TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. announces its financial results for the first quarter of Fiscal 2017

Highlights

- Revenues increased by $4.7 million, or 0.9%.
- Operating earnings increased by $10.8 million, or 20.9%. Adjusted operating earnings, which exclude restructuring and other costs (revenues) and impairment of assets, increased by $4.2 million, or 7.4%.
- Net earnings increased by $5.4 million, or 14.5%. Adjusted net earnings, which exclude restructuring and other costs (revenues) and impairment of assets, net of related taxes, decreased by $0.1 million, or 0.2%.
- Conclusion of an expanded agreement with Lowe's Canada which includes the renewal of the agreement with RONA and the addition of the printing of Lowe's flyers in Canada. This agreement represents revenues of $200 million over five years and includes all services to retailers for all Lowe's and RONA banners in the country.
- The Board of Directors approved an 8.1% increase in the dividend per share to $0.80 per year.

Montreal, March 3, 2017 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the first quarter of Fiscal 2017, which ended January 29, 2017.

“I am proud of our results for the first quarter, which show an increase in our revenues and profitability while we successfully continue our transformation”, said François Olivier, President and Chief Executive Officer of TC Transcontinental. “Our performance confirms the effectiveness of our strategy, which we are executing in a disciplined manner.”

“For the printing division, we are pleased to announce that we have entered into an expanded agreement with Lowe's Canada. In addition to renewing our agreement for the full range of services offered to RONA, we have expanded our business relationship with Lowe's, which has entrusted us with the printing of its flyers in Canada. This multi-year agreement, which includes all our retailer-related services for all of the Lowe's and RONA banners across the country, reflects their support of Canadian suppliers. It is also a mark of confidence in the quality of our services."

"In the Media Sector, the efficiency measures deployed over the last few quarters, combined with our exit from all our interactive marketing activities, continued to mitigate the impact of lower local newspapers advertising revenues on our profitability."

"As for our packaging division, we are finalizing the integration of Flexstar Packaging, which is proceeding according to plan. To support our transformation and our growth ambitions in this division, we continue to deploy significant resources to develop our sales force and invest in our manufacturing platform to meet our future needs. Considering our growing sales funnel, we are confident that these initiatives will yield results."

“With our sound financial position and our significant cash flows, we are well positioned to ensure our sustainable growth and continue to diversify our assets into packaging.”

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Financial Highlights

(in millions of dollars, except per share amounts)	Q1-2017	Q1-2016	Variation in %
Revenues	$ 503.6	$ 498.9	0.9 %
Operating earnings before depreciation and amortization (EBITDA)	89.0	78.4	13.5
Adjusted operating earnings before depreciation and amortization (Adjusted EBITDA) (1)	87.9	83.9	4.8
Operating earnings (EBIT)	62.4	51.6	20.9
Adjusted operating earnings (Adjusted EBIT) (1)	61.3	57.1	7.4
Net earnings	42.7	37.3	14.5
Net earnings per share	0.55	0.48	14.6
Adjusted net earnings (1)	41.3	41.4	(0.2)
Adjusted net earnings per share (1)	0.53	0.53	—

(1) Please refer to the table "Reconciliation of Non-IFRS financial measures" in this press release for adjusted data presented above.

2017 First Quarter Results

Revenues for the first quarter of 2017 went from $498.9 million to $503.6 million, an increase of 0.9%. The contribution from acquisitions, in particular in the packaging division, and the favourable exchange rate effect 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, revenues from existing operations declined. This decrease was mitigated by the stable demand from Canadian retailers for printed flyers and door-to-door distribution services as well as the increase in revenues from premedia and in-store marketing services. In addition, the agreement to print the *Toronto Star*, which started in July 2016, partially offset the negative impact of the sustained decline in advertising spending in several activities as well as the completion of the agreement to print Canada's census form in 2016. In the packaging division, revenues from existing operations increased slightly compared to the first quarter of 2016. In the Media Sector, the decline in advertising revenues continued to have a negative impact on local newspaper publishing activities.

Adjusted operating earnings went from $57.1 million to $61.3 million in the first quarter of 2017, an increase of 7.4%. Excluding the unfavourable effect of $8.3 million related to stock-based compensation as a result of the significant change in the share price in the first quarter of 2017 compared to the corresponding period in 2016, adjusted operating earnings increased by 21.9%. This increase is attributable to the contribution from acquisitions, the favourable exchange rate effect as well as the increase in adjusted operating earnings from existing operations. This growth in adjusted operating earnings from existing operations is due to the continued cost reduction initiatives throughout the Corporation, partially offset by the lower revenues mentioned above.

Net earnings increased from $37.3 million in the first quarter of 2016 to $42.7 million in the first quarter of 2017. This increase is mainly explained by higher operating earnings, partially offset by the increase in net financial expenses and income taxes. On a per share basis, net earnings increased from $0.48 to $0.55. Excluding restructuring and other costs (revenues) and impairment of assets, net of related income taxes, adjusted net earnings decreased by $0.1 million, or 0.2%, from $41.4 million in the first quarter of 2016 to $41.3 million in the first quarter of 2017. On a per share basis, adjusted net earnings remained stable at $0.53.

For more detailed financial information, please see *Management's Discussion and Analysis for the first quarter ended January 29th, 2017* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook for 2017

In the printing division, we expect stable revenues from our offering to current retailers, in particular flyer printing and door-to-door distribution services, as well as higher revenues from premedia and in-store marketing product services. In addition, we will benefit from the new agreement with Lowe's Canada to print their flyers in Canada. We will also benefit from the additional contribution from the agreement to print the *Toronto Star* until the end of June, and we are pursuing our initiatives to secure new newspaper printing outsourcing contracts. However, these favourable elements should be affected by a decrease in volume from certain newspaper publishers as a result of reduced circulation. Furthermore, our commercial and magazine printing activities will be affected by a reduction in print advertising. Lastly, the completion of the non-recurring contract to print Canada's census form in the second quarter of 2016 will have an unfavourable effect in the second quarter of 2017. With respect to adjusted operating earnings, we will continue our operational efficiency initiatives as in the past.

In our packaging division, we will benefit from the contribution from the acquisition of Robbie Manufacturing until the end of June, and from the acquisition of Flexstar Packaging until the end of our fourth quarter. In addition, once fully integrated, these acquisitions will also generate synergies. Furthermore, to support our transformation and future growth, we will continue to deploy resources to strengthen our sales force and develop our manufacturing platform. Lastly, we will maintain our disciplined acquisition approach in this promising market in order to invest in quality assets that meet our strategic criteria.

In the Media Sector, the impact of the transformation of the advertising market on our local newspaper publishing activities will continue, but will be partly offset by our cost reduction initiatives and our strategic exit from our interactive marketing solutions activities until the end of our second quarter of 2017. With respect to the Business and Education group, we expect that revenues and adjusted operating earnings will remain stable.

To conclude, we expect to generate significant cash flows and maintain our excellent financial position, which should enable us to continue investing to support our transformation into flexible packaging.

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 provide a better indicator of the performance of the Corporation's activities. 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.

	Three months ended	
(in millions of dollars, except per share amounts)	**January 29, 2017**	January 31, 2016
Operating earnings	**$ 62.4**	$ 51.6
Restructuring and other costs (revenues)	**(2.3)**	5.5
Impairment of assets	**1.2**	—
Adjusted operating earnings	**$ 61.3**	$ 57.1
Depreciation and amortization	**26.6**	26.8
Adjusted operating earnings before depreciation and amortization	**$ 87.9**	$ 83.9

	Three months ended			
	January 29, 2017		January 31, 2016	
	Total	**Per share**	Total	Per share
Net earnings	**$ 42.7**	**$ 0.55**	$ 37.3	$ 0.48
Restructuring and other costs (revenues), net of related taxes	**(2.3)**	**(0.03)**	4.1	0.05
Impairment of assets, net of related taxes	**0.9**	**0.01**	—	—
Adjusted net earnings	**$ 41.3**	**$ 0.53**	$ 41.4	$ 0.53

	As at January 29, 2017	As at October 31, 2016
Long-term debt	**$ 347.8**	$ 347.9
Current portion of long-term debt	**0.1**	0.2
Cash	**(67.0)**	(16.7)
Net indebtedness	**$ 280.9**	$ 331.4
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 394.1**	$ 390.1
Net indebtedness ratio	**0.7 x**	0.8 x

Dividend

The Corporation’s Board of Directors declared a quarterly dividend of $0.20 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 19, 2017 to shareholders of record at the close of business on April 3, 2017. The Corporation thus increased the dividend per participating share by 8.1%, or $0.06, raising the annual dividend from $0.74 to $0.80 per share. This increase reflects TC Transcontinental’s solid cash flow position.

Additional Information

Annual General Meeting of Shareholders

Transcontinental Inc. will hold its Annual General Meeting of Shareholders today at 1:30 p.m. at the Saint James's Club, 1145 Union Avenue, in Montreal. For those who are unable to attend in person, an audio webcast of the meeting will be available as of March 6 on the Corporation's website www.tc.tc.

Conference Call

Upon releasing its first quarter 2017 results, the Corporation will hold a conference call for the financial community today at 11:30 a.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-in only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Communications of TC Transcontinental, at 514-954-3581.

Profile

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

Respect, teamwork, performance and innovation are strong values held by the Corporation and its employees. The Corporation's commitment to 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,* in the latest *Annual Information Form* and have been updated in the *MD&A for the first quarter ended January 29th, 2017*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of March 3, 2017.

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

The forward-looking statements in this release are based on current expectations and information available as at March 3, 2017. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

For the first quarter ended January 29, 2017

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

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term “dollar,” as well as the symbol "$" designate Canadian dollars, unless otherwise indicated. In this Management’s Discussion and Analysis we also use non-IFRS financial measures. Please refer to table #3 in the section of this report entitled “Reconciliation of Non-IFRS Financial Measures” for a complete description of these measures. This report should be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended January 29, 2017. 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.

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 March 3, 2017.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at March 3, 2017. 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.

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:

Table #1:

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) and impairment of assets, net of related income taxes, 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) and income taxes on impairment of assets

PROFILE OF TC TRANSCONTINENTAL

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

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

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

HIGHLIGHTS

Table #2:

(in millions of dollars, except per share amounts)	**Q1-2017**	Q1-2016	Variation in $	Variation in %
Revenues	**$ 503.6**	$ 498.9	$ 4.7	0.9 %
Operating earnings	**62.4**	51.6	10.8	20.9
Adjusted operating earnings (1)	**61.3**	57.1	4.2	7.4
Net earnings	**42.7**	37.3	5.4	14.5
Net earnings per share	**0.55**	0.48	0.07	14.6
Adjusted net earnings (1)	**41.3**	41.4	(0.1)	(0.2)
Adjusted net earnings per share (1)	**0.53**	0.53	—	—

(1) Please refer to table #3 " Reconciliation of Non-IFRS Financial Measures " in this Management's Discussion and Analysis for adjusted data presented above.

- Revenues increased by $4.7 million, or 0.9%.
- Operating earnings increased by $10.8 million, or 20.9%. Adjusted operating earnings, which exclude restructuring and other costs (revenues) and impairment of assets, increased by $4.2 million, or 7.4%.

- Net earnings increased by $5.4 million, or 14.5%. Adjusted net earnings, which exclude restructuring and other costs (revenues) and impairment of assets, net of related taxes, decreased by $0.1 million, or 0.2%.
- On March 3, 2017, the Corporation announced the conclusion of an expanded agreement with Lowe's Canada which includes the renewal of the agreement with RONA and the addition of the printing of Lowe's flyers in Canada. This agreement represents revenues of $200 million over five years and includes all services to retailers for all Lowe's and RONA banners in the country.
- On March 3, 2017, the Board of Directors approved an 8.1% increase in the dividend per share to $0.80 per year.

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 provide a better indicator of the performance of the Corporation's activities. 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 #3:

	Three months ended	
(in millions of dollars, except per share amounts)	**January 29, 2017**	January 31, 2016
Operating earnings	**$ 62.4**	$ 51.6
Restructuring and other costs (revenues)	**(2.3)**	5.5
Impairment of assets	**1.2**	—
Adjusted operating earnings	**$ 61.3**	$ 57.1
Depreciation and amortization	**26.6**	26.8
Adjusted operating earnings before depreciation and amortization	**$ 87.9**	$ 83.9

	Three months ended			
	January 29, 2017		January 31, 2016	
	Total	**Per share**	Total	Per share
Net earnings	**$ 42.7**	**$ 0.55**	$ 37.3	$ 0.48
Restructuring and other costs (revenues), net of related taxes	**(2.3)**	**(0.03)**	4.1	0.05
Impairment of assets, net of related taxes	**0.9**	**0.01**	—	—
Adjusted net earnings	**$ 41.3**	**$ 0.53**	$ 41.4	$ 0.53

	As at January 29, 2017	As at October 31, 2016
Long-term debt	**$ 347.8**	$ 347.9
Current portion of long-term debt	**0.1**	0.2
Cash	**(67.0)**	(16.7)
Net indebtedness	**$ 280.9**	$ 331.4
Adjusted operating earnings before depreciation and amortization (last 12 months)	**$ 394.1**	$ 390.1
Net indebtedness ratio	**0.7 x**	0.8 x

Operating earnings

Operating earnings increased from $51.6 million to $62.4 million. Excluding restructuring and other costs (revenues) and impairment of assets, adjusted operating earnings increased from $57.1 million to $61.3 million. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - First Quarter" section.

Restructuring and other costs (revenues)

Restructuring and other costs (revenues) decreased by $7.8 million in the first quarter of 2017 compared to the corresponding period in 2016. The favourable effect is mainly attributable to lower workforce reductions in 2017 and to gain on the sale of a building recorded in the first quarter of 2017.

Impairment of assets

An asset impairment charge of $1.2 million was recorded in the first quarter of 2017 on production equipment in the Media Sector. No charge had been recorded in the corresponding period in 2016.

ANALYSIS OF SECTOR RESULTS - FIRST QUARTER

(unaudited)

Table #4:

(in millions of dollars)	Printing & Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated results
Revenues - First quarter of 2016	**$ 432.3**	**$ 77.8**	**$ (11.2)**	**$ 498.9**
Acquisitions/disposals and closures	25.0	(8.5)	—	16.5
Existing operations				
Exchange rate effect	2.4	—	—	2.4
Organic growth (decline)	(9.6)	(6.2)	1.6	(14.2)
Revenues - First quarter of 2017	**$ 450.1**	**$ 63.1**	**$ (9.6)**	**$ 503.6**
Adjusted operating earnings (1) - First quarter of 2016	**$ 67.2**	**$ (5.8)**	**$ (4.3)**	**$ 57.1**
Acquisitions/disposals and closures	2.7	2.4	—	5.1
Existing operations				
Exchange rate effect	2.1	—	—	2.1
Organic growth (decline)	(1.0)	2.1	(4.1)	(3.0)
Adjusted operating earnings (1) - First quarter of 2017	**$ 71.0**	**$ (1.3)**	**$ (8.4)**	**$ 61.3**

(1) Please refer to table #3 " Reconciliation of Non-IFRS Financial Measures " in this Management's Discussion and Analysis for adjusted data presented above.

Printing & Packaging Sector

Printing & Packaging Sector revenues increased by $17.8 million, or 4.1%, from $432.3 million in the first quarter of 2016 to $450.1 million in the first quarter of 2017. The contribution of our acquisitions and the favourable exchange rate effect more than offset the decrease in revenues from existing operations in the printing division. This decrease was mitigated by the stable demand from Canadian retailers for printed flyers and door-to-door distribution services, as well by the increase in revenues from premedia and in-store marketing services. In addition, the agreement to print the *Toronto Star* partially offset the lower volume in our newspaper and magazine printing activities resulting from the continued decrease in circulation and number of pages experienced by several publishers. However, the sustained decline in advertising spending and the completion of the agreement to print Canada's census form in 2016 affected our commercial printing activities. In the packaging division, revenues from existing operations recorded a slight increase compared to the first quarter of 2016.

Adjusted operating earnings increased by 5.7%, or $3.8 million, from $67.2 million in the first quarter of 2016 to $71.0 million in the first quarter of 2017. The acquisitions and the favourable exchange rate effect more than offset the slight decrease in adjusted operating earnings from the sector's existing operations. This decrease is mostly due to the lower revenues mentioned above, partially offset by the continued cost reduction initiatives. The sector's adjusted operating earnings margin increased slightly from 15.5% in the first quarter of 2016 to 15.8% in the first quarter of 2017.

Media Sector

Media Sector revenues decreased by $14.7 million, or 18.9%, from $77.8 million in the first quarter of 2016 to $63.1 million in the first quarter of 2017. This decrease is mostly due to the disposals and closures of local newspapers and certain products in our interactive marketing solutions offering, partially offset by the recent acquisition of financial brands in the Business and Education Group. With respect to existing operations, the lower advertising revenues continued to adversely impact the local newspaper publishing activities, while the Business and Education Group remained relatively stable.

Adjusted operating earnings went from -$5.8 million in the first quarter of 2016 to -$1.3 million in the first quarter of 2017. The cost reduction initiatives deployed since the third quarter of 2016 within local newspapers and our strategic exit from our interactive marketing solutions offering contributed to the improvement in adjusted operating earnings.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$11.2 million in the first quarter of 2016 to -$9.6 million in the first quarter of 2017. Adjusted operating earnings decreased by $4.1 million, from -$4.3 million in the first quarter of 2016 to -$8.4 million in first quarter of 2017. The $4.2 million reduction in head office expenses, most of which is non-recurring, was more than offset by an increase of $8.3 million in stock-based compensation as a result of the significant change in the share price in the first quarter of 2017 compared to the corresponding period in 2016.

ANALYSIS OF NET EARNINGS - FIRST QUARTER

Net Financial Expenses

Net financial expenses increased by $2.0 million, from $3.1 million in the first quarter of 2016 to $5.1 million in the first quarter of 2017, mainly as a result of a foreign exchange gain in 2016.

Income Taxes

Income taxes increased from $11.2 million in the first quarter of 2016 to $14.5 million in the first quarter of 2017. Excluding income taxes on restructuring and other costs (revenues) and impairment of assets, income taxes would have amounted to $12.6 million in the first quarter of 2016, for a tax rate of 23.5%, compared to $14.8 million in the first quarter of 2017, or a rate of 26.3%. This increase in tax rate stems mostly from favourable differences between the accounting and tax treatment of certain items in 2016.

Net Earnings

Net earnings increased from $37.3 million in the first quarter of 2016 to $42.7 million in the first quarter of 2017. This increase is mainly explained by higher operating earnings, partially offset by the increase in net financial expenses and income taxes. On a per share basis, net earnings increased from $0.48 to $0.55. Excluding restructuring and other costs (revenues) and impairment of assets, net of related income taxes, adjusted net earnings decreased by $0.1 million, or 0.2%, from $41.4 million in the first quarter of 2016 to $41.3 million in the first quarter of 2017. On a per share basis, adjusted net earnings remained stable at $0.53.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

Table #5:

	2017	2016				2015		
(in millions of dollars, except per share amounts)	**Q1**	Q4	Q3	Q2	**Q1**	Q4	Q3	Q2
Revenues	**$ 503.6**	$ 555.6	$ 467.8	$ 497.2	**$ 498.9**	$ 540.1	$ 481.9	$ 490.5
Operating earnings before depreciation and amortization	**89.0**	107.8	90.1	43.2	**78.4**	88.4	88.0	102.5
Adjusted operating earnings before depreciation and amortization (1)	**87.9**	133.9	89.2	83.1	**83.9**	114.3	96.4	87.2
Adjusted operating earnings margin before depreciation and amortization (1)	**17.5 %**	24.1 %	19.1 %	16.7 %	**16.8 %**	21.2 %	20.0 %	17.8 %
Operating earnings	**62.4**	81.3	63.6	16.3	**51.6**	61.9	63.2	76.9
Adjusted operating earnings (1)	**61.3**	107.4	62.7	56.2	**57.1**	87.8	71.6	61.6
Adjusted operating earnings margin (1)	**12.2 %**	19.3 %	13.4 %	11.3 %	**11.4 %**	16.3 %	14.9 %	12.6 %
Net earnings attributable to shareholders of the Corporation	**$ 42.7**	$ 57.7	$ 45.9	$ 5.4	**$ 37.3**	$ 100.2	$ 43.3	$ 81.2
Net earnings attributable to shareholders of the Corporation per share	**0.55**	0.75	0.59	0.07	**0.48**	1.28	0.55	1.04
Adjusted net earnings attributable to shareholders of the Corporation (1)	**41.3**	76.6	44.1	34.2	**41.4**	60.6	48.8	39.1
Adjusted net earnings attributable to shareholders of the Corporation per share (1)	**0.53**	0.99	0.57	0.44	**0.53**	0.78	0.62	0.50
% of fiscal year	**— %**	39 %	23 %	17 %	**21 %**	33 %	26 %	21 %

(1) Please refer to table #3 " Reconciliation of Non-IFRS Financial Measures " in this Management's Discussion and Analysis for adjusted data presented above.

The operating results for interim periods are not necessarily indicative of expected full-year results due to the seasonal nature of certain activities of the Corporation. Operating results are mainly influenced by customers' marketing spending, which is usually higher in the fourth quarter.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

(unaudited)

Table #6:

	Three months ended	
(in millions of dollars)	**January 29, 2017**	January 31, 2016
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$ 93.1**	$ 72.7
Changes in non-cash operating items	**(0.5)**	(11.1)
Income taxes paid	**(11.6)**	(27.3)
Cash flows from operating activities	**$ 81.0**	$ 34.3
Investing activities		
Business combinations	**$ (8.2)**	$ —
Business disposals	**0.1**	0.5
Acquisitions of property, plant and equipment	**(10.5)**	(14.1)
Disposals of property, plant and equipment	**6.7**	—
Increase in intangible assets	**(4.1)**	(4.6)
Cash flows from investing activities	**$ (16.0)**	$ (18.2)
Financing activities		
Reimbursement of long-term debt	**$ (0.1)**	$ (0.1)
Net decrease in credit facility	**—**	(8.0)
Financial expenses on long-term debt	**(5.5)**	(5.4)
Interest received related to previous tax reassessments	**—**	5.4
Exercise of stock options	**5.2**	—
Dividends	**(14.3)**	(13.2)
Share redemptions	**—**	(9.4)
Cash flows from financing activities	**$ (14.7)**	$ (30.7)

Financial position	**As at January 29, 2017**	As at October 31, 2016
Net indebtedness (1)	**$ 280.9**	$ 331.4
Net indebtedness ratio (1)	**0.7 x**	0.8 x
Credit rating		
DBRS	**BBB (low)**	BBB (low)
Outlook	**Stable**	Stable
Standard and Poor's	**BBB-**	BBB-
Outlook	**Stable**	Stable
Balance sheet	**As at January 29, 2017**	As at October 31, 2016
Current assets	**$ 532.8**	$ 559.9
Current liabilities	**321.7**	395.3
Total assets	**1,995.8**	2,062.2
Total liabilities	**886.3**	993.5

(1) Please refer to table #3 " Reconciliation of Non-IFRS Financial Measures " in this Management's Discussion and Analysis for adjusted data presented above.

Cash Flows from Operating Activities

Cash flows from operating activities increased from $34.3 million in the first quarter of 2016 to $81.0 million in the first quarter of 2017. This favourable variation is mostly explained by the increase in cash flows generated by operating activities, the decrease in income taxes paid and the reduction in the investment in non-cash operating items.The latter is mostly attributable to more favourable timing differences for accounts receivable and accounts payable in the first quarter of 2017, partially offset by the receipt of $31.0 million in the first quarter of 2016 further to the renegotiation of the agreement with The Globe and Mail Inc.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $18.2 million in the first quarter of 2016 to a cash outflow of $16.0 million in the first quarter of 2017. A cash inflow related to the sale of a building in the first quarter of 2017, combined with lower investments in capital assets, explain the decrease in cash flows from investing activities. These items were partially offset by cash outflows of $8.2 million related to business combinations mainly in connection with a contingent consideration related to the acquisition of Ultra Flex Packaging and the acquisition of financial brands from Rogers Media Inc.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $30.7 million in the first quarter of 2016 to a cash outflow of $14.7 million in the first quarter of 2017. This change is mainly explained by the repurchase of Class A Subordinate Voting Shares amounting to $9.4 million and the reimbursement of $8.0 million on the credit facility in the first quarter of 2016.

Debt Instruments

Net indebtedness decreased from $331.4 million as at October 31, 2016 to $280.9 million as at January 29, 2017 as a result of excess cash flows. Consequently, our net indebtedness ratio stood at 0.7x (0.8x as at October 31, 2016). In addition, during the first quarter of 2017, the Corporation extended the maturity of its credit facility, in the available amount of $400.0 million or the equivalent in US dollars, for one additional year, to February 2022, on the same terms.

Share Capital

During the first quarter of 2017, certain executives of the Corporation exercised their stock options, which increased share capital by 417,390 Class A Subordinate Voting Shares. In addition, the Corporation repurchased 2,663 of its Class A Subordinate Voting Shares at a weighted average price of $17.48. Since the beginning of the program in April 2016, the Corporation repurchased and cancelled 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.

Table #7:

Shares Issued and Outstanding	As at January 29, 2017	As at February 28, 2017
Class A (Subordinate Voting Shares)	**63,349,972**	63,351,272
Class B (Multiple Voting Shares)	**14,025,826**	14,024,526

CHANGES IN ACCOUNTING STANDARDS

Clarification of acceptable methods of depreciation and amortization

- IAS 16 "Property, Plant and Equipment"
- IAS 38 "Intangible Assets"

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 15 "Revenue from Contracts with Customers"
- IAS 18 "Revenue"
- IFRIC 13 "Customer Loyalty Programs"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 18 "Transfer of Assets from Customers"
- SIC 31 "Revenue - Barter Transactions Involving Advertising Services"

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As at January 29, 2017, Management excluded Robbie Manufacturing from its evaluation of internal control over financial reporting; this exclusion is accepted by the Autorité des marchés financiers (AMF) during the first year after the acquisition of a business, to give a corporation time to integrate the acquisition.

Robbie Manufacturing is a supplier of flexible packaging that has close to 175 employees. Acquired on June 30, 2016, Robbie Manufacturing generated revenues of $16.5 million and operating earnings of $2.3 million in the first quarter of 2017, or 3.3% and 3.7%, respectively, of the Corporation's consolidated results.

Additional information about this acquisition are presented in table #8.

Table #8:

	Robbie Manufacturing
Statement of financial position	**As at January 29, 2017**
Current assets	$13.3 M
Non-current assets	$45.0 M
Current liabilities	$4.3 M
Long-term liabilities	-
Statement of earnings	**Three-month period ended January 29, 2017**
Revenues	$16.5 M
Adjusted operating earnings before depreciation and amortization	$3.0 M
Adjusted operating earnings	$2.3 M

Please refer to Note 4 of the consolidated financial statements for the fiscal year ended October 31, 2016 for additional information on this acquisition.

During the first quarter ended January 29, 2017, except for the information provided above, no change that has materially affected or is reasonably likely to materially affect the internal control over financial reporting was brought to the attention of management, including the President and Chief Executive Officer, and the Chief Financial and Development Officer of the Corporation.

OUTLOOK FOR 2017

In the printing division, we expect stable revenues from our offering to current retailers, in particular flyer printing and door-to-door distribution services, as well as higher revenues from premedia and in-store marketing product services. In addition, we will benefit from the new agreement with Lowe's Canada to print their flyers in Canada. We will also benefit from the additional contribution from the agreement to print the *Toronto Star* until the end of June, and we are pursuing our initiatives to secure new newspaper printing outsourcing contracts. However, these favourable elements should be affected by a decrease in volume from certain newspaper publishers as a result of reduced circulation. Furthermore, our commercial and magazine printing activities will be affected by a reduction in print advertising. Lastly, the completion of the non-recurring contract to print Canada's census form in the second quarter of 2016 will have an unfavourable effect in the second quarter of 2017. With respect to adjusted operating earnings, we will continue our operational efficiency initiatives as in the past.

In our packaging division, we will benefit from the contribution from the acquisition of Robbie Manufacturing until the end of June, and from the acquisition of Flexstar Packaging until the end of our fourth quarter. In addition, once fully integrated, these acquisitions will also generate synergies. Furthermore, to support our transformation and future growth, we will continue to deploy resources to strengthen our sales force and develop our manufacturing platform. Lastly, we will maintain our disciplined acquisition approach in this promising market in order to invest in quality assets that meet our strategic criteria.

In the Media Sector, the impact of the transformation of the advertising market on our local newspaper publishing activities will continue, but will be partly offset by our cost reduction initiatives and our strategic exit from our interactive marketing solutions activities until the end of our second quarter of 2017. With respect to the Business and Education group, we expect that revenues and adjusted operating earnings will remain stable.

To conclude, we expect to generate significant cash flows and maintain our excellent financial position, which should enable us to continue investing to support our transformation into flexible packaging.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

March 3, 2017

CONSOLIDATED STATEMENTS OF EARNINGS
Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended January 29, 2017	Three months ended January 31, 2016
Revenues		**$ 503.6**	$ 498.9
Operating expenses	5	**415.7**	415.0
Restructuring and other costs (revenues)	6	**(2.3)**	5.5
Impairment of assets		**1.2**	—
Operating earnings before depreciation and amortization		**89.0**	78.4
Depreciation and amortization	7	**26.6**	26.8
Operating earnings		**62.4**	51.6
Net financial expenses	8	**5.1**	3.1
Earnings before share of net earnings in interests in joint ventures and income taxes		**57.3**	48.5
Share of net earnings in interests in joint ventures, net of related taxes		**(0.1)**	—
Income taxes	9	**14.5**	11.2
Net earnings		**$ 42.7**	$ 37.3
Net earnings per share - basic		**$ 0.55**	$ 0.48
Net earnings per share - diluted		**$ 0.55**	$ 0.48
Weighted average number of shares outstanding - basic (in millions)		**77.2**	78.0
Weighted average number of shares - diluted (in millions)	13	**77.4**	78.2

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Note	Three months ended January 29, 2017	Three months ended January 31, 2016
Net earnings		**$ 42.7**	$ 37.3
Other comprehensive income			
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		**1.4**	(6.5)
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**0.4**	2.0
Related income taxes		**0.5**	(1.3)
		1.3	(3.2)
Cumulative translation differences			
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**(9.4)**	19.6
Net change in the fair value of derivatives designated as hedges of net investments in foreign operations		**1.2**	(0.7)
Related income taxes		**0.3**	(0.2)
		(8.5)	19.1
Items that will not be reclassified to net earnings			
Changes in actuarial gains and losses in respect of defined benefit plans			
Actuarial gains (losses) in respect of defined benefit plans		**19.8**	(17.9)
Related income taxes		**5.4**	(4.8)
		14.4	(13.1)
Other comprehensive income	15	**7.2**	2.8
Comprehensive income		**$ 49.9**	$ 40.1

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited

(in millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balance as at October 31, 2016	**$ 361.9**	**$ 3.2**	**$ 700.9**	**$ 2.7**	**$ 1,068.7**
Net earnings	**—**	**—**	**42.7**	**—**	**42.7**
Other comprehensive income	**—**	**—**	**—**	**7.2**	**7.2**
Shareholders' contributions and distributions to shareholders					
Exercise of stock options (Note 12)	**6.5**	**(1.3)**	**—**	**—**	**5.2**
Dividends (Note 12)	**—**	**—**	**(14.3)**	**—**	**(14.3)**
Balance as at January 29, 2017	**$ 368.4**	**$ 1.9**	**$ 729.3**	**$ 9.9**	**$ 1,109.5**
Balance as at October 31, 2015	$ 368.2	$ 3.2	$ 625.5	$ 19.4	$ 1,016.3
Net earnings	—	—	37.3	—	37.3
Other comprehensive income	—	—	—	2.8	2.8
Shareholders' contributions and distributions to shareholders					
Share redemptions (Note 12)	(3.0)	—	(6.4)	—	(9.4)
Exercise of stock options (Note 12)	0.2	—	—	—	0.2
Dividends (Note 12)	—	—	(13.2)	—	(13.2)
Balance as at January 31, 2016	$ 365.4	$ 3.2	$ 643.2	$ 22.2	$ 1,034.0

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	**As at January 29, 2017**	As at October 31, 2016
Current assets			
Cash		**$ 67.0**	$ 16.7
Accounts receivable		**328.7**	401.9
Income taxes receivable		**4.3**	5.8
Inventories		**112.5**	119.6
Prepaid expenses and other current assets		**20.3**	15.9
		532.8	559.9
Property, plant and equipment		**548.5**	566.0
Intangible assets		**212.3**	217.0
Goodwill	4	**507.8**	509.7
Investments in joint ventures		**2.8**	2.9
Deferred taxes		**157.9**	171.3
Other assets		**33.7**	35.4
		$ 1,995.8	$ 2,062.2
Current liabilities			
Accounts payable and accrued liabilities		**$ 260.8**	$ 326.4
Provisions	11	**5.4**	9.8
Income taxes payable		**0.6**	3.5
Deferred revenues and deposits		**54.8**	55.4
Current portion of long-term debt		**0.1**	0.2
		321.7	395.3
Long-term debt		**347.8**	347.9
Deferred taxes		**43.1**	43.4
Provisions	11	**2.5**	2.9
Other liabilities		**171.2**	204.0
		886.3	993.5
Equity			
Share capital	12	**368.4**	361.9
Contributed surplus		**1.9**	3.2
Retained earnings		**729.3**	700.9
Accumulated other comprehensive income	15	**9.9**	2.7
		1,109.5	1,068.7
		$ 1,995.8	$ 2,062.2

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

		Three months ended	
(in millions of Canadian dollars)	Notes	**January 29, 2017**	January 31, 2016 (2)
Operating activities			
Net earnings		**$ 42.7**	$ 37.3
Adjustments to reconcile net earnings and cash flows from operating activities:			
Impairment of assets		**1.2**	—
Depreciation and amortization	7	**33.0**	33.6
Financial expenses on long-term debt	8	**4.4**	4.6
Net losses (gains) on disposal of assets		**(3.0)**	0.4
Income taxes	9	**14.5**	11.2
Net foreign exchange differences and other		**0.3**	(14.4)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**93.1**	72.7
Changes in non-cash operating items (1)		**(0.5)**	(11.1)
Income taxes paid		**(11.6)**	(27.3)
Cash flows from operating activities		**81.0**	34.3
Investing activities			
Business combinations	4	**(8.2)**	—
Business disposals		**0.1**	0.5
Acquisitions of property, plant and equipment		**(10.5)**	(14.1)
Disposals of property, plant and equipment		**6.7**	—
Increase in intangible assets		**(4.1)**	(4.6)
Cash flows from investing activities		**(16.0)**	(18.2)
Financing activities			
Reimbursement of long-term debt		**(0.1)**	(0.1)
Net decrease in credit facility		**—**	(8.0)
Financial expenses on long-term debt		**(5.5)**	(5.4)
Interest received related to previous tax reassessments		**—**	5.4
Exercise of stock options	12	**5.2**	—
Dividends	12	**(14.3)**	(13.2)
Share redemptions	12	**—**	(9.4)
Cash flows from financing activities		**(14.7)**	(30.7)
Effect of exchange rate changes on cash denominated in foreign currencies		**—**	1.6
Net change in cash		**50.3**	(13.0)
Cash at beginning of period		**16.7**	38.6
Cash at end of period		**$ 67.0**	$ 25.6
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ —**	$ (0.8)

(1) During the three-month period ended January 31, 2016, an amount of $31.0 million was received and recognized as deferred revenues.

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

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

1 GENERAL INFORMATION

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

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

The Corporation changed its fiscal year end date from a calendar year end to a floating year end, thus the end of the quarter will always be the last Sunday of the month. This change was effective at the beginning of the fiscal year.

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on March 3, 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2016, which include the significant accounting policies used by the Corporation.

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at January 29, 2017. Any subsequent changes to the accounting policies, that will take effect in the Corporation's annual consolidated financial statements for the year ending October 29, 2017 or after, could result in a retrospective restatement of these condensed interim consolidated financial statements.

New or amended accounting standards adopted

Clarification of acceptable methods of depreciation and amortization
In May 2014, the IASB issued modifications to IAS 16 "Property, Plant and Equipment" and to IAS 38 "Intangible Assets". The amendments to IAS 16 explicitly mention that depreciation method 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 revenues. The Corporation adopted these amendments on November 1, 2016. The adoption of these modifications had no significant impact on the consolidated financial statements of the Corporation.

New or amended accounting standards not yet adopted

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 analysis of this standard requires the Corporation to compile historical data for all of its contracts. Accordingly, the Corporation expects to devote, during the year 2017, the time and effort necessary to develop and implement the accounting policies, estimates, judgments and accounting processes (including incremental requirements of information technology systems) needed to have in place in order to comply with this standard.

At this time, the Corporation is performing a detailed impact assessment that this standard and its amendments will have on its consolidated financial statements. The Corporation will provide further updates during the year of 2017 as the assessment progresses.

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

3 SEGMENTED INFORMATION

During the year ended October 31, 2016 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 and specialized publications for professionals. Inter-segment sales of the Corporation are recognized at agreed transfer price, which approximates fair value. Transactions other than sales are recognized at carrying amount.

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

For the three-month period ended January 29, 2017	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ **450.1**	$ **63.1**	$ **(9.6)**	$ **503.6**
Operating expenses	**356.3**	**62.4**	**(3.0)**	**415.7**
Adjusted operating earnings before depreciation and amortization [1]	**93.8**	**0.7**	**(6.6)**	**87.9**
Restructuring and other costs (revenues)	**1.2**	**(1.1)**	**(2.4)**	**(2.3)**
Impairment of assets	**0.1**	**1.1**	**—**	**1.2**
Operating earnings before depreciation and amortization	**92.5**	**0.7**	**(4.2)**	**89.0**
Depreciation and amortization	**22.8**	**2.0**	**1.8**	**26.6**
Operating earnings	$ **69.7**	$ **(1.3)**	$ **(6.0)**	$ **62.4**
Adjusted operating earnings [1]	$ **71.0**	$ **(1.3)**	$ **(8.4)**	$ **61.3**
Acquisitions of non-current assets [2]	$ **10.5**	$ **3.1**	$ **1.0**	$ **14.6**

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

3 SEGMENTED INFORMATION (CONTINUED)

For the three-month period ended January 31, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 432.3	$ 77.8	$ (11.2)	$ 498.9
Operating expenses	343.3	80.6	(8.9)	415.0
Adjusted operating earnings before depreciation and amortization [1]	89.0	(2.8)	(2.3)	83.9
Restructuring and other costs (revenues)	4.2	1.6	(0.3)	5.5
Operating earnings before depreciation and amortization	84.8	(4.4)	(2.0)	78.4
Depreciation and amortization	21.8	3.0	2.0	26.8
Operating earnings	$ 63.0	$ (7.4)	$ (4.0)	$ 51.6
Adjusted operating earnings [1]	$ 67.2	$ (5.8)	$ (4.3)	$ 57.1
Acquisitions of non-current assets [2]	$ 12.9	$ 3.8	$ 1.2	$ 17.9

[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.

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

	Three months ended	
	January 29, 2017	January 31, 2016
Printing and packaging products	**$ 390.8**	$ 371.9
Publishing and content products	**74.2**	82.4
Other products and services	**38.6**	44.6
	$ 503.6	$ 498.9

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

	As at January 29, 2017	As at October 31, 2016
Printing and Packaging Sector	**$ 1,668.4**	$ 1,775.9
Media Sector	**203.5**	209.9
Head office and inter-segment eliminations [1]	**123.9**	76.4
	$ 1,995.8	$ 2,062.2

[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.

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

4 BUSINESS COMBINATIONS

On December 1, 2016, the Corporation acquired of all B2B brands of the Advisor and Financial Services Groups from Rogers Media Inc. for a total consideration of $3.9 million paid in cash. During the three-month period ended January 29, 2017, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed related to this combination. The assets acquired are mainly comprised of intangible assets of $3.7 million and goodwill of $0.7 million. This acquisition is in line with the Corporation strategy to grow specialized products and services offering, reinforcing actual B2B brands portfolio.

During the three-month period ended January 29, 2017, an amount of $4.7 million was also paid for a contingent consideration related to an acquisition realized in 2015 and an amount of $0.4 million was received related to an acquisition realized in 2016.

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended	
	January 29, 2017	January 31, 2016
Employee-related costs	**$ 157.5**	$ 164.3
Supply chain and logistics [1]	**224.8**	223.4
Other goods and services [2]	**33.4**	27.3
	$ 415.7	$ 415.0

[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.

6 RESTRUCTURING AND OTHER COSTS (REVENUES)

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

	Three months ended	
	January 29, 2017	January 31, 2016
Workforce reductions	**$ 1.8**	$ 5.6
Other costs (revenues) related to restructuring	**(1.4)**	0.5
Gain on the sale of a building	**(3.8)**	—
Onerous contracts	**0.7**	(0.8)
Business acquisition costs [1]	**0.4**	0.2
	$ (2.3)	$ 5.5

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

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

7 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended	
	January 29, 2017	January 31, 2016
Property, plant and equipment	**$ 19.8**	$ 20.1
Intangible assets	**6.8**	6.7
	26.6	26.8
Intangible assets and other assets, recognized in revenues and operating expenses	**6.4**	6.8
	$ 33.0	$ 33.6

8 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows:

	Three months ended	
	January 29, 2017	January 31, 2016
Financial expenses on long-term debt	**$ 4.4**	$ 4.6
Net interest on defined benefit plans asset and liability	**0.5**	0.2
Other revenues	**—**	(0.5)
Net foreign exchange losses (gains)	**0.2**	(1.2)
	$ 5.1	$ 3.1

9 INCOME TAXES

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

	Three months ended	
	January 29, 2017	January 31, 2016
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 57.3**	$ 48.5
Canadian statutory tax rate [(1)]	**26.82 %**	26.90 %
Income taxes at the statutory tax rate	**15.4**	13.0
Effect of differences in tax rates in other jurisdictions	**0.3**	0.4
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**(0.5)**	(1.3)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(0.3)**	—
Other	**(0.4)**	(0.9)
Income taxes at effective tax rate	**$ 14.5**	$ 11.2
Income taxes before the following items:	**$ 14.8**	$ 12.6
Income taxes on restructuring and other costs (revenues)	**—**	(1.4)
Income taxes on impairment of assets	**(0.3)**	—
Income taxes at effective tax rate	**$ 14.5**	$ 11.2

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

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

10 LONG-TERM DEBT

Credit facility extension

On January 9, 2017, the Corporation extended the maturity of its credit facility, in the available amount of $400.0 million or the U.S dollar equivalent, for one additional year, to February 2022, on the same terms.

11 PROVISIONS

The following table presents changes in provisions for the three-month period ended January 29, 2017:

	Restructuring costs	Onerous contracts	Other [1]	Total
Balance as at October 31, 2016	$ 6.2	$ 5.5	$ 1.0	$ 12.7
Provisions recorded	2.2	0.7	—	2.9
Amounts used	(6.2)	(1.0)	—	(7.2)
Provisions reversed	(0.4)	—	(0.1)	(0.5)
Balance as at January 29, 2017	$ 1.8	$ 5.2	$ 0.9	$ 7.9
Current portion	$ 1.8	$ 3.2	$ 0.4	$ 5.4
Non-current portion	—	2.0	0.5	2.5
	$ 1.8	$ 5.2	$ 0.9	$ 7.9

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

12 SHARE CAPITAL

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

	Three months ended			
	January 29, 2017		January 31, 2016	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of period	**62,886,445**	**$ 342.8**	63,363,281	$ 348.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**48,800**	**0.1**	66,890	0.1
Shares redeemed and cancelled	**(2,663)**	**—**	(543,500)	(3.0)
Exercise of stock options	**417,390**	**6.5**	14,038	0.2
Balance, end of period	**63,349,972**	**349.4**	62,900,709	345.4
Class B Shares				
Balance, beginning of period	**14,074,626**	**19.1**	14,807,016	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(48,800)**	**(0.1)**	(66,890)	(0.1)
Balance, end of period	**14,025,826**	**19.0**	14,740,126	20.0
	77,375,798	**$ 368.4**	77,640,835	$ 365.4

12 SHARE CAPITAL (CONTINUED)

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 2,000,000 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.

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 were made in the normal course of business at market prices through the Toronto Stock Exchange.

During the three-month period ended January 29, 2017, the Corporation repurchased and cancelled 2,663 of its Class A Subordinate Voting Shares at a weighted average price of $17.48, for a total negligible consideration. The excess of the total consideration paid over the carrying amount of the shares, of a negligible amount, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 29, 2017.

During the three-month period ended January 31, 2016, the Corporation repurchased and cancelled 543,500 of its Class A Subordinate Voting Shares at a weighted average price of $17.23, for a total cash consideration of $9.4 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $6.4 million, was applied against retained earnings.

Exercise of stock options

When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. For the three-month period ended January 29, 2017, the consideration received was $5.2 million and an amount of $1.3 million was transferred from contributed surplus to share capital (Note 14 "Stock-based Compensation"). For the three-month period ended January 31, 2016, the consideration received was $0.2 million and a negligible amount was transferred from contributed surplus to share capital .

Dividends

Dividends of $0.185 and $0.17 per share were declared and paid to holders of shares for the three-month periods ended January 29, 2017 and January 31, 2016, respectively.

13 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:

	Three months ended	
	January 29, 2017	January 31, 2016
Numerator		
Net earnings	**$ 42.7**	$ 37.3
Denominator (in millions)		
Weighted average number of shares outstanding - basic	**77.2**	78.0
Dilutive effect of stock options	**0.2**	0.2
Weighted average number of shares - diluted	**77.4**	78.2

As at January 29, 2017 and January 31, 2016, all the stock options are included in the calculation of the diluted net earnings per share due to their potential dilutive effect.

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

14 STOCK-BASED COMPENSATION

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

For the three-month periods ended January 29, 2017 and January 31, 2016, negligible amounts of stock-based compensation expenses were charged to Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	Three months ended			
	January 29, 2017		January 31, 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**729,502**	**$ 12.60**	762,703	$ 12.57
Exercised	**(417,390)**	**12.35**	(14,038)	11.60
Options outstanding, end of period	**312,112**	**$ 12.93**	748,665	$ 12.59
Options exercisable, end of period	**312,112**	**$ 12.93**	656,311	$ 12.76

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

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

	Three months ended			
Number of units	**January 29, 2017**	January 31, 2016	**January 29, 2017**	January 31, 2016
	DSU		RSU	
Balance, beginning of period	**274,168**	279,162	**1,069,860**	1,064,655
Units granted	**13,545**	—	**248,371**	344,918
Units cancelled	**—**	—	**—**	(67,070)
Units paid	**(4,414)**	—	**(377,942)**	(266,379)
Units converted	**—**	2,586	**—**	(2,586)
Dividends paid in units	**2,207**	3,144	**5,661**	7,526
Balance, end of period	**285,506**	284,892	**945,950**	1,081,064

As at January 29, 2017, the liability related to the share unit plan for certain officers and senior executives was $14.1 million ($16.5 million as at October 31, 2016). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 29, 2017 and January 31, 2016 were $5.4 million and $(0.5) million, respectively. Amounts of $7.8 million and $5.2 million were paid under this plan for the three-month periods ended January 29, 2017 and January 31, 2016, 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.

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

14 STOCK-BASED COMPENSATION (CONTINUED)

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

Number of units	Three months ended **January 29, 2017**	 January 31, 2016
Balance, beginning of period	**377,901**	363,514
Directors' compensation	**6,934**	9,163
Units paid	**(65,806)**	—
Dividends paid in units	**2,551**	3,770
Balance, end of period	**321,580**	376,447

As at January 29, 2017, the liability related to the share unit plan for directors was $7.1 million ($6.8 million as at October 31, 2016). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 29, 2017 and January 31, 2016 were $1.8 million and $(0.6) million, respectively. An amount of $1.5 million was paid under this plan for the three-month period ended January 29, 2017. No amount was paid under this plan for the three-month period ended January 31, 2016.

15 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, 2016	**$ (1.6)**	**$ 38.7**	**$ (34.4)**	**$ 2.7**
Net change in gains (losses), net of income taxes	**1.3**	**(8.5)**	**14.4**	**7.2**
Balance as at January 29, 2017	**$ (0.3)**	**$ 30.2**	**$ (20.0)**	**$ 9.9**
Balance as at October 31, 2015	$ (7.0)	$ 24.3	$ 2.1	$ 19.4
Net change in gains (losses), net of income taxes	(3.2)	19.1	(13.1)	2.8
Balance as at January 31, 2016	$ (10.2)	$ 43.4	$ (11.0)	$ 22.2

As at January 29, 2017, 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	$ (0.3)	$ 0.2	$ (0.3)	$ (0.4)
Income taxes	(0.1)	0.1	(0.1)	(0.1)
	$ (0.2)	$ 0.1	$ (0.2)	$ (0.3)

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

	Three months ended **January 29, 2017**	 January 31, 2016
Actuarial gains (losses) on obligation - change in discount rate	**$ 66.8**	$ (36.0)
Actuarial gains (losses) on plan assets - excluding interest income	**(39.7)**	14.1
Effect of the asset ceiling	**(7.3)**	4.0
	$ 19.8	$ (17.9)

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

15 ACCUMULATED OTHER COMPREHENSIVE INCOME (CONTINUED)

Actuarial gains on obligation recognized in Statements of Comprehensive Income for the three-month period ended January 29, 2017 are explained by the change in the discount rate, which increased from 3.3% as at October 31, 2016, to 3.9% as at January 29, 2017. Actuarial losses on plan assets are due to actual rates of return on assets that was lower than expected return for the three-month period ended January 29, 2017.

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

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The only financial instruments of the Corporation that are measured at fair value on a recurring basis subsequent to their initial recognition are derivative financial instruments, including foreign exchange forward contracts and contingent considerations payable 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 January 29, 2017		As at October 31, 2016	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 3.8**	**$ 3.8**	$ 2.5	$ 2.5
Contingent considerations	**(10.2)**	**(10.2)**	(15.0)	(15.0)
Long-term debt	**(365.3)**	**(347.9)**	(366.1)	(348.1)
Foreign exchange forward contracts in liabilities	**(0.8)**	**(0.8)**	(2.3)	(2.3)

These financial instruments are classified in Level 2 of the fair value hierarchy, with the exception of contingent considerations payable with respect to the business combinations which are classified in Level 3. For the three-month period ended January 29, 2017, no financial instruments were transferred between levels 1, 2 and 3.

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

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The changes in Level 3 financial instruments are as follows for the three-month period ended:

	January 29, 2017
Balance, beginning of period	**$ (15.0)**
Amount paid	**4.7**
Exchange rate change	**0.1**
Balance, end of period	**$ (10.2)**

Sensitivity analysis of the Level 3 financial instruments
On January 29, 2017, all other things being equal, a 10.0% increase of pre-established financial performance thresholds of acquired businesses would have resulted in a decrease of $3.3 million in net earnings. A 10.0% decrease of pre-established financial performance thresholds would have resulted in an increase of $9.2 million in net earnings.