

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter ended April 30, 2015

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

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term "dollar," as well as the symbol "\$" designate Canadian dollars, unless otherwise indicated. In this Management's Discussion and Analysis we also use non-IFRS financial measures. Please refer to table 6 in the section of this report entitled "Reconciliation of Non-IFRS Financial Measures" for a complete description of these measures. This report should also be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended April 30, 2015. Additional information about the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

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

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often contain oral or written forward-looking statements which are based on the expectations of Management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. The main risks, uncertainties and factors that could influence actual results are described in the Management's Discussion and Analysis for the fiscal year ended October 31, 2014 and in the 2014 Annual Information Form. We caution that the table appearing on the following page regarding the Corporation's forward-looking statements is not exhaustive, and investors relying on it to make decisions with respect to Transcontinental Inc. should consider the related assumptions and risk factors.

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

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

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

## SUMMARY OF FORWARD-LOOKING STATEMENTS

Forward-looking Statements	Assumptions	Risk Factors
Continuing ability to generate cash.	<ul style="list-style-type: none"> <li>- Lower spending on print media advertising will continue to affect both our sectors.</li> <li>- Ability to control our costs.</li> <li>- The impact of our commercial agreements will be as expected.</li> <li>- Stable level of competition in the markets in which we operate.</li> <li>- Moderate growth rate of the Canadian economy.</li> </ul>	<ul style="list-style-type: none"> <li>- The impact of new media and the corresponding shift of advertising revenues to new platforms.</li> <li>- Our ability to execute our strategy.</li> <li>- Our ability to continually improve our operational efficiency to maintain or improve our profitability.</li> <li>- Significant increase in the price of our raw materials and inputs.</li> <li>- Renegotiation of commercial printing agreements with some of our major customers could lead to lower operating earnings despite long-term agreements.</li> </ul>
Estimated increase in adjusted operating earnings before depreciation and amortization following the acquisition of weekly newspapers in Quebec.	<ul style="list-style-type: none"> <li>- Smooth and efficient integration with our operations.</li> <li>- We will be capable of ensuring the retention of key employees throughout the transition.</li> </ul>	<ul style="list-style-type: none"> <li>- The identified increase in adjusted operating earnings before depreciation and amortization could be lower than expected as a result of a reduction in advertising spending and the impact of new media.</li> </ul>
Estimated increase in adjusted operating earnings before depreciation and amortization following the acquisition of Capri Packaging and our ability to grow in the flexible packaging industry.	<ul style="list-style-type: none"> <li>- We will be able to retain key employees in order to ensure customer satisfaction.</li> <li>- Financial forecasts will be accurate with no major decrease in volume from existing customers.</li> <li>- Ability to apply our manufacturing expertise to maintain operational efficiency and properly integrate this new growth area.</li> <li>- Ability to develop new business opportunities to ensure the profitability of our investment.</li> </ul>	<ul style="list-style-type: none"> <li>- The expected increase in sales and adjusted operating earnings before depreciation and amortization could take longer to realize than anticipated.</li> </ul>
Investments aimed at achieving our operating strategies.	<ul style="list-style-type: none"> <li>- We will be able to develop new products and services.</li> <li>- Our internal projects will generate savings and efficiencies that will improve our profitability.</li> <li>- A declining local and national advertising market.</li> <li>- Moderate growth rate of the Canadian economy.</li> </ul>	<ul style="list-style-type: none"> <li>- Inappropriate selection of priority investments and an inability to create value.</li> <li>- Well-established competitors entering our various markets could force us to change our investment strategies.</li> </ul>

## DEFINITION OF TERMS USED IN THIS REPORT

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

Terms Used	Definitions
Net indebtedness	Total of long-term debt plus current portion of long-term debt plus bank overdraft less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization
Net earnings applicable to participating shares	Net earnings applicable to the Corporation's shareholders less dividends on preferred shares
Adjusted net earnings applicable to participating shares	Net earnings applicable to participating shares, before restructuring and other costs (revenues) (net of related income taxes), impairment of assets (net of related income taxes) and net earnings from discontinued operations
Adjusted operating earnings	Operating earnings before restructuring and other costs (revenues), as well as impairment of assets
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization, restructuring and other costs (revenues), as well as impairment of assets

## PROFILE OF TC TRANSCONTINENTAL

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

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

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

## PREAMBLE

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

## HIGHLIGHTS

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

## ANALYSIS OF CONSOLIDATED RESULTS - SECOND QUARTER

(unaudited)

**Table #1:**

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

### Revenues

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

- The net effect of acquisitions, disposals and closures resulted in an increase of \$33.8 million, or 7.1%, mainly due to the contribution from the acquisition of Capri Packaging and, to a lesser extent, due to the acquisition of weekly newspapers in Quebec.
- Revenues from existing operations, excluding the exchange rate effect, were down \$26.7 million, or 5.6%, mainly due to the flyer printing operations, which were affected by the loss of an American customer as well as the consolidation of two brands by one of our customers in Canada. In addition, the Corporation is operating in transforming industries, which continues to have a negative impact on both our operating sectors.

### Adjusted Operating Earnings

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

- The net effect of acquisitions, disposals and closures resulted in an increase in adjusted operating earnings of \$8.0 million, or 14.4%, mainly due to the contribution from the acquisition of Capri Packaging and also due to the acquisition of weekly newspapers in Quebec.
- Excluding the exchange rate effect, adjusted operating earnings decreased by \$4.5 million, mostly as a result of the decrease in organic growth, which was partially offset by the continuation of cost reduction initiatives in both our operating sectors. This decrease is also related to the effect of the change in share price on stock-based compensation which explains in large part the \$1.4 million unfavorable impact within the other head office activities.

### **Restructuring and Other Costs (Revenues)**

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

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

### **Impairment of Assets**

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

### **Net Financial Expenses**

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

### **Income taxes**

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

### **Redemption of Preferred Shares**

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

### **Discontinued Operations**

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

### **Net Earnings Applicable to Participating Shares**

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

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

## ANALYSIS OF SECTOR RESULTS - SECOND QUARTER

(unaudited)

Table #2:

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

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

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

### Printing & Packaging Sector

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

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

### Media Sector

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

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

## Head office and Inter-Segment Eliminations

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

## ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

(unaudited)

Table #3:

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

## Revenues

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

- The net effect of acquisitions, disposals and closures resulted in an increase in revenues of \$57.2 million or 6.0%, mainly attributable to the acquisition of Capri Packaging and, to a lesser extent, to the acquisition of weekly newspapers in Quebec, partially offset by the sale of Rastar's assets.
- Revenues from existing operations, excluding the exchange rate effect, were down \$46.3 million, due, among other factors, to a decrease in our flyer printing operations, which were affected by the loss of an American customer as well as the consolidation of two brands by one of our customers in Canada. In addition, the Corporation is operating in transforming industries, which continues to have a negative impact on most of the Corporation's activities.

## Adjusted Operating Earnings

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

- The net effect of acquisitions, disposals and closures resulted in an increase in adjusted operating earnings of \$13.7 million, or 13.3%, mainly due to the acquisition of Capri Packaging and, to a lesser extent, due to the impact of the acquisition of weekly newspapers in Quebec.
- Excluding the exchange rate effect, adjusted operating earnings decreased by \$4.1 million, mostly as a result of the impact of the change in share price on stock-based compensation which explains in large part the \$5.4 million unfavorable impact within the other head office activities. Furthermore, organic growth was positive within both our operating sectors, principally due to cost reduction initiatives which offset the decline in revenues from existing operations.

### **Restructuring and Other Costs (Revenues)**

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

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

### **Impairment of Assets**

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

### **Net Financial Expenses**

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

### **Income taxes**

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

### **Redemption of Preferred Shares**

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

### **Discontinued Operations**

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

### **Net Earnings Applicable to Participating Shares**

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

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

## ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #4:

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

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

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

### Printing & Packaging Sector

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

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

### Media Sector

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

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

## Head office and Inter-Segment Eliminations

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

## SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

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

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

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

## RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

**Table #6:**

(in millions of dollars, except per share amounts)	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
<b>Net earnings applicable to participating shares</b>	\$ 81.2	\$ 34.7	\$ 119.1	\$ 51.9
Dividends on preferred shares, net of related taxes	—	1.7	—	3.4
Non-controlling interests	(0.2)	0.4	(0.4)	0.1
Net earnings from discontinued operations	(30.7)	(2.2)	(28.5)	1.2
Income taxes	20.4	14.2	32.8	24.1
Share of net earnings in interests in joint ventures, net of related taxes	(0.1)	(0.1)	(0.2)	(0.4)
Net financial expenses	6.3	4.0	10.2	8.6
Impairment of assets	1.4	0.1	1.4	0.5
Restructuring and other costs (revenues)	(16.7)	2.7	(17.1)	13.4
<b>Adjusted operating earnings</b>	\$ 61.6	\$ 55.5	\$ 117.3	\$ 102.8
Depreciation and amortization	25.6	23.8	50.7	48.3
<b>Adjusted operating earnings before depreciation and amortization</b>	\$ 87.2	\$ 79.3	\$ 168.0	\$ 151.1
<b>Net earnings applicable to participating shares</b>	\$ 81.2	\$ 34.7	\$ 119.1	\$ 51.9
Net earnings from discontinued operations	(30.7)	(2.2)	(28.5)	1.2
Impairment of assets (after tax)	1.0	0.1	1.0	0.4
Restructuring and other costs (revenues) (after tax)	(12.4)	1.8	(14.3)	10.2
<b>Adjusted net earnings applicable to participating shares</b>	\$ 39.1	\$ 34.4	\$ 77.3	\$ 63.7
Weighted average number of participating shares outstanding	78.1	78.0	78.1	78.0
<b>Adjusted net earnings applicable to participating shares per share</b>	\$ 0.50	\$ 0.44	\$ 0.99	\$ 0.82
			<b>As at April 30, 2015</b>	<b>As at October 31, 2014</b>
Long-term debt			347.4	\$ 358.7
Current portion of long-term debt			72.8	118.1
Cash			(35.4)	(35.2)
<b>Net indebtedness</b>			<b>384.8</b>	<b>\$ 441.6</b>
Adjusted operating earnings before depreciation and amortization (last 12 months)			371.0	\$ 354.1
<b>Net indebtedness ratio</b>			<b>1.0 x</b>	<b>1.2 x</b>

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

(unaudited)

**Table #7:**

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

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

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

### Cash Flows from Operating Activities

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

### Cash Flows from Investing Activities

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

### Cash Flows from Financing Activities

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

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

### Debt Instruments

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

### Share Capital

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

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

Table #8:

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

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

The following table provides additional information about this acquisition:

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

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

## SUBSEQUENT EVENTS

### Sale of a building

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

## OUTLOOK

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

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

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

On behalf of Management,

*(s) Nelson Gentiletti*  
Chief Financial and Development Officer

June 11, 2015