tc • TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. announces its results for Fiscal 2016

Fiscal 2016 Highlights

- Revenues increased 0.9%.
- Adjusted operating earnings before depreciation and amortization increased 3.0%.
- Adjusted net earnings attributable to shareholders of the Corporation increased 5.1%.
- Net earnings attributable to shareholders of the Corporation per share decreased 43.8%
- Maintained a solid financial position, with a net indebtedness ratio of 0.8x.
- Signed a five-year agreement to print the *Toronto Star*, which took effect in July 2016.
- Acquired Robbie Manufacturing, a flexible packaging supplier located in Lenexa, Kansas.
- Acquired Flexstar Packaging, a first flexible packaging acquisition in Canada.
- Amendment to the normal course issuer bid (NCIB) of the Corporation to increase the maximum number of Class A Subordinate Voting Shares that it may repurchase from 1,000,000 to 2,000,000 shares. Under its current NCIB, as of November 30, 2016, the Corporation has repurchased 701,590 of its Class A Subordinate Voting Shares at a weighted-average price of $17.42, for a total cash consideration of $12.2 million.

Montreal, December 6, 2016 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for fiscal 2016, which ended October 31, 2016.

“I am very proud of our 2016 results”, said François Olivier, President and Chief Executive Officer of TC Transcontinental. “We successfully continued the transformation of TC Transcontinental while recording the highest adjusted net earnings attributable to shareholders of the Corporation in the organization’s 40 years of history. Our employees can be proud of their work and performance.”

“The printing division had another excellent year. The start of printing of the *Toronto Star* demonstrates the renewed interest in our unique newspaper printing outsourcing model. In addition, we continued to expand our business relationships with retailers and implement measures to enable the optimal use of our network. In the Media Sector, the difficult market realities that are still prevailing led us to significantly reduce our cost structure. Furthermore, we disposed of certain assets that were no longer in line with our priorities. As for the packaging division, I am pleased with the sustained pace of our progress. On an annualized basis, this division's revenues more than doubled and now stand at about 15% of consolidated revenues. The acquisitions of Robbie Manufacturing and Flexstar Packaging were carefully carried out according to our strategic criteria. We are convinced that the initiatives deployed in the packaging division to strengthen our sales force will contribute to the realization of several business opportunities with our already well-established sales funnel.”

“Lastly, with our solid financial position and our significant cash flow, we are well positioned to achieve our growth ambitions in the flexible packaging industry.”

Financial Highlights

(in millions of dollars, except per share amounts)	Q4-2016	Q4-2015	%	2016	2015	%
Revenues	555.6	540.1	2.9	2,019.5	2,002.2	0.9
Adjusted operating earnings before depreciation and amortization (Adjusted EBITDA)	133.9	114.3	17.1	390.1	378.7	3.0
Adjusted operating earnings (Adjusted EBIT)	107.4	87.8	22.3	283.4	276.7	2.4
Adjusted net earnings attributable to shareholders of the Corporation	76.6	60.6	26.4	196.3	186.7	5.1
Per share	0.99	0.78	26.9	2.53	2.39	5.9
Net earnings attributable to shareholders of the Corporation	57.7	100.2	(42.4)	146.3	262.6	(44.3)
Per share	0.75	1.28	(41.4)	1.89	3.36	(43.8)

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

Preamble

The Corporation revised its organizational structure to combine its services offered to retailers within the printing division. As a result, door-to-door distribution and premedia services have been transferred under the responsibility of the Printing & Packaging Sector. Accordingly, the comparative data for our operating sectors have been restated to reflect these changes.

2016 Fourth Quarter Results

Revenues for the fourth quarter of 2016 went from $540.1 million to $555.6 million, an increase of 2.9%. The contribution from acquisitions in the packaging division and the appreciation of the U.S. dollar against the Canadian dollar more than offset the loss of revenues related to disposals and closures in the Media Sector and the decrease in revenues from existing operations. In the printing division, flyer printing volume remained stable and proved once again that this marketing tool is considered essential by retailers to drive traffic to the store. The printing of the *Toronto Star*, which started in July 2016, as well as door-to-door distribution activities and premedia services, for their part, partially offset the negative impact of the decline in advertising spending in several segments and the completion of the contract to print Canada's census form. In the packaging division, revenues from existing operations increased slightly compared to the fourth quarter of 2015. In the Media Sector, the decline in advertising revenues continued to have a negative effect on the results of local newspapers.

Adjusted operating earnings went from $87.8 million to $107.4 million in the fourth quarter of 2016, an increase of 22.3%. The acquisitions, the favourable exchange rate effect and higher organic growth offset the above-mentioned decline in revenues from existing operations. The increase in adjusted operating earnings from existing operations is attributable to ongoing cost reduction initiatives in the printing division and the Media Sector and the decrease of $7.4 million in stock-based compensation expense as a result of the change in the share price in the fourth quarter of 2016 compared to the corresponding quarter in 2015. In the packaging division, adjusted operating earnings from existing operations remained stable. Despite the favourable impact of the stock-based compensation expense, adjusted operating earnings would have increased 12.7%.

Adjusted net earnings attributable to shareholders of the Corporation increased 26.4%, from $60.6 million, or $0.78 per share, to $76.6 million, or $0.99 per share. This increase is mostly attributable to an improvement in adjusted operating earnings, partly offset by an increase in adjusted income taxes. Net earnings attributable to shareholders of the Corporation went from $100.2 million, or $1.28 per share, to $57.7 million, or $0.75 per share. This decrease is mostly explained by the adjustment to deferred tax assets in the United States and the reversal of financial expenses resulting from notices of assessments recorded in the fourth quarter of 2015.

Fiscal 2016 Results

In 2016, TC Transcontinental's revenues grew 0.9%, from $2,002.2 million to $2,019.5 million. The contribution from acquisitions in the packaging division and the appreciation of the U.S. dollar against the Canadian dollar more than offset the loss of revenues related to disposals and closures in the Media Sector and the decrease in revenues from existing operations. In the printing division, aside from the loss of a U.S. customer in 2015, flyer printing volume remained stable and proved once again that this marketing tool is considered essential by retailers to drive traffic to the store. Previously announced new contracts, in particular the contract to print the *Toronto Star*, which started in July 2016, and the contract to print Canada's census form, which ended in the second quarter of 2016, partially offset the negative impact of the decline in advertising spending in several segments. In the packaging division, the decrease is due to an adjustment to the demand from Transcontinental Capri's main customer and the loss of a customer as a result of its sale. In the Media Sector, the decline in advertising revenues continued to have a negative effect on the results of local newspapers.

Adjusted operating earnings went from $276.7 million to $283.4 million, an increase of 2.4%. The acquisitions and the favourable exchange rate effect more than offset the decrease in adjusted operating earnings from existing operations. The lower organic growth is due to the above-mentioned decline in revenues and the investments made to increase capacity and support the growth strategy of the packaging division. Cost reduction initiatives in the printing division and the Media Sector and the decrease of $8.0 million in stock-based compensation expense as a result of the change in the share price in fiscal 2016 compared to the prior year partially offset the decrease in existing operations.

Adjusted net earnings attributable to shareholders of the Corporation increased 5.1%, from $186.7 million, or $2.39 per share, to $196.3 million, or $2.53 per share. This improvement is mainly attributable to higher adjusted operating earnings and, to a lesser extent, a decrease in financial expenses net of the reversal resulting from notices of assessment. Net earnings attributable to shareholders of the Corporation went from $262.6 million, or $3.36 per share, to $146.3 million, or $1.89 per share. This decrease is mostly due to several favourable adjustments recorded in the fourth quarter of 2015, including a $51.7 million revaluation of tax assets in the United States. Moreover, the gain on the sale of the consumer magazine publishing activities and the reversal of financial expenses resulting from notices of assessment also contributed to the variation compared to the prior year. Lastly, a higher impairment expense and greater restructuring and other costs (revenues) also explain this decrease.

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

Outlook for 2017

We expect stable revenues within the printing division from our offering to retailers, which includes flyer printing, door-to-door distribution and premedia services. In addition, we will continue to develop the in-store marketing product offering. The contract to print the *Toronto Star* will also have a positive impact on the first six months of the year, and we are also pursuing our initiatives to secure new contracts in this area. However, these positive items should be offset by a decrease in volume from certain newspaper publishers as a result of reduced circulation. Furthermore, our magazine and commercial product printing activities will be affected by a reduction in print advertising in fiscal 2017. Lastly, the non-recurring contract to print the Census of Canada, which has been completed since the second quarter of 2016, will also have an adverse effect in early 2017. With respect to adjusted operating earnings, we will continue our operational efficiency and cost reduction initiatives to offset in large part the expected decrease in volume within this division.

In our packaging division, the acquisitions of Robbie Manufacturing and Flexstar Packaging will have a positive impact in 2017. We will maintain our disciplined acquisition approach in this promising market in order to invest in quality assets that meet our strategic criteria. In addition, our manufacturing capacity, combined with our North American salesforce, should drive sustained organic growth. We will also continue the integration of our acquisitions which should generate additional synergies.

In the Media Sector, the impact of the transformation of the advertising market should continue to affect our newspaper publishing activities, partly offset by our cost reduction initiatives. In addition, we will continue to accelerate the shift to digital of our existing operations while focusing on our key competencies in this market.

Our significant cash flows and excellent financial health should enable us to continue investing in order to pursue our growth during fiscal 2017.

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 October 31 **2016**	2015	For years ended October 31 **2016**	2015
Net earnings attributable to shareholders of the Corporation	**$ 57.7**	$ 100.2	**$ 146.3**	$ 262.6
Non-controlling interests	**—**	(0.1)	**—**	(0.4)
Net earnings from discontinued operations	**—**	3.6	**—**	(25.6)
Income taxes	**19.8**	(34.2)	**51.1**	15.6
Share of net earnings in interests in joint ventures, net of related taxes	**(0.1)**	—	**(0.5)**	(0.3)
Net financial expenses	**3.9**	(7.6)	**15.9**	6.2
Impairment of assets	**23.2**	25.6	**53.6**	27.2
Restructuring and other costs (revenues)	**2.9**	0.3	**17.0**	(8.6)
Adjusted operating earnings	**$ 107.4**	$ 87.8	**$ 283.4**	$ 276.7
Depreciation and amortization	**26.5**	26.5	**106.7**	102.0
Adjusted operating earnings before depreciation and amortization	**$ 133.9**	$ 114.3	**$ 390.1**	$ 378.7
Net earnings attributable to shareholders of the Corporation	**$ 57.7**	$ 100.2	**$ 146.3**	$ 262.6
Adjustment to deferred income tax assets	**—**	(51.7)	**—**	(51.7)
Reversal of financial expenses resulting from notices of assessment	**—**	(11.9)	**—**	(11.9)
Net earnings from discontinued operations	**—**	3.6	**—**	(25.6)
Impairment of assets (after tax)	**17.2**	20.8	**39.6**	22.0
Restructuring and other costs (revenues), net of related taxes	**1.7**	(0.4)	**10.4**	(8.7)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 76.6**	$ 60.6	**$ 196.3**	$ 186.7
Weighted average number of shares outstanding	**77.2**	78.1	**77.6**	78.1
Adjusted net earnings attributable to shareholders of the Corporation per share	**$ 0.99**	$ 0.78	**$ 2.53**	$ 2.39

	As at October 31, 2016	As at October 31, 2015
Long-term debt	**$ 347.9**	$ 347.7
Current portion of long-term debt	**0.2**	36.4
Cash	**(16.7)**	(38.6)
Net indebtedness	**$ 331.4**	$ 345.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 390.1**	$ 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 January 19, 2017 to shareholders of record at the close of business on January 4, 2017.

Conference Call

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

Profile

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

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has close to 8,000 employees in Canada and the United States, and revenues of C$2.0 billion in 2016. 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, 2016* and in the latest *Annual Information Form.*

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of December 6, 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 December 6, 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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For information:

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MANAGEMENT’S DISCUSSION AND ANALYSIS

For the year ended October 31, 2016

The purpose of this Management’s Discussion and Analysis is to explain management’s point of view on the past performance and future outlook of Transcontinental Inc. More specifically, it is designed to give the reader a better understanding of our development strategy, performance in relation to objectives, future expectations and how Management addresses risk and manages financial resources. This report also provides information to improve the reader’s understanding of the 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 consolidated financial statements for the fiscal year ended October 31, 2016. Additional information about the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often contain oral or written forward-looking statements which are based on the expectations of Management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. The main risks, uncertainties and factors that could influence actual results are described in the Management's Discussion and Analysis for the fiscal year ended October 31, 2016 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 December 6, 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 December 6, 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
Ability to generate excess cash flows.	- Lower spending on print media advertising will continue to affect both our sectors. - The Corporation's ability to control its costs. - 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, 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 the acquisitions in the packaging division.	- We will be able to retain key employees and develop new business opportunities in order to ensure the growth of our investments. - 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 growth in adjusted operating earnings for the packaging division during fiscal 2017.	- The development of several business opportunities will contribute to generating sustained organic growth.	- Decrease in volume with our current customers. - The loss of a significant customer. - The inability to generate sustained growth in the short term as a result of the long sales cycle.
Decrease in operating earnings for the Media Sector in 2017.	- Lower spending on print media advertising will continue to affect this sector. - Cost reduction initiatives will contribute to adjusted operating earnings.	- The decline in the advertising market could accelerate. - The impact of new media and the corresponding shift of advertising revenues to new platforms.
Negative organic growth in adjusted operating earnings for the printing division in 2017.	- Lower spending on print media advertising will continue to affect this division. - No significant loss of volume from an important customer. - Stable demand from retailers. - Cost reduction initiatives will not completely offset the expected decline in revenues.	- The speed of decline in the market could accelerate.

DEFINITION OF TERMS USED IN THIS MANAGEMENT REPORT

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

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

PROFILE OF TC TRANSCONTINENTAL

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

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

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Printing & Packaging Sector

Largest printer in Canada and the third largest in North America, TC Transcontinental Printing has over 4,500 employees and a network of 18 state-of-the-art plants. The division offers an array of premedia services as well as innovative print solutions such as retail flyers, newspapers, magazines, colour books, in-store marketing products and personalized and mass marketing products. It also distributes flyers and newspapers through *Publisac* in Quebec and its equivalent in the Atlantic Provinces, as well as through Targeo, a pan-Canadian distribution brokerage service.

TC Transcontinental Packaging, which has close to 900 employees in the United States and Canada, ranks among the 25 leading flexible packaging suppliers in North America. Its platform includes six production plants specializing, among others, in the flexographic printing and lamination of plastic films as well as the manufacturing of bags and pouches. The division offers an array of innovative solutions to a variety of industries, including the dairy, coffee, snack foods, confectionery, fresh and frozen food, cigar and pet food markets.

Media Sector

TC Media is a media industry leader in Canada, employing nearly 2,000 people. TC Media is the largest publisher of local and regional multi-platform newspapers in Quebec and the Atlantic Provinces. The sector also has flagship brands catering to the business community and the financial services sector, including a major event planning component. TC Media is also positioned as Canada's largest publisher of French-language educational resources.

PREAMBLE

The Corporation revised its organizational structure to combine its services offered to retailers within the printing division. As a result, door-to-door distribution and premedia services have been transferred under the responsibility of the Printing & Packaging Sector. Accordingly, the comparative data for our operating sectors have been restated to reflect these changes.

HIGHLIGHTS OF FISCAL 2016

- Revenues increased by $17.3 million, or 0.9%, from $2,002.2 million in 2015 to $2,019.5 million in 2016.
- Adjusted operating earnings increased by $6.7 million, or 2.4%, from $276.7 million in 2015 to $283.4 million in 2016.
- Adjusted net earnings attributable to shareholders of the Corporation increased by $9.6 million, or 5.1%, from $186.7 million in 2015 to $196.3 million in 2016.
- On December 7, 2015, the Corporation concluded an agreement in principle with The Globe and Mail Inc. to amend the terms and conditions of the contract to print *The Globe and Mail* newspaper in certain markets. The Corporation received a payment of $31.0 million to compensate for price reductions on future services.
- On January 15, 2016, the Corporation announced the signing of a five-year agreement to print the *Toronto Star*, which took effect in July 2016.
- On March 9, 2016, the Board of Directors approved an 8.8% increase in the dividend per share to $0.74 per year.
- On June 30, 2016, the Corporation announced the acquisition of Robbie Manufacturing, a flexible packaging supplier located in Lenexa, Kansas.
- On October 17, 2016, the Corporation announced the acquisition of Flexstar Packaging, a flexible packaging supplier located in Richmond, British Colombia. This first acquisition in Canada enables the creation of a platform on the West Coast and brings an expertise in blown-film extrusion.
- On December 6, 2016, the Corporation announced an amendment to its normal course issuer bid (NCIB) to increase the maximum number of Class A Subordinate Voting Shares that it may repurchase from 1,000,000 to 2,000,000 shares. Under its current NCIB, as of November 30, 2016, the Corporation has repurchased 701,590 of its Class A Subordinate Voting Shares at a weighted-average price of $17.42, for a total cash consideration of $12.2 million.

STRATEGY

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

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

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

Market Forces

The ongoing transformation in the media and marketing industries has had a profound impact on the entire print and publishing industry. Print products remain a key component of the marketing mix used by marketers, but their growth is limited by the increasing emphasis placed on new media and communication platforms such as mobile devices and digital channels. The printers who will emerge from this evolving market are those

who possess efficient technologies in order to reduce their production costs, who offer a national network that brings them close to their customers, and who provide a comprehensive set of integrated solutions.

Avenues of Growth

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

The Corporation's plan is built around three objectives:

Maximize Print

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

Grow the Packaging Division

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

Strengthen the Media Offering and Build Digital

The Corporation continues to strengthen its digital offering in the Media Sector, while also focusing its efforts on the local advertising market, professional and business information and educational content. The sector aims to attract a growing number of audiences for the benefit of its customers and advertisers who want to promote their products and services through targeted marketing.

ANALYSIS OF SECTOR RESULTS - FISCAL YEAR

(unaudited)

Table #1:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Year ended October 31, 2015	**$ 1,679.1**	**$ 376.6**	**$ (53.5)**	**$ 2,002.2**
Acquisitions/disposals and closures	116.3	(17.0)	—	99.3
Existing operations				
Exchange rate effect	22.0	0.1	—	22.1
Organic growth (negative)	(62.8)	(47.4)	6.1	(104.1)
Revenues - Year ended October 31, 2016	**$ 1,754.6**	**$ 312.3**	**$ (47.4)**	**$ 2,019.5**
Adjusted operating earnings - Year ended October 31, 2015	**$ 298.0**	**$ 15.7**	**$ (37.0)**	**$ 276.7**
Acquisitions/disposals and closures	10.8	(2.8)	—	8.0
Existing operations				
Exchange rate effect	10.8	(0.1)	—	10.7
Organic growth (negative)	(16.1)	(7.7)	11.8	(12.0)
Adjusted operating earnings - Year ended October 31, 2016	**$ 303.5**	**$ 5.1**	**$ (25.2)**	**$ 283.4**

The Corporation revised its organizational structure. Accordingly, certain comparative figures were reclassified to reflect these changes. See the "Preamble" for additional information.

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 $75.5 million, or 4.5%, from $1,679.1 million in fiscal 2015 to $1,754.6 million in fiscal 2016. The recent acquisitions in the packaging division and the favourable exchange rate effect more than offset the sector's organic decline, which is mostly due to the printing division. The decline in advertising spending continued to affect our commercial printing activities, partly offset by the positive effect of the contract to print the Census of Canada, which ended in the second quarter of 2016. The advertising market also had an unfavourable impact on the magazine and newspaper printing volume, partly offset by the positive effect of the new contract to print the *Toronto Star*, which came into effect in July 2016. With respect to the flyer offering, the loss of a US customer in 2015 had an unfavourable impact, mainly in the first six months of fiscal 2016; however, the demand from other retailers remained relatively stable. In the packaging division, Transcontinental Capri's revenues were lower due to an adjustment to the demand from our main customer and the loss of a customer as a result of its sale.

Adjusted operating earnings increased by 1.8%, or $5.5 million, from $298.0 million in fiscal 2015 to $303.5 million in fiscal 2016. The positive effect of the acquisitions in the packaging division and the favourable exchange rate effect more than offset the negative organic growth. This organic decline is mostly due to the above-mentioned lower volume and the investments made to increase our capacity in order to support our growth strategy in the packaging division. These items were partly offset by cost reduction initiatives in the printing division. The sector's adjusted operating earnings margin declined from 17.7% in fiscal 2015 to 17.3% in fiscal 2016.

Media Sector

Media Sector revenues decreased by $64.3 million, or 17.1%, from $376.6 million in fiscal 2015 to $312.3 million in fiscal 2016. With respect to the organic decrease, lower advertising revenues continued to impact publishing activities, mainly within the local newspapers segment. In addition, lower revenues from our digital advertising network also contributed to the organic decline as a result of the discontinuation of certain activities in this niche. With regard to our educational book offering, revenues remained stable compared to the prior year. Lastly, the disposals and closures

of local newspapers and certain products in the Interactive Marketing Solutions Group accounted for a $17.0 million decrease in the sector's revenues.

Adjusted operating earnings decreased by $10.6 million, or 67.5%, from $15.7 million in fiscal 2015 to $5.1 million in fiscal 2016. The adjusted operating earnings margin decreased from 4.2% in fiscal 2015 to 1.6% in 2016. This decrease is mainly explained by the lower revenues mentioned above, partly offset by cost reduction initiatives within the local newspaper segment and the Interactive Marketing Solutions Group. In addition, the disposals and closures mentioned above also explain the decrease in adjusted operating earnings. With regard to the educational book offering, adjusted operating earnings remained stable compared to the prior year.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$53.5 million in fiscal 2015 to -$47.4 million in fiscal 2016. Adjusted operating earnings improved by $11.8 million, from -$37.0 million in fiscal 2015 to -$25.2 million in 2016. The improvement is mainly attributable to a favourable variance of $8.0 million in stock-based compensation as a result of the change in the share price in 2016 compared to the prior year and, to a lesser extent, cost reduction initiatives at head office.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

(unaudited)

Table #2:

(in millions of dollars)	2016	2015	Variance fav / (unfav)
Adjusted operating earnings	**$ 283.4**	**$ 276.7**	**$ 6.7**
Net financial expenses	15.9	6.2	(9.7)
Reversal of financial expenses resulting from notices of assessment	—	11.9	11.9
Adjusted income taxes	71.7	72.6	0.9
Share of net earnings in interests in joint ventures, net of related taxes	(0.5)	(0.3)	0.2
Non-controlling interests	—	(0.4)	(0.4)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 196.3**	**$ 186.7**	**$ 9.6**
Restructuring and other costs (revenues), net of related taxes	10.4	(8.7)	(19.1)
Impairment of assets (after tax)	39.6	22.0	(17.6)
Adjustment to deferred income tax assets	—	(51.7)	(51.7)
Reversal of financial expenses resulting from notices of assessment	—	(11.9)	(11.9)
Net earnings from discontinued operations	—	(25.6)	(25.6)
Net earnings attributable to shareholders of the Corporation	**$ 146.3**	**$ 262.6**	**$ (116.3)**

Net Financial Expenses

Net financial expenses increased by $9.7 million, from $6.2 million in fiscal 2015 to $15.9 million in fiscal 2016. This unfavourable variance is mainly due to the reversal of $11.9 million of accrued interest in the fourth quarter of 2015 resulting from notices of assessment from the provincial tax authorities. Excluding this amount, financial expenses decreased by $2.2 million, mainly due to excess free cash flows which enabled us to reduce net indebtedness while pursuing the transformation of the business through acquisitions.

Adjusted Income Taxes

Adjusted income taxes decreased from $72.6 million in fiscal 2015, for a tax rate of 28.1%, to $71.7 million, or 26,8%, in fiscal 2016. This decrease in tax rate stems from the geographic distribution of earnings before taxes and the reconciliation of the estimated accounting provision and the tax expense.

Adjusted Net Earnings Attributable to Shareholders of the Corporation

Adjusted net earnings attributable to shareholders of the Corporation increased by $9.6 million, or 5.1%, from $186.7 million in fiscal 2015 to $196.3 million in fiscal 2016. This improvement is mainly attributable to higher adjusted operating earnings and, to a lesser extent, a decrease in financial expenses net of the reversal resulting from notices of assessment. On a per share basis, it increased from $2.39 to $2.53.

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

Restructuring and other costs (revenues), net of related taxes, increased by $19.1 million compared to the prior year. This variance is mainly explained by favourable items in 2015, including the reversal of the provision for multi-employer pension plans and the gain on the sale of a building. In addition, workforce reduction expenses increased as a result of initiatives undertaken across the Corporation's operations.

Impairment of Assets (After Tax)

An asset impairment charge of $53.6 million was recorded in 2016 ($39.6 million after tax) compared to $27.2 million ($22.0 million after tax) in 2015, a variance of $26.4 million ($17.6 million after tax) compared to the prior year. The increase is mainly explained by a higher impairment charge for intangible assets in the Local Newspapers Group, mainly due to significantly lower advertising revenues. This impairment charge has no impact on the Corporation's cash or compliance with debt covenants.

Discontinued Operations

In fiscal 2015, net earnings from discontinued operations amounted to $25.6 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 $262.6 million in fiscal 2015 to $146.3 million in 2016. This decrease is mostly due to several favourable adjustments recorded in the fourth quarter of 2015, including the $51.7 million revaluation of tax assets in the United States. Moreover, the effect of the gain on the sale of the consumer magazine publishing activities and the reversal of financial expenses resulting from notices of assessment also contributed to the variation compared to the prior year. Lastly, a higher impairment expense and greater restructuring and other costs (revenues) also explain this decrease. On a per share basis, net earnings attributable to shareholders of the Corporation decreased from $3.36 to $1.89.

ANALYSIS OF SECTOR RESULTS - FOURTH QUARTER

(unaudited)

Table #3:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - Fourth quarter of 2015	**$ 452.3**	**$ 100.2**	**$ (12.4)**	**$ 540.1**
Acquisitions/disposals and closures	36.3	(9.1)	—	27.2
Existing operations				
Exchange rate effect	2.8	—	—	2.8
Organic growth (negative)	(6.8)	(9.0)	1.3	(14.5)
Revenues - Fourth quarter of 2016	**$ 484.6**	**$ 82.1**	**$ (11.1)**	**$ 555.6**
Adjusted operating earnings - Fourth quarter of 2015	**$ 90.7**	**$ 11.9**	**$ (14.8)**	**$ 87.8**
Acquisitions/disposals and closures	3.5	(1.9)	—	1.6
Existing operations				
Exchange rate effect	5.9	—	—	5.9
Organic growth	2.6	0.5	9.0	12.1
Adjusted operating earnings - Fourth quarter of 2016	**$ 102.7**	**$ 10.5**	**$ (5.8)**	**$ 107.4**

The Corporation revised its organizational structure. Accordingly, certain comparative figures were reclassified to reflect these changes. See the "Preamble" for additional information.

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 $32.3 million, or 7.1%, from $452.3 million in the fourth quarter of 2015 to $484.6 million in the fourth quarter of 2016. Revenues associated with our recent acquisitions combined with the favourable exchange rate effect offset the organic decrease, which is related to the printing division. A reduction in advertising spending continued to affect commercial printing activities, combined with the end of the contract to print the Census of Canada, which had a significant impact in the fourth quarter of 2015. With respect to the newspaper and magazine printing offering, the new contract to print the *Toronto Star* partly offset the decrease in circulation and number of pages that impacted demand from several customers. Canadian retailers maintained their flyer printing volume, while also using seasonal catalogs to attract their customers. In addition, door-to-door distribution operations remained stable, while premedia activities experienced a slight increase. In the packaging division, existing operations recorded a slight increase compared to the fourth quarter of 2015.

Adjusted operating earnings increased by 13.2%, or $12.0 million, from $90.7 million in the fourth quarter of 2015 to $102.7 million in the fourth quarter of 2016. The recent acquisitions, the exchange rate effect and the increase in organic growth have all contributed to the increase compared to the prior year. With respect to organic growth, the slight increase in the print division's operating earnings is explained by the continued cost reduction initiatives which offset the decrease in revenues mentioned above. Lastly, the packaging division's organic growth remained stable. The sector's adjusted operating earnings margin increased from 20.1% in the fourth quarter of 2015 to 21.2% in the fourth quarter of 2016.

Media Sector

Media Sector revenues decreased by $18.1 million, or 18.1%, from $100.2 million in the fourth quarter of 2015 to $82.1 million in the fourth quarter of 2016. With respect to existing operations, the lower advertising revenues continued to impact publishing activities within the local newspapers segment. In addition, the discontinuation of certain activities contributed to the reduction in sales from our digital advertising network. Lastly, the disposals and closures of local newspapers and certain products in our Interactive Marketing Solutions Group accounted for a $9.1 million decrease in the sector's revenues.

Adjusted operating earnings decreased by $1.4 million, or 11.8%, from $11.9 million in the fourth quarter of 2015 to $10.5 million in the fourth quarter of 2016. The adjusted operating earnings margin increased from 11.9% in the fourth quarter of 2015 to 12.8% in 2016. In the fourth quarter of 2016, cost reduction initiatives undertaken within local newspapers and the Interactive Marketing Solutions Group stabilized the unfavourable

effect of the decrease in revenues mentioned above. However, the sale of certain digital products, which were profitable in the fourth quarter of 2015, explain the decrease in adjusted operating earnings.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$12.4 million in the fourth quarter of 2015 to -$11.1 million in the fourth quarter of 2016. Adjusted operating earnings increased by $9.0 million, from $-14.8 million in the fourth quarter of 2015 to -$5.8 million in 2016. This improvement is primarily attributable to a decrease of $7.4 million in stock-based compensation as a result of the change in the share price in the fourth quarter of 2016 compared to the corresponding period in 2015 and cost reduction initiatives at head office.

ANALYSIS OF CONSOLIDATED RESULTS - FOURTH QUARTER

(unaudited)

Table #4:

(in millions of dollars)	2016	2015	Variance fav / (unfav)
Adjusted operating earnings	**$ 107.4**	**$ 87.8**	**$ 19.6**
Net financial expenses	3.9	(7.6)	(11.5)
Reversal of financial expenses resulting from notices of assessment	—	11.9	11.9
Adjusted income taxes	27.0	23.0	(4.0)
Share of net earnings in interests in joint ventures, net of related taxes	(0.1)	—	0.1
Non-controlling interests	—	(0.1)	(0.1)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 76.6**	**$ 60.6**	**$ 16.0**
Restructuring and other costs (revenues), net of related taxes	1.7	(0.4)	(2.1)
Impairment of assets (after tax)	17.2	20.8	3.6
Adjustment to deferred income tax assets	—	(51.7)	(51.7)
Reversal of financial expenses resulting from notices of assessment	—	(11.9)	(11.9)
Net earnings from discontinued operations	—	3.6	3.6
Net earnings attributable to shareholders of the Corporation	**$ 57.7**	**$ 100.2**	**$ (42.5)**

Net Financial Expenses

Net financial expenses increased by $11.5 million, from a gain of $7.6 million in the fourth quarter of 2015 to an expense of $3.9 million in the fourth quarter of 2016. This change is mainly due to the reversal of $11.9 million of accrued interest in the fourth quarter of 2015 resulting from notices of assessment from the provincial tax authorities. Excluding this reversal, financial expenses remained stable.

Adjusted Income Taxes

Adjusted income taxes increased from $23.0 million in the fourth quarter of 2015, for a tax rate of 27,5%, to $27.0 million, or 26.2%, in the fourth quarter of 2016. This decrease in tax rate stems from the geographic distribution of earnings before taxes and the reconciliation of the estimated accounting provision and the tax expense.

Adjusted Net Earnings Attributable to Shareholders of the Corporation

Adjusted net earnings attributable to shareholders of the Corporation increased by $16.0 million, or 26,4%, from $60.6 million in the fourth quarter of 2015 to $76.6 million in the fourth quarter of 2016. This increase is mostly attributable to an improvement in adjusted operating earnings, partly offset by an increase in adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation increased from $0.78 to $0.99.

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

Restructuring and other costs (revenues), net of related taxes, increased by $2.1 million compared to the prior year, mostly as a result of an increase in workforce reduction expenses.

Impairment of Assets (After Tax)

An asset impairment charge of $23.2 million was recorded in the fourth quarter of 2016 ($17.2 million after tax) compared to $25.6 million ($20.8 million after tax) in fourth quarter of 2015, a decrease of $2.4 million ($3.6 million after tax) compared to the prior year. The impairment charge for intangible assets in the Local Newspapers group was higher in the fourth quarter of 2016. However, this increase was offset by the positive variance explained by the goodwill impairment taken during the fourth quarter of 2015 within the Media Sector's Digital Solutions Group. These impairment charges have no impact on the Corporation's cash or compliance with debt covenants.

Discontinued Operations

In the fourth quarter of 2015, net earnings from discontinued operations amounted to -$3.6 million, primarily as a result of an adjustment to the preliminary calculation of the gain on the sale of consumer magazines.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased from $100.2 million in the fourth quarter of 2015 to $57.7 million in the fourth quarter of 2016. This decrease is mostly explained by the adjustment to deferred tax assets in the United States and the reversal of financial expenses resulting from notices of assessments recorded in the fourth quarter of 2015. These items were partly offset by higher adjusted operating earnings. On a per share basis, net earnings attributable to shareholders of the Corporation decreased from $1.28 to $0.75.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

(in millions of dollars, except per share amounts)	2016				2015			
	Q4	Q3	Q2	Q1	**Q4**	Q3	Q2	Q1
Revenues	**$ 555.6**	$ 467.8	$ 497.2	$ 498.9	**$ 540.1**	$ 481.9	$ 490.5	$ 489.7
Adjusted operating earnings before depreciation and amortization	**133.9**	89.2	83.1	83.9	**114.3**	96.4	87.2	80.8
Adjusted operating earnings margin before depreciation and amortization	**24.1 %**	19.1 %	16.7 %	16.8 %	**21.2 %**	20.0 %	17.8 %	16.5 %
Adjusted operating earnings	**107.4**	62.7	56.2	57.1	**87.8**	71.6	61.6	55.7
Adjusted operating earnings margin	**19.3 %**	13.4 %	11.3 %	11.4 %	**16.3 %**	14.9 %	12.6 %	11.4 %
Net earnings attributable to shareholders of the Corporation	**$ 57.7**	$ 45.9	$ 5.4	$ 37.3	**$ 100.2**	$ 43.3	$ 81.2	$ 37.9
Per share	**0.75**	0.59	0.07	0.48	**1.28**	0.55	1.04	0.49
Adjusted net earnings attributable to shareholders of the Corporation	**76.6**	44.1	34.2	41.4	**60.6**	48.8	39.1	38.2
Per share	**0.99**	0.57	0.44	0.53	**0.78**	0.62	0.50	0.49
% of fiscal year	**39 %**	23 %	17 %	21 %	**33 %**	26 %	21 %	20 %

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

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

Table #6:

	Three months ended October 31		For years ended October 31	
(in millions of dollars, except per share amounts)	**2016**	2015	**2016**	2015
Net earnings attributable to shareholders of the Corporation	**$ 57.7**	$ 100.2	**$ 146.3**	$ 262.6
Non-controlling interests	**—**	(0.1)	**—**	(0.4)
Net earnings from discontinued operations	**—**	3.6	**—**	(25.6)
Income taxes	**19.8**	(34.2)	**51.1**	15.6
Share of net earnings in interests in joint ventures, net of related taxes	**(0.1)**	—	**(0.5)**	(0.3)
Net financial expenses	**3.9**	(7.6)	**15.9**	6.2
Impairment of assets	**23.2**	25.6	**53.6**	27.2
Restructuring and other costs (revenues)	**2.9**	0.3	**17.0**	(8.6)
Adjusted operating earnings	**$ 107.4**	$ 87.8	**$ 283.4**	$ 276.7
Depreciation and amortization	**26.5**	26.5	**106.7**	102.0
Adjusted operating earnings before depreciation and amortization	**$ 133.9**	$ 114.3	**$ 390.1**	$ 378.7
Net earnings attributable to shareholders of the Corporation	**$ 57.7**	$ 100.2	**$ 146.3**	$ 262.6
Adjustment to deferred income tax assets	**—**	(51.7)	**—**	(51.7)
Reversal of financial expenses resulting from notices of assessment	**—**	(11.9)	**—**	(11.9)
Net earnings from discontinued operations	**—**	3.6	**—**	(25.6)
Impairment of assets (after tax)	**17.2**	20.8	**39.6**	22.0
Restructuring and other costs (revenues), net of related taxes	**1.7**	(0.4)	**10.4**	(8.7)
Adjusted net earnings attributable to shareholders of the Corporation	**$ 76.6**	$ 60.6	**$ 196.3**	$ 186.7
Weighted average number of shares outstanding	**77.2**	78.1	**77.6**	78.1
Adjusted net earnings attributable to shareholders of the Corporation per share	**$ 0.99**	$ 0.78	**$ 2.53**	$ 2.39

	As at October 31, 2016	As at October 31, 2015
Long-term debt	**$ 347.9**	$ 347.7
Current portion of long-term debt	**0.2**	36.4
Cash	**(16.7)**	(38.6)
Net indebtedness	**$ 331.4**	$ 345.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 390.1**	$ 378.7
Net indebtedness ratio	**0.8 x**	0.9 x

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES
(unaudited)

Table #7:

(in millions of dollars)		**2016**		2015
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$**	**396.0**	$	378.8
Changes in non-cash operating items		**(48.3)**		(27.3)
Income taxes paid		**(74.4)**		(62.9)
Cash flows from continuing operating activities	**$**	**273.3**	$	288.6
Investing activities				
Business combinations	**$**	**(86.3)**	$	(100.4)
Business disposals		**4.2**		2.2
Acquisitions of property, plant and equipment		**(58.5)**		(64.4)
Disposals of property, plant and equipment		**7.1**		21.6
Increase in intangible assets		**(18.2)**		(22.5)
Cash flows from investments in continuing operations	**$**	**(151.7)**	$	(163.5)
Financing activities				
Reimbursement of long-term debt	**$**	**(34.4)**	$	(77.2)
Net decrease in credit facility		**(24.0)**		(31.1)
Financial expenses on long-term debt		**(16.2)**		(19.3)
Interest received related to previous tax reassessments		**7.9**		—
Exercise of stock options		**0.4**		2.1
Dividends		**(56.2)**		(52.3)
Share redemptions		**(21.5)**		(0.7)
Cash flows from the financing of continuing operations	**$**	**(144.0)**	$	(178.5)

Financial position		**As at October 31, 2016**		As at October 31, 2015
Net indebtedness	**$**	**331.4**	$	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 October 31, 2016**		As at October 31, 2015
Current assets	**$**	**559.9**	$	579.3
Current liabilities		**395.3**		458.4
Total assets		**2,062.2**		2,098.0
Total liabilities		**993.5**		1,081.7

Cash Flows from Continuing Operating Activities

Cash flows from continuing operating activities decreased from $288.6 million in fiscal 2015 to $273.3 million in fiscal 2016. This decrease is primarily explained by timing differences for our accounts payable to certain suppliers and higher income taxes paid, partly offset by the receipt of $31.0 million in December 2015 further to the renegotiation of the contract with The Globe and Mail Inc.

Cash Flows from Investments in Continuing Operations

Cash flows from investments in continuing operations went from a cash outflow of $163.5 million in fiscal 2015 to a cash outflow of $151.7 million in fiscal 2016. In 2015, the Corporation had disbursed $100.4 million, mostly for the acquisition of Ultra Flex Packaging, while it disbursed $86.3 million in 2016, mostly for the acquisitions of Robbie Manufacturing and Flexstar Packaging. These amounts were partly offset by a decrease in cash inflows related to property, plant and equipment, mostly as a result of the sale of a building during fiscal 2015.

Cash Flows from the Financing of Continuing Operations

Cash flows from the financing of continuing operations went from a cash outflow of $178.5 million in 2015 to a cash outflow of $144.0 million in 2016. This change is mainly explained by a decrease in outflows for the reimbursement of long-term debt. During 2015, the Corporation reimbursed $77.2 million in debt, including the second tranche of our Senior Notes Series 2002 A amounting to US$50.0 million. In 2016, the Corporation reimbursed $34.4 million in debt, including our Senior Notes Series 2004 D and certain debt assumed as part of business combinations. In addition, the Corporation disbursed $21.5 million in conjunction with its share repurchase program.

Debt Instruments

As at October 31, 2016, our net indebtedness ratio stood at 0.8x (0.9x as at October 31, 2015), and net indebtedness decreased from $345.5 million as at October 31, 2015 to $331.4 million as at October 31, 2016. Excess free cash flows enabled the Corporation to finance its acquisitions and its share repurchase program without increasing its indebtedness level.

Contractual Obligations and Business Commitments

Table #8:

Contract type (in millions of dollars)	2017	2018	2019	2020	2021 and thereafter	Total
Long-term debt	$ 0.2	$ —	$ 300.0	$ 50.0	$ —	$ 350.2
Leasing of premises	33.7	23.7	19.5	17.5	49.8	144.2
Accounts payable and accrued liabilities	326.4	—	—	—	—	326.4
Total obligations	**$ 360.3**	**$ 23.7**	**$ 319.5**	**$ 67.5**	**$ 49.8**	**$ 820.8**

Share Capital

The Corporation had been authorized to repurchase for cancellation on the open market or, subject to the approval of securities regulators, by private agreements, between April 15, 2015 and April 14, 2016, or at an earlier date if the Corporation concludes or cancels the bid, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 237,250 of its Class B Shares. The program was renewed for one year as of April 15, 2016, allowing the Corporation to repurchase on the open market up to 1,000,000 of its Class A Subordinate Voting Shares and up to 226,344 of its Class B shares.

Under the share repurchase plan that expired on April 14, 2016, the Corporation repurchased 543 500 shares in 2016 at a weighted average price of $17.23 for a total cash consideration of $9.3 million. The Corporation also repurchased 698,927 shares under the current program at a weighted average price of $17.42 for a total cash consideration of $12.2 million. Therefore, the Corporation repurchased 1,242,427 of its Class A Subordinate Voting Shares at a weighted average price of $17.33 for a total cash consideration of $21.5 million during fiscal 2016.

The change in Class B shares during fiscal 2016 is due to the conversion of 732,390 of Class B shares into Class A Subordinate Voting Shares.

Table #8:

Shares Issued and Outstanding	As at October 31, 2016	As at November 30, 2016
Class A (Subordinate Voting Shares)	62 886 445	62 888 082
Class B (Multiple Voting Shares)	14 074 626	14 070 326

MAIN ACCOUNTING ESTIMATES

Management is required to formulate estimates and assumptions that affect the amounts reported on the consolidated financial statements. Although management regularly reviews its estimates, actual results may differ. The impact of changes to accounting estimates is recognized in the period during which the change occurs, and in the affected future periods, when applicable. The elements for which important or complex estimates and hypotheses are required are presented in Note 2 of the consolidated financial statements for the year ended October 31, 2016.

CHANGES IN ACCOUNTING STANDARDS

New or Amended Accounting Standards not yet Adopted

The Corporation has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of the new standard or the amendment to the standard is still ongoing. Please see Note 2 to the consolidated financial statements in order to obtain more information.

- IFRS 9, "Financial Instruments"
- IFRS 15, "Revenue from Contracts with Customers"
- Amendments to IAS 16, "Property, Plant and Equipment"
- Amendments to IAS 38, "Intangible Assets"
- IFRS 16, "Leases"
- Amendments to IAS 7, "Statement of Cash Flows"
- Amendments to IFRS 2, "Classification and Measurement of Share-based Payment Transactions"

RISKS AND UNCERTAINTIES

The Corporation continually manages its exposure to certain market-related risks in its operations. As a result, Management regularly reviews internal controls and preventive measures to ensure they effectively address the significant risks to which the Corporation's operating activities are exposed. A report on its risk management program is presented regularly to the Audit Committee.

Managing the Corporation's risks is a major factor in the decisions taken by Management with regard to acquisitions, capital investments, divestiture of assets, consolidation of plants, efforts to create synergies among operating sectors or other operating activities. This focus also guides decisions regarding cost reduction measures, product diversification, new market penetration, and certain cash movements. Below is a list of the main risks the Corporation is exposed to that could have a significant impact on its financial position and the strategies it is taking to mitigate them. The following list presents the risks and uncertainties that the Corporation considers significant, but readers are cautioned that this list is not exhaustive and the risks are not ranked in order of importance.

Strategic Risks

Transformation of the Advertising Market - Impact of digital product development on our printed products

Advertisers now have a more diverse selection of media products in which to spend their advertising dollars. A continued shift in the number of readers and circulation of our printed products towards digital products could result in a decrease in the financial results of both our sectors. This shift would have an unfavourable effect on our newspaper and magazine printing activities, even though certain contracts have clauses related to the number of copies. However, we are working to integrate other newspaper publishers into our printing network to offset this transformation. In addition, a decrease in traditional advertising also has a significant impact on the Media Sector's newspaper publishing activities. To mitigate this risk, the Corporation focuses on continuous improvement programs and cost reduction initiatives as well as the development of digital products.

Transformation of Flyers - Decrease in printing activities could have a negative impact on net earnings

Over the past few years, certain Canadian retailers have experimented with interactive flyers and other digital campaigns. The impact of these initiatives on our flyer printing operations is minimal as printed flyers remain the primary tool for attracting customers into stores. However, a significant change in the number of pages or frequency of the flyers printed by the Corporation could have an adverse impact on our revenues.To mitigate this risk, we continue to develop our offering to retailers and remain alert to consumer trends to meet their evolving needs.

Foreign Competition - Increase in foreign competition in the Canadian market

Competition is based on price, quality of products and services and the range of services offered. Some of the printing niches in which the Corporation operates are highly competitive; in addition, the presence of US-based competitors could increase as a result of their excess capacity. To reduce this risk, the Corporation continually strives to improve operational efficiency while maximizing the use of its most productive equipment. Furthermore, the Corporation continually works on the quality of its products and the innovation in its offering.

Competition in the Packaging Industry - Competing with companies with more expertise and resources could require more significant development costs

The packaging industry is very competitive, and the Corporation cannot guarantee that it will be able to compete against packaging companies that are already established in this market, with more resources and experience in this industry. To adapt to consumer needs, the flexible packaging market continues to evolve with new formats and types of packaging. There is thus a risk that competitors will be able to adapt more quickly to consumer preferences, which would affect our ability to grow in this industry. This risk is partially mitigated by concluding long-term contracts and establishing solid relations with our main customers. However, our success may still depend on our ability to change with the technology and to make appropriate investments in R&D in order to continue offering satisfactory products.

Major Customers - The loss or change in consumption habits of a major customer could have an effect on net earnings

Certain of the Corporation's niches have customers representing a significant portion of their revenues. A few Canadian retailers and some newspaper publishers may individually represent a significant portion of the printing division's revenues. In addition, in the packaging division, Schreiber Foods, Inc. represents a significant portion of our current revenues as a result of a long-term contract expiring in 2024, which ensures recurring revenues. A change in consumption habits of a major customer or the loss of a customer could have an adverse effect. To mitigate this risk, the Corporation proactively works to renew its significant contracts early and continues to build solid, long-term relations with its main customers.

Control Held - Risk of conflict of interest between the shareholders and the controlling shareholder

As at October 31, 2016, Capinabel inc., a company controlled by Rémi Marcoux, directly or indirectly held 16.33% of shares outstanding and 72.96% of voting rights attached to the participating shares outstanding of Transcontinental Inc. Given the controlling stake of this shareholder, it is possible that in some situations the interests of the controlling shareholder might not correspond to the interests of other holders of participating shares of Transcontinental Inc.

Acquisitions - Risk of not properly identifying potential acquisitions in the flexible packaging industry

Our strategy for growth in this area is based on developing existing operations and our ability to make strategic acquisitions that will broaden our offering in this niche. We must be able to target interesting opportunities, at a reasonable value, and compete with other companies that wish to make acquisitions in this growing industry. The inability to identify and complete potential acquisitions could influence the development of our avenue of growth in the packaging industry. To mitigate this risk, the Corporation relies in particular on an experienced corporate development team that is actively looking for growth opportunities.

Long-term Growth Strategy - Ability to generate organic growth in the flexible packaging industry

The Corporation made several acquisitions in the flexible packaging industry. Consequently, we are counting on our capacity to develop flexible packaging expertise so that we can offer an excellent product to existing and prospective customers. A long sales cycle represents a challenge for organic growth, and this could have an impact on our ability to expand this division quickly enough to offset the potential decline in our printing and publishing operations. To mitigate this risk, the Corporation put in place a North American sales force that focuses on maintaining and developing the customer base.

Operational Risks

Integration of Acquisitions - Integrating acquisitions could disrupt our operating activities
Acquisitions have been and continue to be a key element in the Corporation's growth strategy. However, the integration of acquisitions is always a risk and this risk increases with the size, sector and type of acquisition. Integrating businesses could cause temporary disruptions to production, make us lose major contracts or influence our personnel retention and our customer relationships. In addition, the identified synergies may not be fully realized or may take longer to realize. We cannot guarantee that we will achieve the targeted objectives in terms of revenues, net earnings, productivity and performance. However, to limit these risks, the Corporation relies on strict acquisition criteria as well as experienced due diligence teams and rigorous integration methods.

Confidential Information - Potential disclosure of confidential information about our customers could damage our reputation and result in legal actions
This risk involves the use and manipulation of confidential information provided by the Corporation's customers. The potential disclosure of such information to the wrong individuals could cause significant damage to the Corporation's reputation and could result in legal actions. The techniques for stealing confidential information are constantly being refined, which increases the risk that our data could be compromised. In addition, it is possible that a data breach might not be detected quickly enough to limit the scope of the information that could be stolen. Consumers' confidence in the security of the information held and the transactions carried out using our online sites and our technology (including via mobile devices) is crucial to maintaining our reputation and competitiveness on the market. Various measures have been taken to better prevent and control this risk, including employee training and awareness programs. The requirements imposed by regulators are becoming stricter in this regard, and the Corporation's compliance with such regulations could have a financial impact.

Dependence on Information Systems - Potential disruption of computer systems could adversely affect the Corporation's operations
The Corporation uses several information technology systems. If these systems were to experience disruptions or breakdowns, viruses, unauthorized access, human error, sabotage or other such events, it could have a negative effect on the Corporation's operations and earnings. We mitigate these risks by ensuring that we maintain a quality technology environment on which our internal and external clients can rely. In addition, we periodically assess our computer controls to ensure they comply with standards. The Corporation is also investing in its information system infrastructure to preserve its reliability.

Respect of Privacy and Copyrights - Violating users' privacy or copyrights could damage our reputation
It is possible that some of the Corporation's activities could infringe on the privacy of users and others. The Canadian anti-spam legislation states that businesses that send commercial electronic messages must obtain the consent of the person to whom the message is sent. It is also possible that some copyright rules could be contravened with the publication of different types of content in the various media used by the Corporation. While the Corporation has introduced strict controls in these areas, any breach with respect to the collection, use, disclosure or security of personal information, protection of copyright, or other related confidentiality issues could damage its reputation and adversely affect its earnings.

Disruptions to Our Operations - Disruptions that could affect our ability to meet deadlines
The Corporation increasingly concentrates the production of certain products in high-volume plants, which increases the risk of missing production deadlines in the event of a disaster at one of these facilities. Our ability to meet deadlines could also be affected by major equipment failure, human error, labour disruptions resulting from negotiations with unions, transportation problems and supply difficulties. In addition, work accidents could cause injuries to employees and damages to our equipment. The impact on our results will depend on certain factors, including the nature of the disruption, its duration and the plant affected by the disrupting event. However, the Corporation has implemented contingency plans for all facilities that deliver products on a daily basis and holds insurance policies that could indemnify it against a portion of the costs related to certain disasters.

Recruiting and Retaining Talent - Difficulty to attract and retain key employees in our main operating sectors
Social and demographic trends are making it more challenging to hire and retain qualified personnel. There is a diminishing pool of qualified talent, an increase in professional mobility, an increase in technology use and a high demand for emerging skill sets. This risk is all the more important considering the transformation of the Corporation, which creates a need for specific skills in flexible packaging. As a result, the Corporation established development plans for high-potential and promotable executives, as part of the ongoing leadership review process. To ensure execution, each senior leader established specific objectives and committed to provide operational growth opportunities and new challenges to further accelerate each person's development. In addition, senior managers are evaluated on their implementation of succession plans for key positions and the Corporation conducts a leadership review to support challenges the organization may face and ensure ongoing identification of successors.

Operational Efficiency - Risk of not being able to maintain and improve our operational efficiency

Due to the nature of its markets, the Corporation must continually improve operational efficiency. However, there is no guarantee that the Corporation will be able to do this on an ongoing basis. As well, the need to reduce ongoing operating expenses could result in costs to downsize the workforce, close or consolidate facilities, or upgrade equipment and technology. Over the last few years, the Corporation significantly reduced its manufacturing assets to improve efficiency at its most productive plants. Although there is always operational efficiency opportunities at each plant, the initiatives available to react to a decrease in volume could be less significant and could have a lesser impact on the fixed cost structure. However, the Corporation can count on experienced and performing managers to develop and execute its plans to improve operational efficiency at existing plants.

Governmental Regulations - A Change in regulation could result in significant costs

The Corporation is subject to many regulations that may be amended by governmental authorities. Complying with any changes to these regulations could result in a material increase in costs for the Corporation. The Corporation could have to increase its payroll contributions, increase its workforce and enhance compensation, or invest in raw materials or equipment. The Corporation also benefits from certain government subsidy programs. Any change in the rules for applying these government programs in the future could have a significant impact on the Corporation's net earnings.

Regulations - Food Industry Risks from our flexible packaging operations

Some of the finished products from our flexible packaging operations are used for food packaging, which exposes us to the food industry risks, such as the transfer of foreign bodies into the food and labelling errors. In addition, the finished products manufactured using the Corporation's packaging products could be contaminated by organisms that cause illness, or pathogens, such as the bacteria E. coli, Salmonella and Listeria; the Corporation could thus possibly be involved in a recall of contaminated products. Such a situation could expose the Corporation to civil liability claims, to negative publicity, to investigations or to governmental intervention, which would have a material adverse impact on the Corporation's financial position, net earnings and reputation. The Corporation actively manages these risks by utilizing appropriate materials, ensuring that the controls and processes employed in its manufacturing facilities are rigorously monitored, and by maintaining civil liability insurance coverage. Our finished products are also subject to regulations issued by certain government agencies, including Health Canada and the United States Food and Drug Administration (FDA), which are responsible for protecting public health in the food industry. In the United States, the Consumer Product Safety Commission (CPSC) also regulates certain packaging products through various laws including the *Consumer Product Safety Act* and the *Poison Prevention Packaging Act*. In Canada, the packaging and labelling of food products as well as the safety of materials used in food packaging are regulated by Health Canada through laws such as the *Consumer Packaging and Labelling Act* and the *Food and Drugs Act*. To further mitigate these risks, some of our plants obtained GMI (Graphic Measures International) certification following a comprehensive evaluation of their manufacturing processes and controls performed across the entire production chain, to ensure consumer confidence.

Litigation - The Corporation is subject to legal risks from its operating activities

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

Environmental Risks - Our stakeholders' environmental concerns could result in additional operating costs

Printing and publishing use large quantities of paper for their day-to-day operations. As well, our distribution activities require the use of large quantities of plastic. Consumers and our customers continue to express concern about sustainability and protecting the environment. To mitigate this risk, the Corporation tries to be at the forefront of its industry in terms of commitment to the environment and, in collaboration with its stakeholders, develops on an ongoing basis new ways to reduce its eco-footprint. However, concern for the environment could lead governments to adopt new regulations on greenhouse gas emissions, paper or plastic recycling and soil contamination. These items could oblige the Corporation to incur additional costs in order to achieve compliance.

Raw Materials and Energy Prices - Significant fluctuations in the cost of raw materials and energy Consumed

Paper, ink, film and plates are the primary raw materials used by the Printing & Packaging Sector. These operations consume energy, i.e., electricity, natural gas and oil. Fluctuations in raw materials and energy prices affect these operations. Consequently, the Corporation continues to seek new ways to reduce energy costs.

Certain agreements with our clients provide for sales price indexation based on fluctuations in the price of raw materials. However, in the short term, the impact on our net earnings will be influenced by our ability to change prices and increase our operational efficiency to offset the fluctuations in the price of raw materials. In addition, the increase in the price of these raw materials could have a negative effect if it changes the purchasing habits of customers. Lastly, the increase in the price of paper and ink negatively affects the profitability of the Media Sector.

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

Financial Risks

Economic Cycles - Fluctuation in the demand for our products as a result of economic cycles

A significant risk that the Corporation faces, and which it can hardly control, is related to economic cycles and difficult market conditions. As well, a significant portion of the Corporation's revenues depends, directly or indirectly, on spending by advertisers. Advertising spending tends to be cyclical as a result of the global economic climate and consumers' buying habits. Furthermore, significant changes, including consolidation in some industries and the migration to digital platforms, are affecting the industries of our main advertisers, which could have an impact on the products offered by the Corporation. However, the Corporation believes it mitigates this risk through the very composition of its operations, since a substantial segment of the customer base operates in less cyclical markets, such as food. Lastly, because it has implemented a development strategy based on becoming a leader in its niches, the Corporation believes it can limit its exposure to economic cycles without, however, eliminating their occurrence or magnitude.

Credit - Risk of bad debts from certain customers

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

Liquidity - Availability of capital at a reasonable cost

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due, or that it will be able to meet them, but at an excessive cost. It should be noted that the Corporation's credit ratings assigned by various agencies have a significant influence on its financing ability and cost of financing. Consequently, the risk is that the Corporation may not be able to raise the necessary capital to meet its financing needs. This risk is however mitigated by the fact that the Corporation is in a very good financial position, with a net indebtedness ratio of 0.8x, and expects to continue generating significant cash flows from operations. Lastly, as at October 31, 2016, no amount was drawn on the $400.0 million revolving credit facility which matures in February 2021.

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

The Corporation is exposed to market risks related to interest rate fluctuations. At the end of fiscal 2016, considering the derivative financial instruments used, the fixed rate portion of the Corporation's long-term debt represented 100% of total debt (91% on October 31, 2015). The floating rate portion of the debt bears interest at rates based on LIBOR or bankers' acceptance rates. The Corporation tries to keep a good balance of fixed versus floating rate debt, which reduces the impact of a potential increase in interest rates.

Exchange Rate - Exchange rate fluctuations could impact our net earnings

The depreciation of the Canadian dollar in the last few years increases the value of sales in the United States and creates certain business opportunities, mostly as a result of the fact that the Corporation incurs the majority of its costs in Canadian dollars. In addition, the increase in the value of the US dollar provides the Corporation with some protection against foreign competition. A potential recovery in the value of the Canadian dollar would have a negative impact on net earnings. Furthermore, our recent acquisitions in the United States have increased the Corporation's revenues and profits in US dollars. However, to minimize the risks of short-term foreign currency fluctuations, the Corporation attempts to match cash inflows and outflows in the same currency and has in place a currency hedging program that uses derivatives.

Tax Disputes - Disputes with tax authorities could significantly impact our financial position
Disputes with tax authorities regarding the Corporation's position with respect to certain tax issues could have a material adverse impact on the Corporation and its operations, net earnings and financial position. In the normal course of the Corporation's business, tax authorities conduct regular audits. In that regard, the Corporation believes that all expenses claimed by the group's business units are reasonable and deductible and that the cost and the capital cost deduction used for the depreciable property of these business units have been calculated correctly. However, there is no guarantee that tax authorities will not dispute these positions. If rulings in such disputes favour the tax authorities, it could have a material adverse impact on the Corporation's financial position and could affect shareholders' returns.

Pension Plans - Major market fluctuations could impact the solvency of pension plans
As at October 31, 2016, almost all of TC Transcontinental's active employees were participating in defined contribution pension plans. However, the risks related to the defined benefit pension plans that were in place prior to the migration to the defined contribution plans are still assumed by the Corporation. Funding for defined benefit plans is based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the expected long-term rate of return on pension plan assets. The defined benefit obligation, fair value of plan assets and plan asset composition are measured at the date of the annual financial statements. The provincial pension plan legislation requires that the status of defined benefit pension plans be determined on a going-concern basis (assuming that the plan continues indefinitely) and on a solvency basis (essentially assuming that the plan is terminated). Our most recent actuarial valuations show a slight deficiency on a solvency basis and a slight surplus on a going-concern basis. To more rigorously manage the volatility risk of the defined benefit plans, the Corporation has implemented an investment strategy to limit the exposure of our assets to major fluctuations that would affect pension plan solvency.

Impairment Tests - Impairment tests may reduce the value of assets and therefore impact the Corporation's net earnings
The Corporation conducts impairment tests that could lead to asset write-downs and as a result have an adverse impact on its net earnings. Under IFRS, the Corporation must regularly test non-current assets for impairment to determine whether the value of the asset in question must be written down. Any asset write-down from impairment testing reduces net earnings but has no major impact on compliance with the debt ratio the Corporation must respect under the terms of its current credit facilities, nor on its borrowing power.

Conclusion on Risks and Uncertainties
The Corporation is pursuing its strict approach to risk management, remaining alert to any new risk or change in an existing risk which could affect its operations and ensuring effective implementation of existing controls. Management will continue its stringent approach to risk prevention, risk control and planning for business continuity, taking proactive steps to encourage business units to prevent risk, manage organizational change and recover efficiently from unexpected events.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

The effectiveness of the design and operation of the Corporation’s disclosure controls and procedures was evaluated as defined by *Regulation 52-109 respecting Certification of Disclosure in Issuer’s Annual and Interim Filings* (“Regulation 52-109”) as at October 31, 2016. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial and Development Officer of the Corporation concluded that the design and operation of disclosure controls and procedures were effective as at October 31, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Chief Financial and Development Officer of the Corporation are responsible for establishing and maintaining adequate internal controls. The purpose of internal control over financial reporting ("ICFR") is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

The effectiveness of the design and operation of the Corporation's ICFR was evaluated as at October 31, 2016, in accordance with the framework and criteria set out in the document entitled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013, a recognized control model, and the requirements of Regulation 52-109. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial and Development Officer of the Corporation concluded that the design and operation of ICFR were effective as at October 31, 2016.

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

In accordance with the provisions of Regulation 52-109, Management has limited the scope of its design of the Corporation's disclosure controls and procedures and ICFR to exclude the controls, policies and procedures of Robbie Manufacturing; 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.

The following table provides additional information about this acquisition:

	Robbie Manufacturing
Statement of financial position	**As at October 31, 2016**
Current assets	15.2 $M
Non-current assets	57.5 $M
Current liabilities	4.5 $M
Long-term liabilities	6.0 $M
Statement of earnings	**Year ended October 31, 2016**
Revenues	21.2 $M
Adjusted operating earnings before depreciation and amortization	1.9 $M
Adjusted operating earnings	1.0 $M

Please refer to Note 4 to the consolidated financial statements for additional information on this acquisition.

During the year ended October 31, 2016, except for the information provided above, no change that has materially affected or is reasonably likely to materially affect the ICFR was brought to the attention of management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

OUTLOOK FOR 2017

We expect stable revenues within the printing division from our offering to retailers, which includes flyer printing, door-to-door distribution and premedia services. In addition, we will continue to develop the in-store marketing product offering. The contract to print the *Toronto Star* will also have a positive impact on the first six months of the year, and we are also pursuing our initiatives to secure new contracts in this area. However, these positive items should be offset by a decrease in volume from certain newspaper publishers as a result of reduced circulation. Furthermore, our magazine and commercial product printing activities will be affected by a reduction in print advertising in fiscal 2017. Lastly, the non-recurring contract to print the Census of Canada, which has been completed since the second quarter of 2016, will also have an adverse effect in early 2017. With respect to adjusted operating earnings, we will continue our operational efficiency and cost reduction initiatives to offset in large part the expected decrease in volume within this division.

In our packaging division, the acquisitions of Robbie Manufacturing and Flexstar Packaging will have a positive impact in 2017. We will maintain our disciplined acquisition approach in this promising market in order to invest in quality assets that meet our strategic criteria. In addition, our manufacturing capacity, combined with our North American salesforce, should drive sustained organic growth. We will also continue the integration of our acquisitions which should generate additional synergies.

In the Media Sector, the impact of the transformation of the advertising market should continue to affect our newspaper publishing activities, partly offset by our cost reduction initiatives. In addition, we will continue to accelerate the shift to digital of our existing operations while focusing on our key competencies in this market.

Our significant cash flows and excellent financial health should enable us to continue investing in order to pursue our growth during fiscal 2017.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

December 6, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Transcontinental Inc.

We have audited the accompanying consolidated financial statements of Transcontinental Inc., which comprise the consolidated statements of financial position as at October 31, 2016, and October 31, 2015, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Transcontinental Inc. as at October 31, 2016 and October 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP*

December 6, 2016

Montréal, Canada

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

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CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 31, 2016 and 2015
(in millions of Canadian dollars, except per share data)

	Notes	**2016**	2015
Revenues		**$ 2,019.5**	$ 2,002.2
Operating expenses	5	**1,629.4**	1,623.5
Restructuring and other costs (revenues)	6	**17.0**	(8.6)
Impairment of assets	7	**53.6**	27.2
Operating earnings before depreciation and amortization		**319.5**	360.1
Depreciation and amortization	8	**106.7**	102.0
Operating earnings		**212.8**	258.1
Net financial expenses	9	**15.9**	6.2
Earnings before share of net earnings in interests in joint ventures and income taxes		**196.9**	251.9
Share of net earnings in interests in joint ventures, net of related taxes		**0.5**	0.3
Income taxes	10	**51.1**	15.6
Net earnings from continuing operations		**146.3**	236.6
Net earnings from discontinued operations	11	**—**	25.6
Net earnings		**146.3**	262.2
Non-controlling interests	11	**—**	(0.4)
Net earnings attributable to shareholders of the Corporation		**$ 146.3**	$ 262.6
Net earnings per share - basic			
Continuing operations	23	**$ 1.89**	$ 3.03
Discontinued operations		**—**	0.33
		$ 1.89	$ 3.36
Net earnings per share - diluted			
Continuing operations	23	**$ 1.88**	$ 3.02
Discontinued operations		**—**	0.33
		$ 1.88	$ 3.35
Weighted average number of shares outstanding - basic (in millions)		**77.6**	78.1
Weighted average number of shares - diluted (in millions)	23	**77.8**	78.3

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended October 31, 2016 and 2015
(in millions of Canadian dollars)

	Notes	2016	2015
Net earnings		**$ 146.3**	$ 262.2
Other comprehensive income (loss)			
Items that will be reclassified to net earnings			
Net change related to cash flow hedges			
Net change in the fair value of derivatives designated as cash flow hedges		**0.9**	(6.4)
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		**6.5**	1.6
Related income taxes		**2.0**	(1.1)
		5.4	(3.7)
Cumulative translation differences			
Net unrealized exchange gains on the translation of the financial statements of foreign operations		**13.9**	22.6
Net change in the fair value of derivatives designated as hedges of net investments in foreign operations		**0.6**	—
Related income taxes		**0.1**	—
		14.4	22.6
Items that will not be reclassified to net earnings			
Changes in actuarial gains and losses in respect of defined benefit plans			
Actuarial losses in respect of defined benefit plans		**(49.9)**	(9.1)
Related income taxes		**(13.4)**	(2.5)
		(36.5)	(6.6)
Other comprehensive income (loss) [1]	25	**(16.7)**	12.3
Comprehensive income		**$ 129.6**	$ 274.5
Attributable to:			
Shareholders of the Corporation		**$ 129.6**	$ 274.9
Non-controlling interests	11	**—**	(0.4)
		$ 129.6	$ 274.5

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended October 31, 2016 and 2015
(in millions of Canadian dollars)

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at October 31, 2015	**$ 368.2**	**$ 3.2**	**$ 625.5**	**$ 19.4**	**$ 1,016.3**	**$ —**	**$ 1,016.3**
Net earnings	**—**	**—**	**146.3**	**—**	**146.3**	**—**	**146.3**
Other comprehensive loss	**—**	**—**	**—**	**(16.7)**	**(16.7)**	**—**	**(16.7)**
Shareholders' contributions and distributions to shareholders							
Share redemptions (Note 22)	**(6.8)**	**—**	**(14.7)**	**—**	**(21.5)**	**—**	**(21.5)**
Exercise of stock options (Note 22)	**0.5**	**(0.1)**	**—**	**—**	**0.4**	**—**	**0.4**
Dividends (Note 22)	**—**	**—**	**(56.2)**	**—**	**(56.2)**	**—**	**(56.2)**
Stock-option based compensation (Note 24)	**—**	**0.1**	**—**	**—**	**0.1**	**—**	**0.1**
Balance as at October 31, 2016	**$ 361.9**	**$ 3.2**	**$ 700.9**	**$ 2.7**	**$ 1,068.7**	**$ —**	**$ 1,068.7**
Balance as at October 31, 2014	$ 366.0	$ 3.4	$ 415.6	$ 7.1	$ 792.1	$ 1.0	$ 793.1
Net earnings	—	—	262.6	—	262.6	(0.4)	262.2
Other comprehensive income	—	—	—	12.3	12.3	—	12.3
Shareholders' contributions and distributions to shareholders							
Share redemptions (Note 22)	(0.3)	—	(0.4)	—	(0.7)	—	(0.7)
Exercise of stock options (Note 22)	2.5	(0.4)	—	—	2.1	—	2.1
Dividends (Note 22)	—	—	(52.3)	—	(52.3)	—	(52.3)
Stock-option based compensation (Note 24)	—	0.2	—	—	0.2	—	0.2
Business disposal (Note 11)	—	—	—	—	—	(0.6)	(0.6)
Balance as at October 31, 2015	$ 368.2	$ 3.2	$ 625.5	$ 19.4	$ 1,016.3	$ —	$ 1,016.3

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended October 31, 2016 and 2015
(in millions of Canadian dollars)

	Notes	**As at October 31, 2016**	As at October 31, 2015 (1)
Current assets			
Cash		**$ 16.7**	$ 38.6
Accounts receivable	12	**401.9**	393.0
Income taxes receivable		**5.8**	15.2
Inventories	13	**119.6**	116.3
Prepaid expenses and other current assets		**15.9**	16.2
		559.9	579.3
Property, plant and equipment	14	**566.0**	567.5
Intangible assets	15	**217.0**	257.5
Goodwill	16	**509.7**	459.5
Investments in joint ventures		**2.9**	2.5
Deferred taxes	10	**171.3**	181.6
Other assets	17	**35.4**	50.1
		$ 2,062.2	$ 2,098.0
Current liabilities			
Accounts payable and accrued liabilities	18	**$ 326.4**	$ 339.7
Provisions	20	**9.8**	10.2
Income taxes payable		**3.5**	20.7
Deferred revenues and deposits		**55.4**	51.4
Current portion of long-term debt	19	**0.2**	36.4
		395.3	458.4
Long-term debt	19	**347.9**	347.7
Deferred taxes	10	**43.4**	64.4
Provisions	20	**2.9**	5.7
Other liabilities	21	**204.0**	205.5
		993.5	1,081.7
Equity			
Share capital	22	**361.9**	368.2
Contributed surplus		**3.2**	3.2
Retained earnings		**700.9**	625.5
Accumulated other comprehensive income	25	**2.7**	19.4
		1,068.7	1,016.3
		$ 2,062.2	$ 2,098.0

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31, 2016 and 2015
(in millions of Canadian dollars)

	Notes	2016	2015 [1]
Operating activities			
Net earnings		**$ 146.3**	$ 262.2
Less: Net earnings from discontinued operations	11	**—**	25.6
Net earnings from continuing operations		**146.3**	236.6
Adjustments to reconcile net earnings from continuing operations and cash flows from operating activities:			
Reversal of the provision for multi-employer pension plans	6	**—**	(22.6)
Impairment of assets	7	**53.6**	27.2
Depreciation and amortization	8	**132.7**	128.8
Financial expenses on long-term debt	9	**17.7**	19.2
Reversal of interest on previous tax assessments	9	**—**	(11.9)
Net losses (gains) on disposal of assets		**1.3**	(6.7)
Income taxes	10	**51.1**	15.6
Net foreign exchange differences and other		**(6.7)**	(7.4)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**396.0**	378.8
Changes in non-cash operating items	26	**(48.3)**	(27.3)
Income taxes paid		**(74.4)**	(62.9)
Cash flows from continuing operating activities		**273.3**	288.6
Investing activities			
Business combinations	4	**(86.3)**	(100.4)
Business disposals		**4.2**	2.2
Acquisitions of property, plant and equipment		**(58.5)**	(64.4)
Disposals of property, plant and equipment		**7.1**	21.6
Increase in intangible assets		**(18.2)**	(22.5)
Cash flows from investments in continuing operations		**(151.7)**	(163.5)
Financing activities			
Reimbursement of long-term debt	4 & 19	**(34.4)**	(77.2)
Net decrease in credit facility	19	**(24.0)**	(31.1)
Financial expenses on long-term debt		**(16.2)**	(19.3)
Interest received related to previous tax reassessments	9	**7.9**	—
Exercise of stock options	22	**0.4**	2.1
Dividends	22	**(56.2)**	(52.3)
Share redemptions	22	**(21.5)**	(0.7)
Cash flows from the financing of continuing operations		**(144.0)**	(178.5)
Effect of exchange rate changes on cash denominated in foreign currencies		**0.5**	4.1
Net change in cash from continuing operations		**(21.9)**	(49.3)
Net change in cash from discontinued operations	11	**—**	52.7
Cash at beginning of year		**38.6**	35.2
Cash at end of year		**$ 16.7**	$ 38.6
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ 1.5**	$ (0.8)

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

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

1 GENERAL INFORMATION

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

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

The Corporation changed its fiscal year end date from a calendar year end to a floating year end, thus the end of the year will always be the last Sunday of each October. This change will take effect in the next fiscal year.

The Corporation's Board of Directors approved these consolidated financial statements on December 6, 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The Corporation holds the following significant subsidiaries:

	Holding
Transcontinental Printing Inc. (Canada)	100.0 %
Transcontinental Printing 2007 Inc. (Quebec)	100.0
Transcontinental Printing 2005 G.P. (Quebec)	100.0
Transcontinental Printing Corporation (Delaware)	100.0
Transcontinental Media Inc. (Quebec)	100.0
Transcontinental Media G.P. (Quebec)	100.0
Transcontinental Interactive Inc. (Canada)	100.0
TC Transcontinental Packaging Inc. (Delaware)	100.0
Transcontinental Northern California (2009), Inc. (Delaware)	100.0

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

e) Exchange transactions
In the normal course of business, the Corporation offers advertising in exchange for goods or services. The related revenues are measured at the fair value of the goods and services received or given when the fair value of the goods or services received cannot be reliably measured. For the year ended October 31, 2016, the Corporation recognized an amount of $4.3 million as exchange transactions ($5.8 million for the year ended October 31, 2015).

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

l) Discontinued operations
A discontinued operation is a component of the Corporation's activities that represents a significant and distinct line of business or geographical area that the Corporation has disposed of or has classified as held for sale. Classification as a discontinued operation occurs at disposal or at the date on which the operation meets the criteria for classification as held for sale, depending on which came first. When an operation is classified as discontinued, comparative Statements of Net Earnings and Comprehensive Income, as well as comparative Statements of Cash Flows, are presented as if the operation were discontinued at the beginning of the comparative period.

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

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

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

n) Intangible assets

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

s) Stock-based compensation
The Corporation has stock option plans and share unit plans for certain officers, senior executives and directors. The Corporation has ceased granting stock options as of the year ended October 31, 2014.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

During the year ended October 31, 2016, the Corporation designated certain foreign exchange forward contracts denominated in U.S. dollars as hedging instruments for an equivalent amount of its net investment in certain foreign establishments that have the U.S. dollar as their functional currency. Thus, the effective portion of changes in fair value of hedging instruments, net of related income taxes, is recognized in 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.

u) Financial instruments
Financial assets and liabilities are initially recognized at fair value and their subsequent valuation is dependent on their classification. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments.

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

w) Critical judgments and sources of estimation uncertainty

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

i) Business combinations

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

ii) Impairment of non-financial assets

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

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

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

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

iii) Provisions

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

iv) Income taxes

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

New or amended accounting standards not yet adopted

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

The IASB completed its project to replace IAS 39 by stages. IFRS 9 provides a single approach for the classification and measurement of financial instruments based on the cash flow characteristics and the economic model in which the asset is held. This single principle-based approach replaces the existing rules-based requirements and results in a single impairment model for all financial instruments. IFRS 9 also modifies the hedge accounting model to incorporate the risk management practices of an entity. IFRS 9 is effective for years beginning on or after January 1, 2018, with earlier application permitted. The potential impact of the adoption of this standard on consolidated financial statements of the Corporation has not yet been determined.

b) Revenue from Contracts with Customers
In May, 2014 the IASB issued IFRS 15 "Revenue from Contracts with Customers". IFRS 15 will replace IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers", and SIC 31 "Revenue - Barter Transactions Involving Advertising Services".

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 will be applicable in financial statements for the annual period beginning on January 1, 2018, with earlier application permitted. The potential impact of the adoption of this standard on consolidated financial statements of the Corporation has not yet been determined.

c) Clarification of acceptable methods of depreciation and amortization
In May 2014, the IASB issued modifications to IFRS 16 "Property, Plant and Equipment" and to IAS 38 "Intangible Assets". The amendments to IAS 16 explicitly mentions that depreciation based on revenues cannot be used for property and equipment. The reason being that the depreciation method reflects factors other than the consumption of the economic benefits of the asset. Amendments to IAS 38 introduces a refutable presumption that the use of amortization methods based on revenues is inappropriate in the case of intangible assets. This presumption may be refuted only when products and consumption of economic benefits of the intangible assets have a "high correlation" or when the intangible asset is expressed as a measure of the revenues. These amendments are effective for years beginning on or after January 1, 2016, with earlier application permitted. The application of this standard should not have impact on the consolidated financial statements of the Corporation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Leases

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

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases. The only exemptions to this treatment are for lease contracts with duration of less than one year and those with a low value of the underlying asset. This accounting treatment will result in the grossing up of the statement of financial position due to a right-of-use asset being recognized with an offsetting liability representing the obligation to make lease payments. Lessor accounting under the standard remains largely unchanged. IFRS 16 will be applicable in financial statements for the annual period 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.

e) Statement of cash flow

In January 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows", which will require specific disclosures to enable financial statement users to assess changes in liabilities from financing activities. These amendments will be applicable for the annual period beginning on or after January 1, 2017, with earlier application permitted. The potential impact of the adoption of these amendments on consolidated statements of the Corporation has not yet been determined.

f) Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB issued "Classification and Measurement of Share-based Payment Transactions", which amends IFRS 2 "Share-based Payment", which clarifies how to account for certain types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. These amendments are effective for annual periods beginning on or after January 1, 2018, and are applicable to awards granted on or after that date and to unvested and vested but unexercised awards outstanding at that date. The amendments are to be applied prospectively, with retrospective application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

3 SEGMENTED INFORMATION

The Corporation revised its organizational structure to combine its services offered to retailers within the printing division. As a result, door-to-door distribution and premedia services have been transferred under the responsibility of the Printing & Packaging Sector. Accordingly, the comparative data for our operating sectors have been restated to reflect these changes.

The operating segments were determined and grouped by management in two separate sectors, according to the type of activity, which are manufacturing and publishing activities. The Printing and Packaging Sector includes the manufacturing activities of the Corporation and generates revenues from activities such as the printing of retail flyers, magazines, newspapers, color books, personalized and mass marketing products, premedia and geotargeted door-to-door distribution services and the production of flexible packaging solutions in Canada and the United States. The Media Sector generates revenues through print and digital publishing products, in French and English, of the following type: newspapers, educational books, specialized publications for professionals and retail promotional content. 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:

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

Year ended October 31, 2015	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 1,679.1	$ 376.6	$ (53.5)	$ 2,002.2
Operating expenses	1,299.0	348.7	(24.2)	1,623.5
Adjusted operating earnings before depreciation and amortization (1)	380.1	27.9	(29.3)	378.7
Restructuring and other costs (revenues)	8.4	13.1	(30.1)	(8.6)
Impairment of assets	3.3	22.1	1.8	27.2
Operating earnings before depreciation and amortization	368.4	(7.3)	(1.0)	360.1
Depreciation and amortization	82.1	12.2	7.7	102.0
Operating earnings	$ 286.3	$ (19.5)	$ (8.7)	$ 258.1
Adjusted operating earnings (1)	$ 298.0	$ 15.7	$ (37.0)	$ 276.7
Acquisitions of non-current assets (2)	$ 51.8	$ 25.6	$ 8.7	$ 86.1

(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 SEGMENTED INFORMATION (CONTINUED)

The Corporation's revenues by main products and services for the years ended October 31 are as follows:

	2016	2015
Printing and packaging products	**$ 1,503.6**	$ 1,427.8
Publishing and content products	**348.3**	383.1
Other products and services	**167.6**	191.3
	$ 2,019.5	$ 2,002.2

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

	As at October 31, 2016	As at October 31, 2015
Printing and Packaging Sector	**$ 1,775.9**	$ 1,645.9
Media Sector	**209.9**	306.2
Head office and inter-segment eliminations [1]	**76.4**	145.9
	$ 2,062.2	$ 2,098.0

[1] This heading includes mainly cash, income taxes receivable, property, plant and equipment, intangible assets, deferred taxes and defined benefit asset not allocated to segments.

The various geographic segment components in the Consolidated Statements of Earnings and Consolidated Statements of Financial Position for the years ended October 31, are as follows:

Geographic segments	**2016**	2015
Revenues		
Canada		
Domestic	**$ 1,601.5**	$ 1,687.6
Exports	**123.6**	122.1
United States	**294.4**	192.5
	$ 2,019.5	$ 2,002.2

	As at October 31, 2016	As at October 31, 2015
Non-current assets [1]		
Canada	**$ 862.7**	$ 905.4
United States	**460.6**	404.1
	$ 1,323.3	$ 1,309.5

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

4 BUSINESS COMBINATIONS

Acquisition for the year ended October 31, 2016

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

This acquisition allows the Corporation to pursue its development in the flexible packaging industry. The potential growth associated to this acquisition represents the main factor that comprise the goodwill generated by this acquisition.

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

The Corporation will finalize the accounting for this acquisition during the next fiscal year, specifically the assessment of the fair value of assets acquired and liabilities assumed, contingent consideration and goodwill related to this acquisition.

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

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

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

Acquisition for the year ended October 31, 2015

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$84.9 million ($113.0million), subject to adjustments and 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. 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.

The Corporation's Consolidated Statements of Earnings for the year ended October 31, 2015 include the operating results of Ultra Flex Packaging since the acquisition date, including additional revenues of $7.7 million, operating earnings before depreciation and amortization of $0.3 million, including adjustments related to the accounting of this acquisition and excluding transactions costs of $2.1 million (Note 6 "Restructuring and other costs (revenues)"). The fair value of the receivables acquired of $8.8 million, of which no amount was considered uncollectible at the acquisition date, is included in the current assets in the accounting of the business combination. If the Corporation had acquired this business on November 1, 2014, its operating results would have been as follows: additional revenues of approximately $98,3 million and operating earnings before depreciation and amortization of approximately $19,7 million. During the year ended October 31, 2015, the Corporation paid an amount of $1.0 million related to other business combinations acquired during the years ended October 31, 2015 and 2014.

4 BUSINESS COMBINATIONS (CONTINUED)

The following table presents a summary of the fair value of the assets acquired and the liabilities assumed at the acquisition date, as well as the adjustments of a business combination from the previous period, performed during the years ended October 31:

	2016	2015
Assets acquired		
Current assets	**$ 23.1**	$ 31.8
Property, plant and equipment	**29.7**	23.6
Intangible assets	**27.6**	25.5
Goodwill (no tax value)	**48.9**	59.1
Other assets	**—**	0.5
	129.3	140.5
Liabilities assumed		
Current liabilities	**8.5**	5.8
Long-term debt (current portion included) [(1)]	**20.6**	5.1
Deferred taxes	**12.7**	16.5
Other liabilities	**0.1**	0.1
	41.9	27.5
	$ 87.4	$ 113.0
Total consideration		
Cash paid	**$ 78.6**	$ 101.6
Short-term contingent consideration payable	**8.8**	6.7
Long-term contingent consideration payable	**—**	4.7
	$ 87.4	$ 113.0

[(1)] As at October 31, 2016, the total long-term debt of $20.6 million has been repaid by the Corporation. As at October 31, 2015, the long-term debt of $5.1 million has been repaid by the Corporation.

5 OPERATING EXPENSES

Operating expenses by major headings are as follows for the years ended October 31:

	2016	2015
Employee-related costs	**$ 628.3**	$ 648.2
Supply chain and logistics [1]	**885.2**	856.2
Other goods and services [2]	**115.9**	119.1
	$ 1,629.4	$ 1,623.5

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

[2] "Other goods and services" includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees. Operating leases recognized during the year ended October 31, 2016 represent $23.8 million ($21.8 million for the year ended October 31, 2015). Leasing and subleasing revenues recognized during the year ended October 31, 2016 were $4.4 million ($2.1 million for the year ended October 31, 2015).

The cost of goods sold recognized in operating expenses for the year ended October 31, 2016 was $1,122.9 million ($1,077.1 million for the year ended October 31, 2015, considering that certain comparative figures in operating expenses have been reclassified to conform to the presentation adopted during the year). An amount of $2.0 million was recognized as inventory obsolescence expenses for the year ended October 31, 2016 ($0.7 million for the year ended October 31, 2015).

6 RESTRUCTURING AND OTHER COSTS (REVENUES)

Restructuring and other costs (revenues) by major headings are as follows for the years ended October 31:

	2016	2015
Workforce reductions	**$ 24.9**	$ 15.3
Other costs (revenues) related to restructuring	**(0.3)**	3.6
Onerous contracts	**(0.1)**	1.9
Business acquisition costs [1]	**0.5**	2.5
Net gains on the sale of buildings	**(1.2)**	(7.6)
Reversal of the provision for multi-employer pension plans [2]	**—**	(22.6)
Amendment of defined benefit pension plans (Note 28)	**(1.2)**	2.6
Amendment of the long-term disability plan (Note 28)	**—**	(2.9)
Other revenues [3]	**(5.6)**	(1.4)
	$ 17.0	$ (8.6)

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

[2] In 2015, the Corporation reversed its provision for multi-employer pension plans in Quebec, following the adoption of the Bill no. 34, *An Act to amend the Supplemental Pension Plans Act with respect to the funding and restructuring of certain multi-employer pension plans.* Based on the provisions of the legislation, the Corporation's obligation related to multi-employer pension plans in Quebec is limited to making contributions per the collective agreements of the Corporation and the plans are classified as defined contribution plans.

[3] In 2016, the other revenues of $5.6 million include an amount of $5.1 million representing the effect on revaluation of a contingent consideration payable as part of a business combination, as explained in Note 4 "Business combinations".

7 IMPAIRMENT OF ASSETS

Impairment of assets by major headings is as follows for the years ended October 31:

		2016		2015
Property, plant and equipment	**$**	**2.4**	$	4.1
Intangible assets		**50.0**		14.8
Goodwill		**1.2**		8.3
	$	**53.6**	$	27.2

Property, plant and equipment
During the years ended October 31, 2016 and 2015, the Corporation recognized an impairment charge in respect of property, plant and equipment totalling $2.4 million and $4.1 million, respectively, primarily related to production equipment that was not used.

Intangible assets
During the year ended October 31, 2016, the Corporation performed its annual impairment test on intangible assets with an indefinite useful life, which consist of trade names acquired in business combinations for newspaper and book publishing activities. The Corporation has concluded that the recoverable values of certain CGUs 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 decrease in profitability. This decrease in profitability is located in weekly newspapers in Quebec as well as outside of Quebec, and is mainly due to a decrease in advertising revenues. Therefore, the Corporation recorded a $40.2 million impairment charge during the year ended October 31, 2016. During the same year, the Corporation also recorded an impairment charge on customer relationships of $8.8 million, mainly due to weekly newspapers in Quebec, and an impairment charge on technology project costs of $1.0 million in the Media Sector. These impairment charges had no effect on the Corporation's activities, on cash or on meeting the requirements of debt covenants.

During the year ended October 31, 2015, a $12.8 million impairment charge was recorded in respect of intangible assets with an indefinite useful life due to a decrease in profitability, related to trade names of certain CGUs in the Media Sector's Local Solutions Group. The Corporation also recorded an impairment charge of $2.0 million, in respect of technology project costs in the Media Sector.

Goodwill
During the year ended October 31, 2016, the Corporation reviewed its organizational structure, as described in Notes 3 "Segmented Information" and 16 "Goodwill". The CGU groups affected by theses changes, the Local Solutions Group and the Content Solutions Group in the Media Sector, as well as the Retail and Newspaper Group in the Printing and Packaging Sector, were tested for impairment of goodwill according to the previous organizational structure and the Corporation concluded that there was no impairment required. Subsequently, the Corporation performed its annual goodwill impairment test on its new organizational structure. The Corporation concluded that the recoverable value for the CGU group in the Media Sector's Digital Solutions Group, determined on the basis of fair value less costs to sell, was lower than its carrying value due to a decrease in activity. These conditions have a negative impact on the operational results of this CGU group. Therefore, the Corporation recorded a $1.2 million impairment charge during the year ended October 31, 2016. This impairment charge has no effect on the Corporation's activities, on cash or on meeting the requirements of debt covenants.

During the year ended October 31, 2015, the Corporation had recorded an impairment charge of $8.3 million for the CGU group in Media Sector's Digital Solutions Group, due to a decrease in activity. This impairment charge had no effect on the Corporation's activities, on cash or on meeting the requirements of debt covenants.

Impairment tests
As at October 31, 2016, the Corporation performed its annual impairment tests of goodwill and intangible assets with an indefinite useful life, in accordance with paragraph o) of Note 2 "Significant accounting policies". The recoverable values of CGUs, established for the purposes of impairment test of intangible assets with an indefinite useful life, have been determined on the basis of the value in use. The recoverable values of the CGU groups, established for the impairment test of goodwill, have been determined based on the greater of the fair value less costs to sell and the value in use.

The fair value less costs to sell was determined using capitalization multiples applied budget for fiscal 2017, derived from comparable companies whose activities are similar to the CGU or CGU group concerned. This information can be observed in the market.

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 three-year financial forecasts approved by management. The financial forecasts are based on past experience and reflect management's expectations regarding operating results and capital expenditures, taking into account the business strategy and economic and specific trends of the industry and market. Management establishes its forecasts based, among other things, on advertising revenues, printing costs and wage increases. Beyond the three-year period, cash flows are extrapolated using a perpetual decreasing rate.

The Corporation used discount rates varying between 8.54% and 18.75% (pre-tax discount rates vary between 7.38% and 31.86%). The discount rate represents the weighted average cost of capital ("WACC") for comparable companies whose activities are similar to the CGU or the CGU group concerned. The WACC is an estimate of the overall rate of return required by debt and equity holders on their investments, and reflects the current market valuation, the time value of money and the specific risk applicable to the CGU or group of CGU concerned.

7 IMPAIRMENT OF ASSETS (CONTINUED)

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

The following table presents the main CGU groups subject to an impairment test for goodwill, the basis used as recoverable value and key assumptions used:

	Carrying amount of goodwill as at October 31, 2016	Basis used as recoverable value	Capitalization multiple	Perpetual growth rate	Pre-tax discount rate
Printing and Packaging Sector					
Retail and Newspaper Group	$ 211.5	Fair value	5.5x	n/a	15.06 %
Flexible Packaging Group	188.0	Fair value	9.0x	n/a	13.39
Magazine, Book and Catalogue Group	65.4	Fair value	5.0x	n/a	15.26

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows for the years ended October 31:

	2016	2015
Property, plant and equipment	**$ 79.7**	$ 80.1
Intangible assets	**27.0**	21.9
	106.7	102.0
Intangible assets and other assets, recognized in revenues and operating expenses	**26.0**	26.8
	$ 132.7	$ 128.8

9 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows for the years ended October 31:

	2016	2015
Financial expenses on long-term debt	**$ 17.7**	$ 19.2
Reversal of interest on previous tax reassessments [1]	**—**	(11.9)
Net interest on defined benefit plans asset and liability (Note 28)	**0.4**	—
Interest on letters of credit for defined benefit plans (Note 19)	**0.1**	0.2
Other expenses (revenues)	**(0.5)**	1.1
Net foreign exchange gains	**(1.8)**	(2.4)
	$ 15.9	$ 6.2

[1] During the year ended October 31, 2015, following an agreement with the tax authorities, the Corporation reversed an amount of $11.9 million related to interest recognized during the year ended October 31, 2012, following the reception of notices of reassessment. The notices of reassessment related to deductions on investments in capital assets made by the Corporation, as well as the interprovincial allocation of income.

10 INCOME TAXES

The following table presents a reconciliation of income taxes at the Canadian statutory tax rate and at the effective tax rate for the years ended October 31:

	2016	2015
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 196.9**	$ 251.9
Canadian statutory tax rate [(1)]	**26.90 %**	26.90 %
Income taxes at the statutory tax rate	**53.0**	67.8
Effect of differences in tax rates in other jurisdictions	**(0.4)**	2.8
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**0.1**	(0.3)
Change in deferred tax assets on tax losses or temporary differences not previously recognized [(2)]	**—**	(54.7)
Other	**(1.6)**	—
Income taxes at effective tax rate	**$ 51.1**	$ 15.6
Income taxes before the following items:	**$ 71.7**	$ 72.6
Net increase to the carrying amount of deferred tax assets [(2)]	**—**	(51.7)
Income taxes on restructuring and other costs (revenues)	**(6.6)**	(0.1)
Income taxes on impairment of assets	**(14.0)**	(5.2)
Income taxes at effective tax rate	**$ 51.1**	$ 15.6

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

[(2)] The increase in the carrying amount of deferred tax assets during the year ended October 31, 2015 results primarily from increased activity in the United States, mainly resulting from the acquisitions of Capri Packaging and Ultra Flex Packaging.

The following table presents components of income tax expense for the years ended October 31:

	2016	2015
Current income taxes		
Current year	**$ 60.4**	$ 72.4
Adjustment for previous years' balances	**(0.4)**	(7.1)
	60.0	65.3
Deferred taxes		
Adjustment for previous years' balances	**(1.8)**	8.2
Increase related to temporary differences	**(7.4)**	(3.0)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**—**	(54.7)
Impact of tax rate changes	**0.3**	(0.2)
	(8.9)	(49.7)
Income taxes	**$ 51.1**	$ 15.6

10 INCOME TAXES (CONTINUED)

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

	As at October 31, 2016		As at October 31, 2015	
	Asset	**Liability**	Asset	Liability
Property, plant and equipment	**$ —**	**$ 45.9**	$ —	$ 43.0
Intangible assets and goodwill	**—**	**41.9**	—	43.4
Provisions	**16.0**	**—**	14.7	—
Deferred revenues	**59.3**	**—**	66.6	—
Long-term debt	**—**	**2.4**	—	6.6
Defined benefit plans	**15.8**	**—**	3.8	—
Loss carryforwards	**124.0**	**—**	125.4	—
Transitional provision for partnerships	**—**	**—**	—	4.4
Other	**3.0**	**—**	4.1	—
	218.1	**90.2**	214.6	97.4
Offsetting of assets and liabilities	**(46.8)**	**(46.8)**	(33.0)	(33.0)
	$ 171.3	**$ 43.4**	$ 181.6	$ 64.4

The loss carryforwards included in deferred tax assets expire between 2021 and 2036.

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

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

10 INCOME TAXES (CONTINUED)

Changes in deferred tax assets and liabilities for the year ended October 31, 2015 are as follows:

	Balance as at October 31, 2014	Recognized in net earnings	Discontinued operations (Note 11)	Exchange rate change	Recognized in other comprehensive income	Business combinations	Balance as at October 31, 2015
Property, plant and equipment	$ (42.6)	$ 5.8	$ —	$ 0.6	$ —	$ (6.8)	$ (43.0)
Intangible assets and goodwill	(33.9)	3.3	(3.5)	0.4	—	(9.7)	(43.4)
Provisions	11.7	2.8	(0.1)	0.3	—	—	14.7
Deferred revenues	73.2	(16.9)	—	10.3	—	—	66.6
Long-term debt	(6.0)	(1.7)	—	—	1.1	—	(6.6)
Defined benefit plans	(0.9)	2.2	—	—	2.5	—	3.8
Loss carryforwards	65.1	55.2	(1.5)	6.6	—	—	125.4
Transitional provisions for partnerships	(7.9)	3.5	—	—	—	—	(4.4)
Other	8.8	(4.5)	(0.1)	(0.1)	—	—	4.1
	$ 67.5	$ 49.7	$ (5.2)	$ 18.1	$ 3.6	$ (16.5)	$ 117.2

Certain items that were previously presented in inventory are now combined with intangible assets and goodwill in order to better reflect the nature of the items to which they relate. For this purpose, the comparative balances have been reclassified to reflect these changes.

As at October 31, 2016, the Corporation has $3.4 million in capital losses that can be used indefinitely and for which the potential benefits have not been recognized. In addition, the Corporation has loss carryforwards in the United States and considering that it is unlikely that a sufficient future taxable income will be available, the Corporation has not recognized a deferred tax asset on these losses totalling $15.2 million. Losses related to the unrecognized asset expire between 2017 and 2035.

As at October 31, 2016, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Corporation controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

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 year ended October 31, 2015:

		2015
Revenues [1]	$	31.7
Operating expenses [1]		33.6
Restructuring and other costs		0.6
Impairment of assets		0.8
Depreciation and amortization		0.9
Net financial revenues		(0.1)
Earnings before share of net earnings in interests in joint ventures and income taxes		(4.1)
Share of net earnings in interests in joint ventures, net of related taxes		0.2
Income taxes recovered		(1.0)
Net earnings related to discontinued operations		(2.9)
Gain on disposal of business, net of related taxes [2]		28.5
Net earnings and comprehensive income from discontinued operations	$	25.6
Attributable to:		
Shareholders of the Corporation	$	26.0
Non-controlling interests		(0.4)
	$	25.6

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

[2] Tax expenses on gain on disposal of business for the year ended October 31, 2015 was $6.2 million.

The following table presents cash flows from discontinued operations for the year ended October 31, 2015:

		2015
Cash flows related to operations	$	(1.9)
Cash flows related to investments		54.6
Net change in cash flows from discontinued operations	$	52.7

11 DISCONTINUED OPERATIONS (CONTINUED)

The following table summarizes the carrying value of assets and liabilities sold for year ended October 31, 2015:

	Consumer magazines
Current assets	$ 21.1
Property, plant and equipment	2.3
Intangible assets	1.7
Goodwill allocated	20.0
Assets sold	45.1
Current liabilities	19.2
Investments in joint ventures	0.4
Other liabilities	4.1
Liabilities transferred	23.7
Net assets sold	$ 21.4
Non-controlling interests	$ 0.6

12 ACCOUNTS RECEIVABLE

Components of accounts receivable are as follows:

	As at October 31, 2016	As at October 31, 2015
Trade receivables	**$ 367.1**	$ 360.7
Allowance for doubtful accounts	**(4.7)**	(4.8)
Other receivables	**39.5**	37.1
	$ 401.9	$ 393.0

13 INVENTORIES

Components of inventories are as follows:

	As at October 31, 2016	As at October 31, 2015
Raw materials	**$ 68.7**	$ 66.8
Work in progress and finished goods	**59.8**	57.2
Provision for obsolescence	**(8.9)**	(7.7)
	$ 119.6	$ 116.3

14 PROPERTY, PLANT AND EQUIPMENT

The following tables present changes in property, plant and equipment for the years ended October 31:

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

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2015	Land	Buildings	Leasehold improvements	Machinery and equipment	Machinery and equipment under finance leases	Other equipment	Assets under construction and deposits on equipment	Total
Cost								
Balance, beginning of year	$ 46.6	$ 238.5	$ 50.0	$ 1,132.2	$ 12.1	$ 116.6	$ 15.1	$ 1,611.1
Acquisitions	—	2.3	1.7	8.0	—	7.0	44.6	63.6
Made available for use	—	3.2	3.5	21.3	—	3.7	(31.7)	—
Business combinations (Note 4)	2.4	12.6	0.9	7.2	—	0.2	0.3	23.6
Business disposals	—	—	(5.2)	—	—	(3.2)	(0.2)	(8.6)
Disposals and elimination of cost on fully depreciated assets	(6.6)	(15.6)	(2.0)	(15.0)	—	(13.2)	(0.2)	(52.6)
Exchange rate change and other	4.1	8.5	(0.1)	18.4	—	1.0	(0.6)	31.3
Balance as at October 31, 2015	$ 46.5	$ 249.5	$ 48.8	$ 1,172.1	$ 12.1	$ 112.1	$ 27.3	$ 1,668.4
Accumulated depreciation and impairment								
Balance, beginning of year	$ —	$ (120.0)	$ (21.0)	$ (793.0)	$ (11.2)	$ (100.0)	$ —	$ (1,045.2)
Depreciation	—	(8.9)	(4.1)	(57.3)	(0.5)	(9.3)	—	(80.1)
Business disposals	—	—	3.2	—	—	2.5	—	5.7
Disposals and elimination of accumulated depreciation and impairment on fully depreciated assets	—	4.4	1.8	14.1	—	13.2	—	33.5
Impairment	—	(0.7)	(0.8)	(2.4)	—	(0.2)	—	(4.1)
Exchange rate change and other	—	(2.9)	0.1	(7.3)	—	(0.6)	—	(10.7)
Balance as at October 31, 2015	$ —	$ (128.1)	$ (20.8)	$ (845.9)	$ (11.7)	$ (94.4)	$ —	$ (1,100.9)
Net book value	$ 46.5	$ 121.4	$ 28.0	$ 326.2	$ 0.4	$ 17.7	$ 27.3	$ 567.5

Borrowing costs capitalized to property, plant and equipment
For the years ended October 31, 2016 and 2015, negligible amounts were capitalized to property, plant and equipment as borrowing costs.

15 INTANGIBLE ASSETS

The following tables present changes in intangible assets for the years ended October 31:

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

15 INTANGIBLE ASSETS (CONTINUED)

	Finite useful life						Indefinite useful life	
2015	Customer relationships	Book prepublication costs	Educational book titles	Non-compete agreements	Technology project costs	Acquired printing contracts and other	Trade names	Total
Cost								
Balance, beginning of year	$ 122.5	$ 112.7	$ 12.6	$ 10.4	$ 55.5	$ 11.7	$ 134.1	$ 459.5
Additions (internally generated)	—	11.7	—	—	10.8	—	—	22.5
Business combinations (Note 4)	25.5	—	—	—	—	—	0.1	25.6
Business disposals	—	—	—	—	(7.7)	—	(6.1)	(13.8)
Elimination of cost on fully amortized assets	—	—	—	(0.8)	(8.8)	(0.1)	—	(9.7)
Exchange rate change and other	9.3	(0.1)	—	—	1.6	—	—	10.8
Balance as at October 31, 2015	$ 157.3	$ 124.3	$ 12.6	$ 9.6	$ 51.4	$ 11.6	$ 128.1	$ 494.9
Accumulated amortization and impairment								
Balance, beginning of year	$ (23.0)	$ (78.2)	$ (7.6)	$ (5.6)	$ (28.3)	$ (9.7)	$ (54.2)	$ (206.6)
Amortization	(12.2)	(13.4)	(1.2)	(1.8)	(6.0)	(0.7)	—	(35.3)
Business disposals	—	—	—	—	5.8	—	5.8	11.6
Elimination of accumulated amortization and impairment on fully amortized assets	—	—	—	0.8	8.8	0.1	—	9.7
Impairment	(0.4)	(0.1)	—	—	(1.5)	—	(12.8)	(14.8)
Exchange rate change and other	(0.9)	0.1	—	0.1	(1.3)	—	—	(2.0)
Balance as at October 31, 2015	$ (36.5)	$ (91.6)	$ (8.8)	$ (6.5)	$ (22.5)	$ (10.3)	$ (61.2)	$ (237.4)
Net book value	$ 120.8	$ 32.7	$ 3.8	$ 3.1	$ 28.9	$ 1.3	$ 66.9	$ 257.5

16 GOODWILL

The following table presents the changes in goodwill for the years ended October 31:

	2016	2015
Cost		
Balance, beginning of year	**$ 1,168.6**	$ 1,120.3
Business combinations (Note 4)	**48.9**	59.1
Business disposals	**(1.4)**	(0.9)
Discontinued operations (Note 11)	**—**	(20.0)
Exchange rate change	**3.9**	10.1
Balance, end of year	**$ 1,220.0**	$ 1,168.6
Accumulated impairment		
Balance, beginning of year	**$ (709.1)**	$ (700.8)
Impairment (Note 7)	**(1.2)**	(8.3)
Balance, end of year	**$ (710.3)**	$ (709.1)
Net book value		
Beginning of year	**$ 459.5**	$ 419.5
End of year	**$ 509.7**	$ 459.5

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

Operating segments	As at October 31, 2016	As at October 31, 2015
Printing and Packaging Sector		
Retail and Newspaper Group [(1)]	**$ 211.5**	$ 211.5
Flexible Packaging Group	**188.0**	135.2
Magazine, Book and Catalogue Group	**65.4**	65.4
Premedia Group [(1)]	**12.5**	12.7
	477.4	424.8
Media Sector		
Book Publishing Group	**19.5**	19.5
Business Solutions Group	**12.8**	12.8
Local Solutions Group [(1)]	**—**	0.6
Digital Solutions Group	**—**	1.8
	32.3	34.7
	$ 509.7	$ 459.5

[(1)] During the year ended October 31, 2016, The Corporation revised its organizational structure to combine its services offered to retailers within the printing division. Thus, the distribution activities and premedia services were transferred to Printing and Packaging Sector. More specifically, the distribution activities, which were contained in Local Solutions Group in the Media Sector, were integrated into Retail and Newspaper Group in the Printing and Packaging Sector. For its part, the Content Solutions Group, which contains exclusively premedia services since the divestiture of other content production activities, was moved to the Printing and Packaging Sector, and was also renamed. Therefore, the comparative figures of our operating segments have been restated to reflect these changes.

The CGU groups affected by these organizational changes were tested for impairment of goodwill according to the previous organizational structure, as described in Note 7 " Impairment of Assets", and the Corporation concluded that there was no impairment required.

As part of this reorganization, the goodwill of the Local Solutions Group was entirely allocated to the Retail and Newspaper Group.

17 OTHER ASSETS

Components of other assets are as follows:

	As at October 31, 2016	As at October 31, 2015
Contract acquisition costs	**$ 23.9**	$ 16.7
Defined benefit asset (Note 28)	**3.4**	27.6
Fair value of derivative financial instruments	**1.4**	—
Other	**6.7**	5.8
	$ 35.4	$ 50.1

18 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Components of accounts payable and accrued liabilities are as follows:

	As at October 31, 2016	As at October 31, 2015
Accounts payable and other accruals	**$ 148.8**	$ 146.2
Salaries and other benefits payable	**90.1**	94.5
Stock-based compensation (Note 24)	**23.3**	25.2
Taxes payable	**9.0**	13.3
Derivative financial instruments	**1.8**	5.7
Financial expenses payable	**6.1**	6.2
Other	**47.3**	48.6
	$ 326.4	$ 339.7

19 LONG-TERM DEBT

Long-term debt is as follows:

	Effective interest rate as at October 31, 2016	Maturity	**As at October 31, 2016**	As at October 31, 2015
Senior notes				
Series 2004 D - LIBOR + 0.90% (US$10.0)	— %	—	**$ —**	$ 13.1
Senior unsecured notes - 3.897%	4.03 %	2019	**250.0**	250.0
Credit facility in Canadian dollars	— %	2021	**—**	10.0
Credit facility in U.S. dollars (2015 - US$10.0)	— %	2021	**—**	13.1
Debentures - Solidarity Fund QFL				
Series 1 - 5.58%	5.58 %	2019	**50.0**	50.0
Series 2 - 4.011%	4.05 %	2020	**50.0**	50.0
Other loans at zero nominal interest rates	5.73 %	2017	**0.2**	0.4
			350.2	386.6
Issuance costs on long-term debt at amortized cost			**2.1**	2.5
Total long-term debt			**348.1**	384.1
Current portion of long-term debt			**0.2**	36.4
			$ 347.9	$ 347.7

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

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

The Corporation has a credit facility amounting to $400.0 million or the U.S. dollar equivalent, which matures in February 2021. The applicable interest rate on the credit facility is based on the credit rating assigned by Standard & Poor's and DBRS. According to the current credit rating, it is either the bank prime rate, the banker's acceptance rate or the LIBOR, plus 1.675%, or the Canadian or U.S. prime rate, plus 0.675%. As at October 31, 2016, the nominal rate was 2.55% and 2.21% for the credit facility in Canadian dollars and in U.S. dollars, respectively.

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

On July 15, 2015, the Corporation repaid the remaining balance of its euro term loan which matured. This financing was for a period of six years, at EURIBOR variable interest rate plus 1.60%. The cross currency interest rate swap agreement, which was used as a derivative financial instrument designated as a hedge in order to lock the exchange rate and to convert the interest rate of this debt, also matured.

The Corporation has two renewable and uncommitted letters of credit facilities, amounting to $15.0 million each, which matured on April 11, 2016. On April 11, 2016, the Corporation extended its two letters of credit facilities for one additional year, extending the maturity date to April 11, 2017. The fees applicable to the portion issued on these letter of credit facilities are 1.00% annually. As at October 31, 2016, letters of credit amounting to $15.7 million ($12.7 million as at October 31, 2015) were issued on these facilities as collateral for unpaid contributions, with respect to the solvency deficiency of the Corporation's defined benefit plans (Note 28 "Employee Benefits").

As at October 31, 2016, a negligible amount of letters of credit were drawn on the credit facility. As at October 31, 2015 letters of credit amounting to US$0.1 million and US$1.3 million were drawn on the credit facility, in addition to the amount presented in the table above.

19 LONG-TERM DEBT (CONTINUED)

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. For the years ended October 31, 2016 and 2015, the Corporation has not been in default under any covenants.

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

	Principal payments
2017	$ 0.2
2018	—
2019	300.0
2020	50.0
2021	—
	$ 350.2

20 PROVISIONS

The following table presents changes in provisions for the year ended October 31, 2016:

	Restructuring costs	Onerous contracts	Other	Total
Balance, beginning of year	$ 5.6	$ 9.2	$ 1.1	$ 15.9
Provisions recorded	25.5	1.2	2.0	28.7
Amounts used	(24.7)	(3.5)	(0.2)	(28.4)
Provisions reversed	(0.2)	(1.4)	(1.9)	(3.5)
Balance as at October 31, 2016	$ 6.2	$ 5.5	$ 1.0	$ 12.7
Current portion	$ 6.2	$ 3.2	$ 0.4	$ 9.8
Non-current portion	—	2.3	0.6	2.9
	$ 6.2	$ 5.5	$ 1.0	$ 12.7

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

Onerous contracts
The provisions for onerous contracts are related to the operating leases for unused space by the Corporation following rationalization measures, and represent the present value of future rental expenses that the Corporation must pay under non-cancellable leases, net of estimated future subleasing revenues expected to be received on these contracts. The maximum term of these contracts is 5.5 years.

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

21 OTHER LIABILITIES

Components of other liabilities are as follows:

	As at October 31, 2016	As at October 31, 2015
Deferred revenues	**$ 128.9**	$ 145.3
Accrued liabilities and other liabilities	**11.9**	17.6
Defined benefit liability (Note 28)	**62.7**	41.8
Derivative financial instruments	**0.5**	0.8
	$ 204.0	$ 205.5

22 SHARE CAPITAL

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

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

The following table presents changes in the Corporation's share capital for the years ended October 31:

	2016		2015	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of year	**63,363,281**	**$ 348.1**	63,189,351	$ 345.9
Conversion of Class B Shares into Class A Subordinate Voting Shares	**732,390**	**1.0**	25,400	—
Shares redeemed and cancelled	**(1,242,427)**	**(6.8)**	(42,300)	(0.3)
Exercise of stock options	**33,201**	**0.5**	190,830	2.5
Balance, end of year	**62,886,445**	**342.8**	63,363,281	348.1
Class B Shares				
Balance, beginning of year	**14,807,016**	**20.1**	14,832,416	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(732,390)**	**(1.0)**	(25,400)	—
Balance, end of year	**14,074,626**	**19.1**	14,807,016	20.1
	76,961,071	**$ 361.9**	78,170,297	$ 368.2

Shares redemptions

The Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between April 15, 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. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange. On December 6, 2016, the Corporation announced the amendment to its share redemption program in the normal course of business in order to increase the maximum number of Class A subordinate voting shares that may be redeemed, from 1,000,000 to 2,000,000 shares

The Corporation had been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between April 15, 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. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

22 SHARE CAPITAL (CONTINUED)

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

During the year ended October 31, 2015, the Corporation repurchased and cancelled 42,300 of its Class A Subordinate Voting Shares at a weighted average price of $15.59, for a total cash consideration of $0.7 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $0.4 million, was applied against retained earnings. The Corporation was under no obligations to repurchase its Class A Subordinate Voting Shares as at year ended October 31, 2015. During the year ended October 31, 2015, the Corporation did not repurchase any of its Class B Shares, and was under no obligation as such at that date.

Exercise of stock options
When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. For the year ended October 31, 2016, consideration of $0.4 million was received, and $0.1 million was transferred from contributed surplus to share capital. For the year ended October 31, 2015, consideration of $2.1 million was received, and $0.4 million was transferred from contributed surplus to share capital.

Dividends
Dividends of $0.73 and $0.67 per share were declared and paid to the holders of shares for the years ended October 31, 2016 and 2015, respectively.

23 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 for the years ended October 31:

	2016	2015
Numerator		
Net earnings from continuing operations	**$ 146.3**	$ 236.6
Denominator (in millions)		
Weighted average number of shares outstanding - basic	**77.6**	78.1
Dilutive effect of stock options	**0.2**	0.2
Weighted average number of shares - diluted	**77.8**	78.3

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

24 STOCK-BASED COMPENSATION

Stock option plan

The Corporation has a stock option plan for the benefit of certain officers and senior executives. The number of Class A Subordinate Voting Shares authorized for issuance and the balance of shares that are issuable under the plan as at October 31, 2016 was 6,078,562 and 4,177,897, respectively. Under the plan, each stock option entitles its holder to receive upon exercise one Class A Subordinate Voting Share. The exercise price of each option is determined using the weighted average price of all trades for the five days immediately preceding the grant of the stock option. The Corporation has ceased granting stock options as of the year ended October 31, 2014.

For the years ended October 31, 2016 and 2015, stock-based compensation expenses of $0.1 million and $0.2 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

The following table presents the changes in the plan's status for the years ended October 31:

	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of year	**762,703**	**$ 12.57**	1,160,296	$ 13.33
Exercised	**(33,201)**	**11.82**	(190,830)	10.87
Cancelled	**—**	**—**	(5,835)	11.57
Expired	**—**	**—**	(200,928)	18.61
Options outstanding at end of year	**729,502**	**$ 12.60**	762,703	$ 12.57

As at October 31, 2016, the balance of stock options available for future grants under the plan was 3,448,395.

The following table summarizes information regarding stock options as at October 31, 2016:

	Options outstanding			Options exercisable	
Exercise price range	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$ 11.33 - 12.40	513,754	2.8	$ 11.72	421,400	$ 11.81
13.09 - 16.20	215,748	0.7	14.69	215,748	14.69
	729,502	2.2	$ 12.60	637,148	$ 12.78

Share unit plan for certain officers and senior executives

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

The following table presents the changes in the plan's status for the years ended October 31:

Number of units	**2016**	2015	**2016**	2015
	DSU		RSU	
Balance, beginning of year	**279,162**	241,812	**1,064,655**	924,627
Units granted	**—**	3,121	**352,403**	378,396
Units cancelled	**—**	—	**(117,078)**	(32,548)
Units paid	**(18,384)**	(4,747)	**(266,379)**	(205,894)
Units converted	**2,586**	27,194	**(2,586)**	(27,194)
Dividends paid in units	**10,804**	11,782	**38,845**	27,268
Balance, end of year	**274,168**	279,162	**1,069,860**	1,064,655

24 STOCK-BASED COMPENSATION (CONTINUED)

As at October 31, 2016, the liability related to the share unit plan for certain officers and senior executives was $16.5 million ($17.8 million as at October 31, 2015). The expenses recorded in the Consolidated Statements of Earnings for the years ended October 31, 2016 and 2015 were $4.2 million and $9.7 million, respectively. Amounts of $5.5 million and $3.1 million were paid under this plan for the years ended October 31, 2016 and 2015, respectively.

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

The following table presents the changes in the plan's status for the years ended October 31:

Number of units	2016	2015
Balance, beginning of year	**363,514**	371,086
Directors' compensation	**33,577**	33,223
Units paid	**(34,000)**	(54,150)
Dividends paid in units	**14,810**	13,355
Balance, end of year	**377,901**	363,514

As at October 31, 2016, the liability related to the share unit plan for directors was $6.8 million ($7.4 million as at October 31, 2015). The expenses recorded in the Consolidated Statements of Earnings for the years ended October 31, 2016 and 2015 were negligible and $2.6 million, respectively. Amounts of $0.6 million and $0.8 million were paid under this plan for the year ended years ended October 31, 2016 and 2015, respectively.

25 ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income
Balance as at October 31, 2015	**$ (7.0)**	**$ 24.3**	**$ 2.1**	**$ 19.4**
Net change in gains (losses), net of income taxes	**5.4**	**14.4**	**(36.5)**	**(16.7)**
Balance as at October 31, 2016	**$ (1.6)**	**$ 38.7**	**$ (34.4)**	**$ 2.7**
Balance as at October 31, 2014	$ (3.3)	$ 1.7	$ 8.7	$ 7.1
Net change in gains (losses), net of income taxes	(3.7)	22.6	(6.6)	12.3
Balance as at October 31, 2015	$ (7.0)	$ 24.3	$ 2.1	$ 19.4

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

	2017	2018	2019	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ (1.5)	$ (0.3)	$ (0.3)	$ (2.1)
Income taxes	(0.4)	—	(0.1)	(0.5)
	$ (1.1)	$ (0.3)	$ (0.2)	$ (1.6)

26 SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in non-cash operating items are as follows for the years ended October 31:

	2016	2015
Accounts receivable	**$ (1.0)**	$ 7.5
Inventories	**9.8**	(0.5)
Prepaid expenses and other current assets	**1.9**	(2.0)
Accounts payable and accrued liabilities	**(35.5)**	23.0
Provisions	**(3.2)**	(13.9)
Deferred revenues and deposits	**(15.3)**	(37.1)
Defined benefit plans	**(5.0)**	(4.3)
	$ (48.3)	$ (27.3)

Changes in non-cash operating items includes an amount of $31.0 million that was received and recognized as deferred revenues during the year ended October 31, 2016 (Note 21 "Other Liabilities").

27 RELATED PARTY TRANSACTIONS

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

Key management personnel earned the following amounts for the years ended October 31:

	2016	2015
Salaries and other short-term employee benefits	**$ 11.0**	$ 12.0
Post-employment benefits	**0.8**	0.8
Stock-based compensation	**3.5**	10.3
	$ 15.3	$ 23.1

28 EMPLOYEE BENEFITS

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

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

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

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

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

The most recent actuarial valuations of the Corporation's pension plans for funding purposes were done as at December 31, 2015 for plans registered in Quebec and as at December 31, 2013 for plans registered in Ontario.

28 EMPLOYEE BENEFITS (CONTINUED)

The defined benefit obligations and the fair value of the plan assets are measured on the date of the annual consolidated financial statements.The following table presents the changes in the defined benefit obligation and in the fair value of plan assets for the years ended October 31:

	Pension benefits		Other defined benefit plans		Total	
	2016	2015	**2016**	2015	**2016**	2015
Defined benefit obligation						
Balance, beginning of year	**$ 712.2**	$ 762.9	**$ 13.1**	$ 17.7	**$ 725.3**	$ 780.6
Current service cost (1)	**—**	0.2	**(0.5)**	(1.3)	**(0.5)**	(1.1)
Past service cost (2), (3)	**(1.2)**	2.6	**—**	(2.9)	**(1.2)**	(0.3)
Financial cost related to defined benefit obligation	**30.6**	32.0	**0.4**	0.4	**31.0**	32.4
Actuarial gains or losses from:						
The plan experience	**10.9**	11.0	**—**	—	**10.9**	11.0
Changes in demographic assumptions	**0.6**	0.2	**—**	—	**0.6**	0.2
Changes in financial assumptions	**105.5**	(9.1)	**1.0**	(0.1)	**106.5**	(9.2)
Benefits paid	**(77.3)**	(87.9)	**(0.7)**	(0.7)	**(78.0)**	(88.6)
Exchange rate change and other	**0.1**	0.3	**—**	—	**0.1**	0.3
Balance, end of year	**$ 781.4**	$ 712.2	**$ 13.3**	$ 13.1	**$ 794.7**	$ 725.3
Fair value of plan assets						
Balance, beginning of year	**$ 717.5**	$ 771.7	**$ —**	$ —	**$ 717.5**	$ 771.7
Interest income on plan assets	**31.0**	32.4	**—**	—	**31.0**	32.4
Actuarial gains or losses on plan assets	**63.4**	(0.7)	**—**	—	**63.4**	(0.7)
Administrative costs (other than asset management costs)	**(1.3)**	(1.8)	**—**	—	**(1.3)**	(1.8)
Benefits paid	**(77.3)**	(87.9)	**(0.7)**	(0.7)	**(78.0)**	(88.6)
Employer contributions	**3.8**	3.5	**0.7**	0.7	**4.5**	4.2
Exchange rate change and other	**0.2**	0.3	**—**	—	**0.2**	0.3
Balance, end of year	**$ 737.3**	$ 717.5	**$ —**	$ —	**$ 737.3**	$ 717.5
Surplus (deficit) of the plans	**$ (44.1)**	$ 5.3	**$ (13.3)**	$ (13.1)	**$ (57.4)**	$ (7.8)
Effect of the asset ceiling recognized in OCI	**(1.9)**	(6.4)	**—**	—	**(1.9)**	(6.4)
Defined benefit asset (liability)	**$ (46.0)**	$ (1.1)	**$ (13.3)**	$ (13.1)	**$ (59.3)**	$ (14.2)

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

(2) For the year ended year ended October 31, 2016, past service income of pension benefits results from an amendment to Quebec's law which eliminate the obligation to offer additional benefit and allows employers to eliminate it in their pension plan. For the year ended October 31, 2015, the past service cost of pension benefits resulted from a combination of the program offering deferred participants to transfer their pension rights out of the plan and of a pension plan amendment allowing from now on terminated members over the age of 55 years to transfer the value of their benefits to an authorized registered vehicle at any time prior to being in receipt of a pension from the plan.

(3) For the year ended October 31, 2015, past service cost of other defined benefit plans resulted from a change in the assumed cost by the Corporation for dental and health care for employees on long-term disability.

28 EMPLOYEE BENEFITS (CONTINUED)

The defined benefit asset (liability) is included as follows in the Consolidated Statements of Financial Position as at October 31:

	2016	2015
Other assets	$ 3.4	$ 27.6
Other liabilities	(62.7)	(41.8)
	$ (59.3)	$ (14.2)

The following table presents the composition of the fair value of the pension plan assets as at October 31:

	2016	2015
Quoted in an active market		
Equity securities		
Canadian and foreign equities and investment funds	$ 119.3	$ 107.9
Debt securities		
Government and corporate bonds and investment funds	421.5	419.6
Cash and cash equivalents and investment funds	7.5	14.5
	548.3	542.0
Unquoted in an active market		
Insured annuities	189.0	175.5
	$ 737.3	$ 717.5

As at October 31, 2016, the plan assets included shares of the Corporation in the amount of $0,6 million ($0.8 million as at October 31, 2015).

The matching strategy for the Corporation's assets and liabilities consists in minimizing risk through the purchase of insured annuities and debt securities. For the years ended October 31, 2016 and 2015, the plans invested in buy-in insured annuities. Their fair value is considered equal to the defined benefit obligation for participants targeted by the annuities purchases, calculated based on assumptions at the reporting date.

The following table presents the funded status of defined benefit plans as at October 31:

	Pension benefits		Other defined benefit plans		Total	
	2016	2015	2016	2015	2016	2015
Fair value of funded or partially funded plan assets	$ 737.3	$ 717.5	$ —	$ —	$ 737.3	$ 717.5
Defined benefit obligation of funded or partially funded plans	750.1	684.4	—	—	750.1	684.4
Effect of the asset ceiling	(1.9)	(6.4)	—	—	(1.9)	(6.4)
Funded status of funded or partially funded plans - surplus (deficit)	$ (14.7)	$ 26.7	$ —	$ —	$ (14.7)	$ 26.7
Defined benefit obligation of unfunded plans	31.3	27.8	13.3	13.1	44.6	40.9
Total funded status - surplus (deficit)	$ (46.0)	$ (1.1)	$ (13.3)	$ (13.1)	$ (59.3)	$ (14.2)

The Corporation expects to contribute $5.6 million to its defined benefit plans during the year ended October 29, 2017, considering that it plans to use letters of credit from its credit facilities, as collateral for unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

28 EMPLOYEE BENEFITS (CONTINUED)

The following table presents the main assumptions used to calculate the Corporation's defined benefit obligation as at October 31:

	2016	2015
Discount rate, end of year	**3.30 %**	4.40 %
Weighted average rate of compensation increase	**3.07**	3.07

As at October 31, 2016, the growth rate of health care costs on other post-employment defined benefit plans was estimated at 7.0%, gradually decreasing to reach 4.25% by 2020, and remain constant thereafter.

The following table presents the impact of changes in the major assumptions on the defined benefit obligation for the year ended October 31, 2016 and has some limitations. The sensitivities of each key assumption have been calculated without taking into account the changing of any other assumption. Actual results could therefore lead to changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in key assumptions.

Increase (decrease)	Defined benefit obligation
Impact of 0.1% increase in discount rate	$ (11.3)
Impact of 0.1% decrease in discount rate	11.7
Impact of 1.0% increase in growth rate of health care costs	1.2
Impact of 1.0% decrease in growth rate of health care costs	(1.0)

The following table presents the composition of the defined benefit plans cost for the years ended October 31:

	Pension benefits		Other defined benefit plans		Total	
	2016	2015	**2016**	2015	**2016**	2015
Current service cost	**$ —**	$ 0.2	**$ (0.5)**	$ (1.3)	**$ (0.5)**	$ (1.1)
Past service cost	**(1.2)**	2.6	**—**	(2.9)	**(1.2)**	(0.3)
Administrative costs	**1.3**	1.8	**—**	—	**1.3**	1.8
Plans cost recognized in net earnings	**$ 0.1**	$ 4.6	**$ (0.5)**	$ (4.2)	**$ (0.4)**	$ 0.4
Financial cost related to defined benefit plans obligation	**$ 30.6**	$ 32.0	**$ 0.4**	$ 0.4	**$ 31.0**	$ 32.4
Interest income on plan assets	**(31.0)**	(32.4)	**—**	—	**(31.0)**	(32.4)
Net interest on defined benefit plan liability	**$ (0.4)**	$ (0.4)	**$ 0.4**	$ 0.4	**$ —**	$ —
Defined benefit plans cost	**$ (0.3)**	$ 4.2	**$ (0.1)**	$ (3.8)	**$ (0.4)**	$ 0.4

The defined benefit plans costs recognized in operating expenses in the Consolidated Statements of Earnings for the years ended October 31, 2016 and 2015 were $1.3 million and $2.0 million, respectively. The defined benefit plans net gains or costs recognized in restructuring and other costs (revenues) in the Consolidated Statements of Earnings for the years ended October 31, 2016 and 2015 were $(1,7) million and $(1.6) million, respectively.

The following table presents the costs recognized under operating expenses in the Consolidated Statement of Earnings for defined contribution pension plans and State plans for the years ended October 31:

	2016	2015
Defined contribution pension plans	**$ 18.6**	$ 19.6
State plans	**17.5**	18.3
	$ 36.1	$ 37.9

29 COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

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

	Less than 1 year	1 to 5 years	More than 5 years	Total
Leasing of premises [(1)]	$ 33.7	$ 77.2	$ 33.3	$ 144.2

(1) The Corporation has entered into sublease agreements for some of its locations under operating leases, with expiry dates between 2017 and 2022. The Corporation estimates to recover an amount totalling $7.8 million.

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

a) Indemnification of third parties
Under the terms of debt agreements, the Corporation has agreed to indemnify the holders of such debt instruments against any increase in their costs or reduction in the amounts otherwise payable to them resulting from changes in laws and regulations. These indemnification commitments are in effect for the term of the agreements and have no limitations. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to third parties. Historically, the Corporation has not made any indemnification payments and, as at October 31, 2016, the Corporation had not recorded a liability associated with these indemnification agreements.

b) Business disposals
In connection with the disposal of operations or assets, the Corporation agreed to indemnify against any claims that may result from its previous activities. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to guaranteed parties. Historically, the Corporation has not made any significant indemnification payments and, as at October 31, 2016, the Corporation had not recorded any liability associated with these indemnification agreements.

Contingent liabilities
In the normal course of operations, the Corporation is involved in various claims and legal proceedings. Although the outcome of these pending cases as at October 31, 2016 cannot be determined with certainty, the Corporation considers that their outcome is unlikely to have a material adverse effect on its financial position and operating results, given the provisions or insurance coverage with regards to some of these claims and legal proceedings.

30 FINANCIAL INSTRUMENTS

Credit risk
Credit risk is the risk that the Corporation will incur losses arising from the failure of third parties to meet their contractual obligations. The Corporation is exposed to credit risk related to its accounts receivable, as well as with regard to its normal activities involving cash. The maximum exposure to credit risk for the Corporation for these elements is represented by their carrying value in the Consolidated Statements of Financial Position. The Corporation is also exposed to credit risk with regard to its derivative financial instrument assets. However, the Corporation estimates this risk as low because it deals only with recognized financial institutions with high credit ratings. As at October 31, 2016 and 2015, the maximum exposure to credit risk related to financial instrument assets was negligible.

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

As at October 31, 2016, no single customer represented 10.0% or more of the revenues of the Corporation, or 10.0% or more of the related accounts receivable.

30 FINANCIAL INSTRUMENTS (CONTINUED)

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

The past due receivables are as follows:

Trade receivables	As at October 31, 2016	As at October 31, 2015
Current	$ 279.5	$ 274.2
1 - 30 days past due	61.8	53.0
31 - 60 days past due	15.1	16.1
More than 60 days past due	10.7	17.4
	367.1	360.7
Allowance for doubtful accounts	(4.7)	(4.8)
Other receivables	39.5	37.1
	$ 401.9	$ 393.0

The variation of the allowance for doubtful accounts is as follows for the years ended October 31:

	2016	2015
Balance, beginning of year	$ 4.8	$ 7.3
Business combinations (Note 4)	0.1	—
Bad debt expense	1.7	0.7
Receivables recovered or written off	(1.9)	(3.2)
Balance, end of year	$ 4.7	$ 4.8

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

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

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

2016	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years
Non-derivative financial liabilities					
Accounts payable and accrued liabilities [1]	$ 309.6	$ 309.6	$ 309.6	$ —	$ —
Contingent considerations	15.0	15.0	15.0	—	—
Long-term debt	348.1	393.3	14.7	327.6	51.0
Long-term accrued liabilities [2]	2.6	2.6	2.1	0.5	—
	675.3	720.5	341.4	328.1	51.0
Derivative financial instruments					
Foreign exchange forward contracts in liabilities	2.3	2.3	1.8	0.5	—
	$ 677.6	$ 722.8	$ 343.2	$ 328.6	$ 51.0

30 FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the contractual maturities of financial liabilities as at October 31, 2015:

2015	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years
Non-derivative financial liabilities					
Accounts payable and accrued liabilities [1]	$ 327.5	$ 327.5	$ 327.5	$ —	$ —
Contingent considerations	11.1	11.1	6.5	4.6	—
Long-term debt	384.1	446.4	28.4	30.2	387.8
Long-term accrued liabilities [2]	3.2	3.2	—	3.2	—
	725.9	788.2	362.4	38.0	387.8
Derivative financial instruments					
Foreign exchange forward contracts in liabilities	6.5	6.5	5.6	0.9	—
	6.5	6.5	5.6	0.9	—
	$ 732.4	$ 794.7	$ 368.0	$ 38.9	$ 387.8

[1] Excluding derivative financial instruments
[2] Excluding non-financial liabilities

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

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

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

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

To manage foreign currency risk related to exports to the United States, the Corporation enters into foreign exchange forward contracts. As at October 31, 2016, the Corporation held foreign exchange forward contracts to sell US$104.0 million (US$80.0 million as at October 31, 2015), including US$60.0 million and US$44.0 million that will be sold during the years ending October 31, 2017 and 2018, respectively. The maturities of foreign exchange forward contracts range from 1 to 24 months at rates varying from 1.2457 to 1.4402. Foreign exchange forward contracts are designated as cash flow hedges and net investment hedges as at October 31, 2016 and hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the year.

For the years ended October 31, 2016 and 2015, all things being equal, a hypothetical 10.0% strengthening of the U.S. dollar compared with the Canadian dollar would have the following impact on net earnings and OCI:

	2016		2015	
	Net earnings	**Other comprehensive income**	Net earnings	Other comprehensive income
U.S dollars	**$ 1.9**	**$ (7.9)**	$ 2.9	$ (7.3)

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

30 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

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

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to their short term maturities. The table below indicates the fair value and the carrying amount of other financial instruments and derivative financial instruments as at October 31, 2016 and 2015.

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

The only financial instruments of the Corporation that are measured at fair value on a recurring basis subsequent to their initial recognition are derivative financial instruments, including foreign exchange forward contracts and contingent considerations payable related to business combinations.The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. The valuation model of the contingent considerations considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering various scenarios of achievement of pre-established financial performance thresholds, the amount to be paid under each scenario and the probability of each scenario.

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

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

The following table presents the fair value and the carrying amount of other financial instruments and derivative financial instruments as at October 31:

	2016		2015	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 2.5**	**$ 2.5**	$ —	$ —
Contingent considerations	**(15.0)**	**(15.0)**	(11.1)	(11.1)
Long-term debt	**(366.1)**	**(348.1)**	(400.5)	(384.1)
Foreign exchange forward contacts in liabilities	**(2.3)**	**(2.3)**	(6.5)	(6.5)

Financial instruments of the Corporation are classified in Level 2 of the fair value hierarchy, except for the contingent considerations payable with respect to the business combinations which are classified in Level 3. For the years ended October 31, 2016 and 2015, no financial instruments were transferred between levels 1, 2 and 3.

The changes in Level 3 financial instruments are as follows for the years ended October 31:

	2016	2015
Balance, beginning of year	**$ (11.1)**	$ —
Business combinations (Note 4)	**(8.8)**	(11.4)
Change included in net earnings	**5.1**	—
Exchange rate change	**(0.2)**	0.3
Balance, end of year	**$ (15.0)**	$ (11.1)

Sensitivity analysis

For the year ended October 31, 2016, all other things being equal, a 10.0% increase of pre-established financial performance thresholds would have resulted in a decrease of $2.0 million in net earnings. A 10.0% decrease of pre-established financial performance thresholds would have resulted in an increase of $8.1 million in net earnings.

31 CAPITAL MANAGEMENT

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

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

The Corporation relies on the ratio of net debt to operating earnings before depreciation and amortization, restructuring and other costs (revenues), and impairment of assets as primary indicator for measuring financial leverage. The net debt ratio is as follows for the years ended October 31:

		2016		2015
Long-term debt	**$**	**347.9**	$	347.7
Current portion of the long-term debt		**0.2**		36.4
Cash		**(16.7)**		(38.6)
Net debt	**$**	**331.4**	$	345.5
Operating earnings before depreciation and amortization, restructuring and other costs (revenues) and impairment of assets	**$**	**390.1**	$	378.7
Net debt ratio		**0.8x**		0.9x

For the year ended October 31, 2016, the Corporation was not in default regarding any of its financial obligations, as well as in regards to any restrictive covenants.