization	**77.7**	**(26.4)**	**(8.1)**	**43.2**
Depreciation and amortization	**21.2**	**3.9**	**1.8**	**26.9**
Operating earnings	**$ 56.5**	**$ (30.3)**	**$ (9.9)**	**$ 16.3**
Adjusted operating earnings [(1)]	**$ 58.4**	**$ 6.8**	**$ (9.0)**	**$ 56.2**
Acquisitions of non-current assets [(2)]	**$ 12.3**	**$ 10.6**	**$ 1.1**	**$ 24.0**

For the three-month period ended April 30, 2015 [(3)]	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	128.0	(2.7)	403.3
Adjusted operating earnings before depreciation and amortization [(1)]	87.2	10.1	(10.1)	87.2
Restructuring and other costs (revenues)	1.5	3.9	(22.1)	(16.7)
Impairment of assets	—	0.3	1.1	1.4
Operating earnings before depreciation and amortization	85.7	5.9	10.9	102.5
Depreciation and amortization	19.8	3.9	1.9	25.6
Operating earnings	$ 65.9	$ 2.0	$ 9.0	$ 76.9
Adjusted operating earnings [(1)]	$ 67.4	$ 6.2	$ (12.0)	$ 61.6
Acquisitions of non-current assets [(2)]	$ 12.5	$ 7.9	$ 3.4	$ 23.8

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

3 SEGMENTED INFORMATION (CONTINUED)

For the six-month period ended April 30, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 764.1**	**$ 255.2**	**$ (23.2)**	**$ 996.1**
Operating expenses	**605.8**	**237.0**	**(13.7)**	**829.1**
Adjusted operating earnings before depreciation and amortization (1)	**158.3**	**18.2**	**(9.5)**	**167.0**
Restructuring and other costs	**5.9**	**9.0**	**0.2**	**15.1**
Impairment of assets	**0.2**	**29.7**	**0.4**	**30.3**
Operating earnings before depreciation and amortization	**152.2**	**(20.5)**	**(10.1)**	**121.6**
Depreciation and amortization	**42.2**	**7.7**	**3.8**	**53.7**
Operating earnings	**$ 110.0**	**$ (28.2)**	**$ (13.9)**	**$ 67.9**
Adjusted operating earnings (1)	**$ 116.1**	**$ 10.5**	**$ (13.3)**	**$ 113.3**
Acquisitions of non-current assets (2)	**$ 24.5**	**$ 15.1**	**$ 2.3**	**$ 41.9**

For the six-month period ended April 30, 2015 (3)	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	255.2	(9.1)	812.2
Adjusted operating earnings before depreciation and amortization (1)	160.6	23.1	(15.7)	168.0
Restructuring and other costs (revenues)	6.1	5.6	(28.8)	(17.1)
Impairment of assets	—	0.3	1.1	1.4
Operating earnings before depreciation and amortization	154.5	17.2	12.0	183.7
Depreciation and amortization	39.3	7.5	3.9	50.7
Operating earnings	$ 115.2	$ 9.7	$ 8.1	$ 133.0
Adjusted operating earnings (1)	$ 121.3	$ 15.6	$ (19.6)	$ 117.3
Acquisitions of non-current assets (2)	$ 22.3	$ 15.0	$ 4.4	$ 41.7

(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 months ended April 30	
	2016	2015	**2016**	2015
Printing and packaging products	**$ 368.6**	$ 352.5	**$ 740.5**	$ 702.3
Publishing and content products	**87.3**	93.1	**169.7**	182.4
Other products and services	**41.3**	44.9	**85.9**	95.5
	$ 497.2	$ 490.5	**$ 996.1**	$ 980.2

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

	As at April 30, 2016	As at October 31, 2015 (2)
Printing and Packaging Sector	**$ 1,388.9**	$ 1,462.9
Media Sector	**452.0**	489.2
Head office and inter-segment eliminations (1)	**111.3**	145.9
	$ 1,952.2	$ 2,098.0

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

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

4 BUSINESS COMBINATIONS

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

Ultra Flex Packaging
On September 30, 2015, the Corporation acquired all the shares of Ultra Flex Packaging, a supplier of flexible packaging located in Brooklyn, New York, for a purchase price of US$86.5 million ($115.2 million), including a contingent consideration payable in cash at the first and second anniversaries of the acquisition date, following the achievement of pre-established income thresholds. During the six-month period ended April 30, 2016, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of Ultra Flex Packaging. The main changes made to the fair value of the assets acquired and liabilities assumed as at October 31, 2015 are the increase in the fair value of intangible assets of $5.7 million, the increase in deferred tax liability of $2.2 million, and the net effect allocated to goodwill. An additional amount of US$1.6 million ($2.2 million) was paid during the three-month period ended April 30, 2016 and had been added to the total consideration paid to reflect the final working capital adjustments.This acquisition allows the Corporation to pursue its development in the flexible packaging industry, while diversifying its market offering. This diversification, as well as the potential growth associated, represent the main factors that comprise the goodwill generated by this acquisition.

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

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended April 30		Six months ended April 30	
	2016	2015 (3)	**2016**	2015 (3)
Employee-related costs	**$ 161.2**	$ 161.2	**$ 325.5**	$ 324.7
Supply chain and logistics (1)	**222.4**	211.4	**445.8**	429.7
Other goods and services (2)	**30.5**	30.7	**57.8**	57.8
	$ 414.1	$ 403.3	**$ 829.1**	$ 812.2

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

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

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

6 RESTRUCTURING AND OTHER COSTS (REVENUES)

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

	Three months ended April 30		Six months ended April 30	
	2016	2015	**2016**	2015
Workforce reductions	**$ 8.4**	$ 3.1	**$ 14.0**	$ 8.4
Other costs related to restructuring	**1.0**	1.0	**1.5**	1.9
Onerous contracts	**0.2**	1.8	**(0.6)**	1.8
Business acquisition costs (1)	**—**	0.1	**0.2**	0.2
Gain on the sale of a building	**—**	—	**—**	(6.8)
Reversal of the provision for multi-employer pension plans	**—**	(22.6)	**—**	(22.6)
Other revenues	**—**	(0.1)	**—**	—
	$ 9.6	$ (16.7)	**$ 15.1**	$ (17.1)

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

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

7 IMPAIRMENT OF ASSETS

Impairment of assets by major headings is as follows:

	Three months ended April 30		Six months ended April 30	
	2016	2015	**2016**	2015
Property, plant and equipment	**$ 0.7**	$ 0.1	**$ 0.7**	$ 0.1
Intangible assets	**29.6**	1.3	**29.6**	1.3
	$ 30.3	$ 1.4	**$ 30.3**	$ 1.4

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

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

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

Impairment tests
As at April 30, 2016, the Corporation performed an interim impairment test on certain intangible assets with an indefinite useful life, in accordance with paragraph o) of Note 2 "Significant accounting policies" of the Corporation's audited annual consolidated financial statements for the year ended October 31, 2015.

The recoverable values of CGUs established for the purposes of impairment test of intangible assets with an indefinite useful life have been determined on the basis of the value in use. The value in use was determined by discounting expected future cash flows, which are derived from the five-year forecasts approved by management. The forecasts are based on past experience and reflect management's expectations regarding operating results and capital expenditures, taking into account the business strategy and economic and specific trends of the industry and market. Management establishes its forecasts based, particularly, on advertising revenues, printing costs and wage increases. Beyond the five-year period, cash flows are extrapolated using a perpetual rate of decline of 5%.

The Corporation used discount rates varying between 9.47% and 12.04% (pre-tax discount rates vary between 15.32% and 27.37%). The discount rate represents the weighted average cost of capital ("WACC") for comparable companies whose activities are similar to the CGU concerned. The WACC is an estimate of the overall rate of return required by debt and equity holders on their investments, and reflects the current market valuation, the time value of money and the specific risk applicable to the CGU concerned.

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

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

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended April 30		Six months ended April 30	
	2016	2015	**2016**	2015
Property, plant and equipment	**$ 20.0**	$ 20.0	**$ 40.1**	$ 39.7
Intangible assets	**6.9**	5.6	**13.6**	11.0
	26.9	25.6	**53.7**	50.7
Intangible assets and other assets, recognized in revenues and operating expenses	**7.3**	6.7	**14.1**	13.1
	$ 34.2	$ 32.3	**$ 67.8**	$ 63.8

9 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows:

	Three months ended April 30		Six months ended April 30	
	2016	2015	**2016**	2015
Financial expenses on long-term debt	**$ 4.4**	$ 4.9	**$ 9.0**	$ 10.5
Net interest on defined benefit plans asset and liability	**0.1**	0.1	**0.3**	0.1
Other expenses (revenues)	**(0.1)**	—	**(0.6)**	0.8
Net foreign exchange losses (gains)	**2.0**	1.3	**0.8**	(1.2)
	$ 6.4	$ 6.3	**$ 9.5**	$ 10.2

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

10 INCOME TAXES

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

	Three months ended April 30		Six months ended April 30	
	2016	2015	**2016**	2015
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 9.9**	$ 70.6	**$ 58.4**	$ 122.8
Canadian statutory tax rate [1]	**26.90 %**	26.90 %	**26.90 %**	26.90 %
Income taxes at the statutory tax rate	**2.7**	19.0	**15.7**	33.0
Effect of differences in tax rates in other jurisdictions	**—**	0.5	**0.4**	1.5
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**1.9**	0.9	**0.6**	0.2
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**—**	0.2	**—**	(1.3)
Other	**0.2**	(0.2)	**(0.7)**	(0.6)
Income taxes at effective tax rate	**$ 4.8**	$ 20.4	**$ 16.0**	$ 32.8
Income taxes before the following items:	**$ 15.9**	$ 16.5	**$ 28.5**	$ 30.4
Income taxes on restructuring and other costs (revenues)	**(2.7)**	4.3	**(4.1)**	2.8
Income taxes on impairment of assets	**(8.4)**	(0.4)	**(8.4)**	(0.4)
Income taxes at effective tax rate	**$ 4.8**	$ 20.4	**$ 16.0**	$ 32.8

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

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

11 DISCONTINUED OPERATIONS

Discontinued consumer magazines

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

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

The following table presents the results from discontinued operations for the three-month and six-month periods ended April 30, 2015:

	Three months	Six months
Revenues [1]	$ 16.4	$ 31.3
Operating expenses [1]	14.5	31.7
Restructuring and other costs	0.5	0.7
Impairment of assets	0.8	0.8
Depreciation and amortization	0.4	0.9
Net financial revenues	(0.1)	(0.1)
Earnings before share of net earnings in interests in joint ventures and income taxes	0.3	(2.7)
Share of net earnings in interests in joint ventures, net of related taxes	0.2	0.2
Income taxes expense (recovery)	0.1	(0.7)
Net earnings related to discontinued operations	0.4	(1.8)
Gain on disposal of business, net of related taxes of $4.2	30.3	30.3
Net earnings and comprehensive income from discontinued operations	**$ 30.7**	**$ 28.5**
Attributable to:		
Shareholders of the Corporation	$ 30.9	$ 28.9
Non-controlling interests	(0.2)	(0.4)
	$ 30.7	$ 28.5

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

The following table presents cash flows from discontinued operations for the three-month and six-month periods ended April 30, 2015:

	Three months	Six months
Cash flows related to operations	$ (3.5)	$ 1.2
Cash flows related to investments	55.4	55.0
Net change in cash flows from discontinued operations	**$ 51.9**	**$ 56.2**

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

12 LONG-TERM DEBT

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

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

13 PROVISIONS

The following table presents changes in provisions for the six-month period ended April 30, 2016:

	Restructuring costs	Onerous contracts	Other (1)	Total
Balance as at October 31, 2015	$ 5.6	$ 9.2	$ 1.1	$ 15.9
Provisions recorded	14.5	0.8	1.9	17.2
Amounts used	(13.2)	(2.0)	(0.2)	(15.4)
Provisions reversed	—	(1.5)	(0.1)	(1.6)
Other	—	(0.1)	—	(0.1)
Balance as at April 30, 2016	$ 6.9	$ 6.4	$ 2.7	$ 16.0
Current portion	$ 6.9	$ 3.1	$ 2.1	$ 12.1
Non-current portion	—	3.3	0.6	3.9
	$ 6.9	$ 6.4	$ 2.7	$ 16.0

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

14 DEFERRED REVENUES

On December 7, 2015, the Corporation renegotiated its agreement with The Globe and Mail Inc. relating to the printing of *The Globe and Mail* newspaper. The Corporation received a single payment of $31.0 million to compensate for price reductions on future services in certain markets. The amount received was classified as deferred revenues and will be recognized in revenues over the estimated duration of printing for these markets. For the three-month and six-month periods ended April 30, 2016, amounts of $1.8 million and $3.0 million were recognized as revenues, respectively, with no effect on cash flows. As at April 30, 2016, amounts of $6.7 million and $21.3 million are classified in deferred revenues and deposits and in other liabilities, respectively, in the Consolidated Statement of Financial Position.

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

15 SHARE CAPITAL

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

	Three months ended April 30			
	2016		2015	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of period	**62,900,709**	**$ 345.4**	63,242,108	$ 346.7
Conversion of Class B Shares into Class A Subordinate Voting Shares	**618,600**	**0.8**	4,100	—
Exercise of stock options	**19,163**	**0.3**	—	—
Balance, end of period	**63,538,472**	**346.5**	63,246,208	346.7
Class B Shares				
Balance, beginning of period	**14,740,126**	**20.0**	14,830,016	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(618,600)**	**(0.8)**	(4,100)	—
Balance, end of period	**14,121,526**	**19.2**	14,825,916	20.1
	77,659,998	**$ 365.7**	78,072,124	$ 366.8

	Six months ended April 30			
	2016		2015	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of period	**63,363,281**	**$ 348.1**	63,189,351	$ 345.9
Conversion of Class B Shares into Class A Subordinate Voting Shares	**685,490**	**0.9**	6,500	—
Shares redeemed and cancelled	**(543,500)**	**(3.0)**	—	—
Exercise of stock options	**33,201**	**0.5**	50,357	0.8
Balance, end of period	**63,538,472**	**346.5**	63,246,208	346.7
Class B Shares				
Balance, beginning of period	**14,807,016**	**20.1**	14,832,416	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(685,490)**	**(0.9)**	(6,500)	—
Balance, end of period	**14,121,526**	**19.2**	14,825,916	20.1
	77,659,998	**$ 365.7**	78,072,124	$ 366.8

Share redemptions

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

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

15 SHARE CAPITAL (CONTINUED)

During the six-month period ended April 30, 2016, the Corporation repurchased 543,500 of its Class A Subordinate Voting Shares at a weighted average price of $17.23, for a total cash consideration of $9.4 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $6.4 million, was applied against retained earnings. The Corporation was under no obligations to repurchase its Class A Subordinate Voting Shares and Class B Shares as at April 30, 2016.

During the three-month and six-month periods ended April 30, 2015, the Corporation did not repurchase any of its Class A Subordinate Voting Shares and Class B Shares, and was under no obligation as such at that date.

Exercise of stock options
When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. For the three-month period ended April 30, 2016, the consideration received was $0.2 million and an amount of $0.1 million was transferred from contributed surplus to share capital. For the three-month period ended April 30, 2015, no stock options were exercised. For the six-month periods ended April 30, 2016 and 2015, considerations received were $0.4 million and $0.7 million, respectively. An amount of $0.1 million was transferred from contributed surplus to share capital (Note 17 "Stock-based Compensation") for the six-month periods ended April 30, 2016 and 2015.

Dividends
Dividends of $0.185 and $0.17 per share were declared and paid to shareholders for the three-month periods ended April 30, 2016 and 2015, respectively. Dividends of $0.355 and $0.33 per share were declared and paid to shareholders for the six-month periods ended April 30, 2016 and 2015, respectively

16 NET EARNINGS PER SHARE

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

	Three months ended April 30		Six months ended April 30	
	2016	2015	**2016**	2015
Numerator				
Net earnings from continuing operations	**$ 5.4**	$ 50.3	**$ 42.7**	$ 90.2
Denominator (in millions)				
Weighted average number of shares outstanding - basic	**77.6**	78.1	**77.8**	78.1
Dilutive effect of stock options	**0.3**	0.2	**0.3**	0.2
Weighted average number of shares - diluted	**77.9**	78.3	**78.1**	78.3

As at April 30, 2016 and 2015, all stock options are included in the calculation of the diluted net earnings per share from continuing operations due to their potential dilutive effect.

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

17 STOCK-BASED COMPENSATION

Stock option plan

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

For the three-month and six-month periods ended April 30, 2016, negligible amounts of stock-based compensation expenses were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity. For the three-month and six-month periods ended April 30, 2015, a negligible amount of stock-based compensation expenses and $0.1 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	Three months ended April 30			
	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**748,665**	**$ 12.59**	928,839	$ 12.18
Exercised	**(19,163)**	**11.98**	—	—
Options outstanding, end of period	**729,502**	**$ 12.60**	928,839	$ 12.18

	Six months ended April 30			
	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**762,703**	**$ 12.57**	1,160,296	$ 13.33
Exercised	**(33,201)**	**11.82**	(50,357)	13.09
Expired	**—**	**—**	(181,100)	19.32
Options outstanding, end of period	**729,502**	**$ 12.60**	928,839	$ 12.18
Options exercisable, end of period	**637,148**	**$ 12.78**	687,247	$ 12.39

Share unit plan for certain officers and senior executives

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

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

17 STOCK-BASED COMPENSATION (CONTINUED)

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

	Three months ended April 30			
Number of units	**2016**	2015	**2016**	2015
	DSU		RSU	
Balance, beginning of period	**284,892**	273,463	**1,081,064**	1,061,190
Units granted	**—**	—	**7,485**	—
Units cancelled	**—**	—	**(46,152)**	—
Units paid	**(18,384)**	—	**—**	—
Dividends paid in units	**2,195**	2,753	**9,834**	7,186
Balance, end of period	**268,703**	276,216	**1,052,231**	1,068,376

	Six months ended April 30			
Number of units	**2016**	2015	**2016**	2015
	DSU		RSU	
Balance, beginning of period	**279,162**	241,812	**1,064,655**	924,627
Units granted	**—**	3,121	**352,403**	378,396
Units cancelled	**—**	—	**(113,222)**	(12,969)
Units paid	**(18,384)**	(1,624)	**(266,379)**	(205,894)
Units converted	**2,586**	27,194	**(2,586)**	(27,194)
Dividends paid in units	**5,339**	5,713	**17,360**	11,410
Balance, end of period	**268,703**	276,216	**1,052,231**	1,068,376

As at April 30, 2016, the liability related to the share unit plan for certain officers and senior executives was $14.3 million ($17.8 million as at October 31, 2015). The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2016 were $2.5 million and $2.0 million, respectively. The expenses 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. Amounts of $0.3 million and $5.5 million were paid under this plan for the three-month and six-month periods ended April 30, 2016, respectively. No amount was paid under this plan for the three-month period ended April 30, 2015. An amount of $3.1 million was paid under this plan for the six-month period ended April 30, 2015.

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	**2016**	2015	**2016**	2015
Balance, beginning of period	**376,447**	333,990	**363,514**	371,086
Directors' compensation	**7,422**	7,025	**16,585**	15,266
Units paid	**—**	—	**—**	(48,678)
Dividends paid in units	**3,426**	3,074	**7,196**	6,415
Balance, end of period	**387,295**	344,089	**387,295**	344,089

As at April 30, 2016, the liability related to the share unit plan for directors was $7.6 million ($7.4 million as at October 31, 2015). The expenses recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 30, 2016 were $0.8 million and $0.2 million, respectively. The expenses 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. No amount was paid under this plan for the three-month and six-month periods ended April 30, 2016, as well as the three-month period ended April 30, 2015. An amount $0.7 million was paid under this plan for the six-month period ended April 30, 2015.

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

18 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, 2015	**$ (7.0)**	**$ 24.3**	**$ 2.1**	**$ 19.4**
Net change in gains (losses), net of income taxes	**9.1**	**(13.0)**	**(17.1)**	**(21.0)**
Balance as at April 30, 2016	**$ 2.1**	**$ 11.3**	**$ (15.0)**	**$ (1.6)**
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

As at April 30, 2016, the amounts expected to be reclassified to net earnings in future years are as follows:

	2016	2017	2018	2019	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ (0.1)	$ 2.2	$ 1.0	$ (0.3)	$ 2.8
Income taxes	—	0.6	0.2	(0.1)	0.7
	$ (0.1)	$ 1.6	$ 0.8	$ (0.2)	$ 2.1

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

	Three months ended April 30		Six months ended April 30	
	2016	2015	**2016**	2015
Actuarial gains (losses) on obligation - change in discount rate	**$ (26.2)**	$ 21.0	**$ (62.2)**	$ (41.4)
Actuarial gains (losses) on plan assets - excluding interest income	**20.4**	(31.4)	**34.5**	54.8
Effect of the asset ceiling	**0.4**	3.5	**4.4**	(12.8)
	$ (5.4)	$ (6.9)	**$ (23.3)**	$ 0.6

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

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

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

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The 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 measured at fair value on a recurring basis subsequent to their initial recognition are derivative financial instruments, including foreign exchange forward contracts.

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

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

The following table presents the fair value and the carrying amount of long-term debt and derivative financial instruments:

	As at April 30, 2016		As at October 31, 2015	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 15.9**	**$ 15.9**	$ —	$ —
Long-term debt	**(366.9)**	**(349.8)**	(400.5)	(384.1)
Foreign exchange forward contracts in liabilities	**(4.3)**	**(4.3)**	(6.5)	(6.5)

These financial instruments are classified in Level 2 of the fair value hierarchy. For the six-month period ended April 30, 2016, no financial instruments were transferred between levels 1, 2 and 3.