TRANSCONTINENTAL

OPTIMIZE
INVEST
DIVERSIFY

ANNUAL REPORT

2014 TC TRANSCONTINENTAL ANNUAL REPORT

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 our packaging products used in the food industry, innovation of our offering and concentration of our 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 31, 2014 and in the 2014 Annual Information Form.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of nonrecurring or other unusual items, nor of divestitures, business combinations, mergers or acquisitions which may be announced after the date of December 19, 2014.

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

The forward-looking statements in this annual report are based on current expectations and information available as at December 19, 2014. 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.

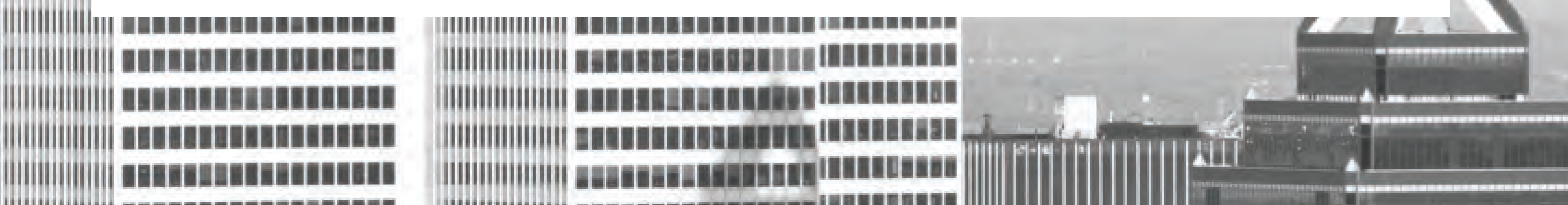
FINANCIAL HIGHLIGHTS

FOR FISCAL YEARS ENDED OCTOBER 31 (UNAUDITED) /
(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE DATA)

	2014	2013 [1]	VARIATION IN %
OPERATIONS			
Revenues	$ 2,069.4	$ 2,096.7	(1)
Adjusted operating earnings before amortization [2]	360.4	338.6	6
Operating earnings	169.8	35.6	N/A
Adjusted operating earnings [2]	257.4	233.6	10
Net earnings applicable to participating shares	105.1	(23.4)	N/A
Adjusted net earnings applicable to participating shares [2]	168.2	148.3	13
Cash flows generated by operating activities before changes in non-cash operating items and income tax paid	348.0	327.1	6
Cash flows from operating activities	334.8	415.9	(20)
INVESTMENT & FINANCING			
Business combinations [3]	225.9	24.5	N/A
Acquisitions of property, plant and equipment and intangible assets	61.6	73.8	(17)
Participating share redemptions	N/A	12.1	N/A
PER SHARE DATA (BASIC)			
Net earnings applicable to participating shares	1.35	(0.30)	N/A
Adjusted net earnings applicable to participating shares [2]	2.16	1.90	14
Cash flows generated by operating activities before changes in non-cash operating items and income tax paid	4.46	4.19	6
Cash flows from operating activities	4.29	5.33	(20)
Dividends on participating shares [4]	0.63	1.58	N/A
Average number of participating shares outstanding (in millions)	78.0	78.0	

	AS AT OCTOBER 31, 2014	AS AT OCTOBER 31, 2013 [1]
FINANCIAL CONDITION		
Total assets	$ 2,027.7	$ 1,850.8
Shareholders' equity	793.1	815.4
Net indebtedness [2]	441.6	320.8
Net indebtedness ratio [2]	1.23x	0.95x
Shareholders' equity per participating shares	$ 10.17	$ 9.21
Number of participating shares at end of period (in millions)	78.0	78.0

(1) 2013 figures have been restated to take into account the effects of IAS 19 amended — Employee Benefits, IFRS 11 — Joint Arrangements and other elements.
(2) Please refer to the section "Reconciliation of non-IFRS Financial Measures" in the Management's Discussion and Analysis section of this annual report.
(3) Total consideration in cash or otherwise for businesses acquired through the purchase of shares or assets.
(4) Payment of special dividend of $1.00 per share in addition to regular dividend of $0.58 per share in fiscal 2013.



CHAIR OF THE BOARD LETTER

ISABELLE MARCOUX

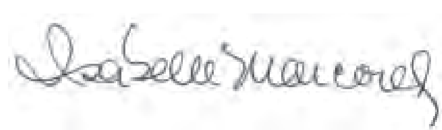
IN 2014, TC TRANSCONTINENTAL CONTINUED ITS TRANSFORMATION AND FINISHED THE FISCAL YEAR WITH EXCELLENT RESULTS. OPERATING IN A COMPETITIVE ENVIRONMENT, EXACERBATED BY THE MIGRATION OF ADVERTISING SPENDING TO DIGITAL MEDIA AND VARIOUS TECHNOLOGICAL PLATFORMS, WE DEPLOYED OUR STRATEGIC PLAN TO STRENGTHEN OUR LEADING POSITION IN OUR CORE MARKET SEGMENTS AND DEVELOP NEW SOURCES OF REVENUE.

To foster our sustainability and future growth, we optimized a number of our operations in order to make them more profitable and better suited to the new realities of the industry. We made acquisitions and strategic partnerships that enabled us to consolidate the local publishing market in Quebec and diversified in a new area, one which has not been consolidated, flexible packaging. In fiscal 2014 we invested more than $225 million for these acquisitions. At the same time, we divested assets which no longer met our growth requirement. These actions combined improved the Corporation's profitability and efficiency. We also had to make difficult decisions, some of which had an impact on colleagues, who I would like to sincerely thank for their contribution.

In the area of corporate social responsibility, we defined three pillars to guide our strategy: the environment, employees and communities. In 2014, to give you a shining example, 95% of the paper purchased was made with certified or recycled fibres; 100% of succession candidates' development plans were completed; and we invested more than $3.6 million in over 400 organizations involved mainly in health and education. I am very proud of these achievements; they reflect our values of respect, performance, innovation and teamwork. All the credit goes to our approximately 8,500 employees, which I would like to thank for their steadfast dedication to our company and customers.

I would also like to thank the members of the senior management team, under the leadership of François Olivier, President and Chief Executive Officer, for their determination to take on the challenges of the transformation, and my colleagues on the Board of Directors, for their commitment to ensuring the Corporation grows and continues to flourish. Lastly, I wish to thank you, the shareholders of TC Transcontinental, for your support and trust.

CHAIR OF THE BOARD,



ISABELLE MARCOUX
DECEMBER 19, 2014

CORPORATE SOCIAL RESPONSIBILITY

TC TRANSCONTINENTAL'S COMMITMENT TO SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY IS INSTRUMENTAL TO SUPPORTING ITS GROWTH. IN 2014, THE SECOND YEAR INTO ITS 2013-2015 CORPORATE SOCIAL RESPONSIBILITY PLAN, TC TRANSCONTINENTAL MADE PROGRESS BASED ON THE TARGETS ASSOCIATED TO ITS THREE PILLARS: ENVIRONMENT, EMPLOYEES AND COMMUNITIES. TAKING THE INTERESTS OF ITS KEY STAKEHOLDERS INTO ACCOUNT, TC TRANSCONTINETAL CONTINUES TO WORK ON DEFINED ACTIONS THAT WILL BRING ADDED VALUE TO THE CORPORATION.

$3.6M

DONATED TO THE COMMUNITIES WHERE TC TRANSCONTINENTAL IS PRESENT

GUIDE. MOBILIZE. ACHIEVE.

PRIORITIES

EMPLOYEES

- Attract, develop and retain talent
- Maintain and enhance employee health, safety and wellness

COMMUNITIES

- Invest in community well-being

ENVIRONMENT

- Track and reduce the environmental impact of its activities
- Adopt ecoresponsible procurement practices
- Promote ecoresponsible corporate practices

EMPLOYEES

Investing in its most valuable asset – its employees – is central to TC Transcontinental's vision. It believes leadership to be a key part of its success and central to its Corporation's transformation efforts. In order to meet the business' ongoing demands and to ensure employees have the support and tools to succeed, the Corporation is investing in developing its leaders at all levels.

This is why it focused its efforts on developing the different components of a new leadership development program. TC Transcontinental's Leadership Journey will provide a clear definition of what is expected from leaders, as well as the means for developing their competencies and measuring the progress achieved.

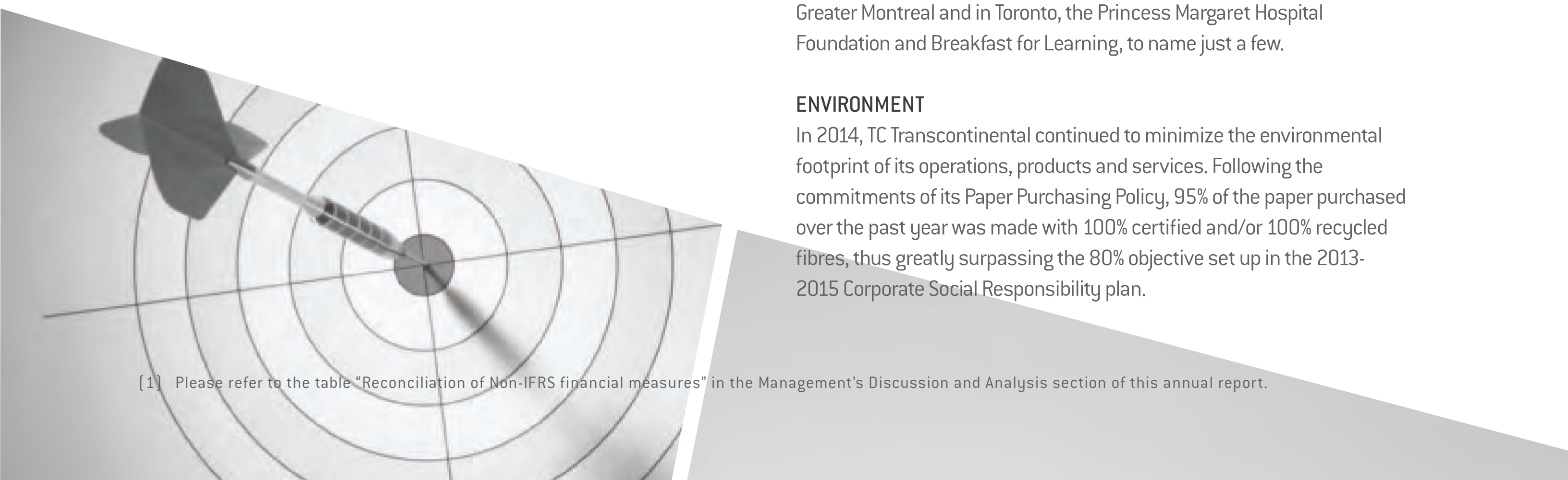
The program is based on TC Transcontinental's competency model as well as the 70-20-10 development approach. Deployment will be done in gradual phases over a 3-4 year timeframe.

COMMUNITIES

In 2014, TC Transcontinental continued to execute on its vision to be involved in the communities in which it is present. In 2014, $3.6 million, or 1.4% of its adjusted operating earnings[1], was donated in the form of cash or goods and services to several organizations, primarily in the areas of health and education, in accordance with the Corporation's Donations Policy. TC Transcontinental continued to offer its support to HEC Montréal, the Montreal Heart Institute Foundation, Centraide of Greater Montreal and in Toronto, the Princess Margaret Hospital Foundation and Breakfast for Learning, to name just a few.

ENVIRONMENT

In 2014, TC Transcontinental continued to minimize the environmental footprint of its operations, products and services. Following the commitments of its Paper Purchasing Policy, 95% of the paper purchased over the past year was made with 100% certified and/or 100% recycled fibres, thus greatly surpassing the 80% objective set up in the 2013-2015 Corporate Social Responsibility plan.



(1) Please refer to the table "Reconciliation of Non-IFRS financial measures" in the Management's Discussion and Analysis section of this annual report.

PRESIDENT AND CHIEF EXECUTIVE OFFICER LETTER

FRANÇOIS OLIVIER

WE HAD AN EXCELLENT YEAR IN FISCAL 2014. OUR REVENUES REMAINED STABLE AT $2.1 BILLION AND OUR PROFITABILITY GREW 13%. THIS SOLID PERFORMANCE IS THE RESULT OF OUR ONGOING EFFORTS TO DEVELOP SALES, OPTIMIZE OUR COST STRUCTURE AND PROACTIVELY MANAGE OUR PORTFOLIO OF ASSETS. ALL THESE INITIATIVES MORE THAN OFFSET THE IMPACT OF A CHALLENGING ADVERTISING MARKET IN 2014.

On the printing side of the business, we signed several new agreements totalling more than $40 million and continued to develop our in-store marketing offering. We also continued to optimize our platform by reviewing our cost structure, merging plants, divesting segments which no longer met our growth requirements and consolidating some of our purchases to take advantage of economies of scale. Thus, despite a decrease in revenues, our profitability increased.

The Media Sector, for its part, had a pivotal year with the announcement of its acquisition of Sun Media Corporation's Quebec weekly newspapers, which will add about $20 million to the Corporation's profitability, and the sale of its consumer magazines produced in Montreal and Toronto, subject to the approval of the Competition Bureau. As a result, the sector is now focusing on the local advertising market, which offers more business opportunities; on the development of digital and interactive marketing products, particularly for retailers; and on the production and dissemination of business and education content. The Media Sector also returned to profit growth due to, among others, new distribution agreements and a significant cost reduction program adapted to current market realities.

We also sought to diversify our operations by investing in a new and promising growth area, flexible packaging. We acquired Capri Packaging, in Clinton, Missouri, to establish our foothold in this field and to leverage our manufacturing skills and expertise.

In the coming year, we will continue to optimize our printing platform, grow our digital media offering and develop our packaging division. We expect to be able to keep generating significant cash flows and maintain our excellent financial position to continue our transformation.

In closing, I am pleased that we will soon roll out a leadership development program that will further stimulate the performance of our employees, who I wish to thank for the exceptional job they have done once again this year. I would also like to sincerely thank all our customers for their loyalty and trust.

PRESIDENT AND CHIEF EXECUTIVE OFFICER,

FRANÇOIS OLIVIER
DECEMBER 19, 2014

$ 2.1 BILLION
IN REVENUES

8,500
EMPLOYEES

AT A GLANCE

24
PRINTING
PLANTS

2 FLEXIBLE
PACKAGING
PLANTS

22.6 MILLION
CONSUMERS REACHED
THROUGH PORTFOLIO
OF MEDIA AND MARKETING
SOLUTIONS

Canada's largest printer, with operations in print and digital media, publishing and flexible packaging, 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 8,500 employees in Canada and the United States, and revenues of C$2.1 billion in 2014.

Website **www.tc.tc**

OUR MISSION
Help companies attract, reach and retain their target customers.

OUR VISION
Become a North American leader in marketing communications.

OUR VALUES
Innovation, Teamwork, Respect and Performance.

OUR PILLARS
Customers, Employees, Shareholders and Communities.

OUR CORE COMPETENCIES
Leadership, Critical Thinking, Building Expertise and Delivering Results.

PRINTING AND PACKAGING SECTOR

Revenues: $1.5 B
Employees: 5,000
Printing plants: 24
Packaging plants: 2
Business segments:

- Retail and newspapers
- Magazines and books
- Marketing products
- Flexible packaging

LEVERAGE ITS STATE-OF-THE-ART PRINTING PLATFORM AND GROW PACKAGING DIVISION

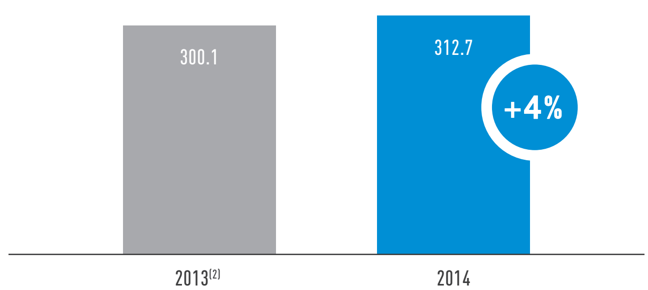
FINANCIAL RESULTS: IN 2014, THE PRINTING AND PACKAGING SECTOR GENERATED REVENUES OF $1.5 BILLION, DOWN 1.2%. THIS DECLINE WAS PRIMARILY DRIVEN BY LOWER ADVERTISING REVENUES IN THE MAGAZINES, MARKETING PRODUCTS AND NEWSPAPER SEGMENTS, AS WELL AS THE DIVESTITURE OF RASTAR'S ASSETS. NEW PRINTING AGREEMENTS, IN-STORE MARKETING PRINTED PRODUCTS AND THE ACQUISITION OF CAPRI PACKAGING PARTIALLY OFFSET THIS DECLINE. ADJUSTED OPERATING EARNINGS [1] INCREASED 6.1%, FROM $221.7 MILLION TO $235.2 MILLION. THIS INCREASE WAS PRIMARILY DRIVEN BY THE NET CONTRIBUTION OF ACQUISITIONS AND CLOSURES, THE FAVORABLE IMPACT OF THE CANADIAN-U.S. DOLLAR EXCHANGE RATE AND OPERATIONAL INITIATIVES. IT WAS PARTIALLY OFFSET BY LOWER ADVERTISING REVENUES.

OPTIMIZED OPERATIONS

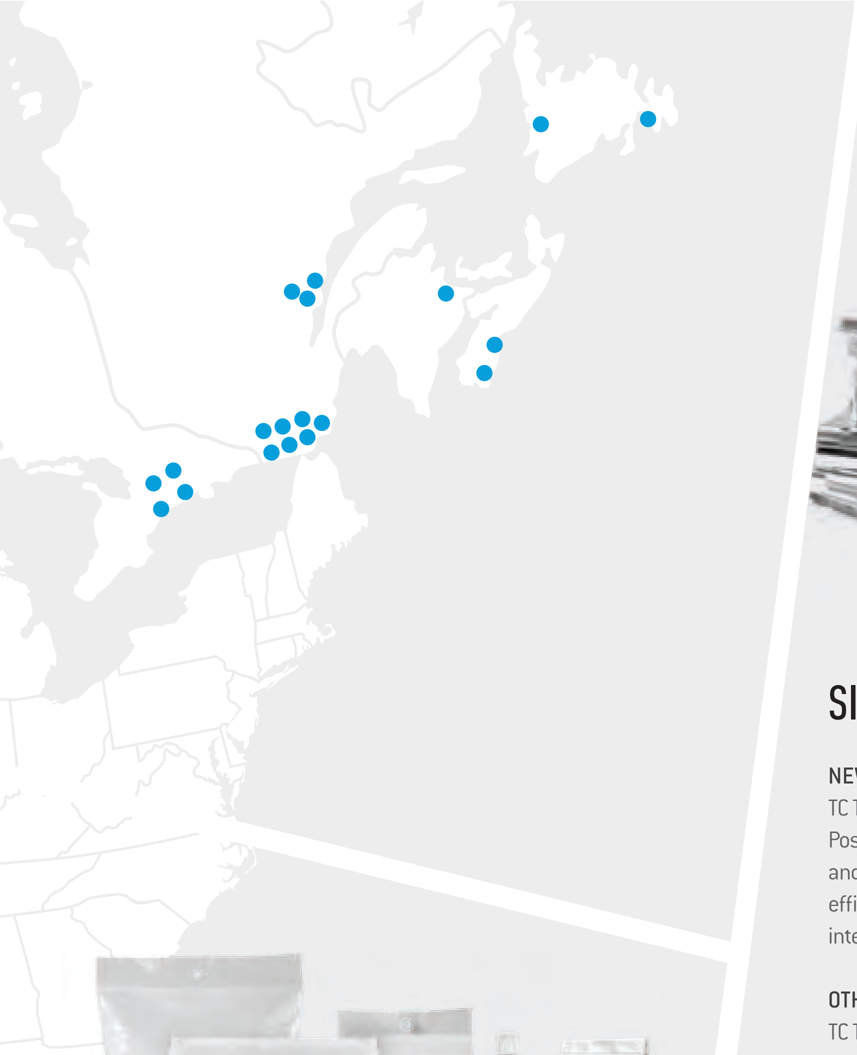
The Sector continued to improve its profitability. Its adjusted operating earnings before amortization[1] (adjusted EBITDA) increased 4.2% and its margin increased from 20.3% to 21.4%. During the year, it benefited from new agreements, continued synergies from the Quad/Graphics Canada, Inc. acquisition, the divestiture of Rastar's assets and efforts to reduce overall costs, including the consolidation of purchases to gain some economies of scale. In addition, at the end of October, the Corporation announced the final actions of the Quad/Graphics Canada, Inc. integration with the closure of the Edmonton and Concord plants in Alberta and Ontario, respectively, which should benefit fiscal 2015.

INCREASING ADJUSTED EBITDA [1]

(IN MILLIONS OF DOLLARS)



(1) Please refer to the table "Reconciliation of Non-IFRS financial measures" in the Management's Discussion and Analysis section of this annual report.
(2) 2013 figures have been restated to take into account the effects of IAS 19 amended — Employee Benefits, IFRS 11— Joint Arrangements and other elements.



+$40M IN NEW PRINTING AGREEMENTS (1)

TC • TRANSCONTINENTAL PRINTING

SIGNED NEW MULTI-YEAR AGREEMENTS

NEWSPAPER OUTSOURCING

TC Transcontinental Printing signed multi-year agreements with Postmedia Network Inc. to print the *Calgary Herald*, the *Vancouver Sun* and *The Montreal Gazette*. Given TC Transcontinental Printing's highly efficient and flexible hybrid platform, this additional volume was integrated seamlessly in its network.

OTHER PRINTING AGREEMENTS

TC Transcontinental Printing signed multi-year agreements with new customers to print various marketing products including in-store marketing, as well as magazines, books and weekly newspapers. These new agreements partly mitigated the reduction in volume in the core business. In addition, it renewed retail flyer printing agreements with a number of retailers.

TC • TRANSCONTINENTAL PACKAGING

DIVERSIFED INTO FLEXIBLE PACKAGING

The Corporation entered the flexible packaging industry, a new promising growth area, with the acquisition of Capri Packaging in Clinton, Missouri, a supplier of flexible packaging primarily in the dairy industry. This strategy allows TC Transcontinental to leverage the key success factors in its Printing business, namely its manufacturing competency, its contract-based model and proximity to end markets. A key aspect of the transaction is a 10-year contract with the seller, Schreiber Foods, Inc., accounting for about 75% of Capri's total revenues. The acquisition will add about US$72 million to TC Transcontinental's revenues and $US17 million to operating earnings before amortization on an annualized basis. The Corporation intends to grow this new segment through organic growth initiatives and acquisitions.

LEVERAGING MANUFACTURING COMPETENCIES

GOING FORWARD

- GROW FLEXIBLE PACKAGING OPERATIONS.
- OPTIMIZE PRINTING PLATFORM.
- GAIN NEWSPAPER OUTSOURCING AGREEMENTS.
- DEVELOP IN-STORE MARKETING (ISM) OPPORTUNITY.

(1) On an annualized basis.

MEDIA SECTOR

Revenues: $688M
Employees: 3,500
Reach: 22.6M consumers
Business segments:

- Local Solutions
- Consumer Solutions[1]
- Interactive Marketing Solutions
- Business Information Solutions and Education

STRENGTHEN THE MEDIA OFFERING AND BUILD DIGITAL

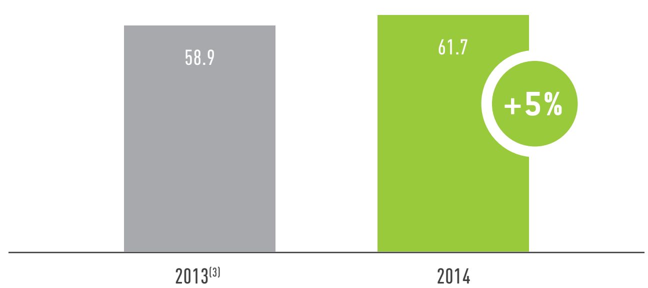
FINANCIAL RESULTS: IN 2014, THE MEDIA SECTOR GENERATED REVENUES OF $688 MILLION, DOWN 2.5%. THE DECREASE IS LARGELY DUE TO LOWER ADVERTISING REVENUES FOR ITS CONSUMER MAGAZINES AND WEEKLY NEWSPAPER PUBLISHING ACTIVITIES. BUDGET CUTS FROM SOME CUSTOMERS ALSO IMPACTED ITS BOOK PUBLISHING ACTIVITIES. THE DECLINE WAS PARTIALLY OFFSET BY NEW DISTRIBUTION AGREEMENTS AND THE CONTRIBUTION FROM THE ACQUISITION OF SUN MEDIA CORPORATION'S WEEKLY NEWSPAPERS IN QUEBEC. ADJUSTED OPERATING EARNINGS [2] INCREASED 12.8%, FROM $37.6 MILLION TO $42.4 MILLION. THIS INCREASE WAS PRIMARILY DRIVEN BY SIGNIFICANT COST REDUCTION MEASURES COUPLED WITH NEW DISTRIBUTION AGREEMENTS.

OPTIMIZED OPERATIONS

TC Media increased its profitability despite a very challenging advertising market. For fiscal 2014, adjusted operating earnings before amortization [2] (adjusted EBITDA) rose 4.8% to $61.7 million. The primary drivers of the increase were cost reduction measures and the signing of new distribution agreements. The synergies from the integration of the acquired weekly newspapers from Sun Media Corporation in Quebec did not contribute much to profitability in 2014 as the transaction closed in the third quarter, but should benefit fiscal 2015.

INCREASING ADJUSTED EBITDA [2]

(IN MILLIONS OF DOLLARS)



(1) On November 17, 2014, TC Transcontinental announced the sale of consumer magazines produced in Quebec and Ontario and their websites, as well as all related platforms. The transaction is subject to approval by regulators, including the Competition Bureau.
(2) Please refer to the table "Reconciliation of Non-IFRS financial measures" in the Management's Discussion and Analysis section of this annual report.
(3) 2013 figures have been restated to take into account the effects of IAS 19 amended — Employee Benefits, IFRS 11— Joint Arrangements and other elements.

INVESTED IN LOCAL SOLUTIONS

TC Media decided to focus its strategy in local solutions as it has durable competitive advantages such as local expertise and community connection, an important sales representatives network, quality content, promotional content experts, door-to-door distribution and the largest product and services offering to local clients.

SIGNED NEW DISTRIBUTION AGREEMENTS

In 2014, the Media sector signed distribution agreements with new customers. These agreements started to benefit TC Media in the second quarter of 2014. Retail flyers remain a powerful marketing tool to drive traffic to the store.

CONSOLIDATED THE WEEKLY NEWSPAPER MARKET IN QUEBEC

In 2014, TC Media acquired Sun Media Corporation's weekly newspapers in Quebec and their related Web properties for $75 million. Today, TC Media has a portfolio of over 110 titles in Quebec. This is a strategic transaction that effectively consolidates the weekly newspaper market in Quebec and strengthens the industry as a whole. It allows TC Media to leverage its distribution network, develop a multiplatform offering for advertisers and continue to provide relevant information to communities. This transaction should generate $20 million in synergies once the integration is completed in 2015.

LAUNCHED GEO-TARGETED BUNDLE FOR LOCAL RETAILERS

The geo-targeted bundle is an advertising solution that gets the maximum reach by targeting a message or promotion to a specific territory through print, the Web and mobile.

DIVERSIFED ON DIGITAL PLATFORMS

TC Media continued to invest in digital products with the launch of *i-interactive*, a digital platform for elementary level teachers and students. *Les Affaires*, a business publication, also launched its iPad Edition.

tc • MEDIA

FOCUSING ON ITS STRATEGIC ADVANTAGES

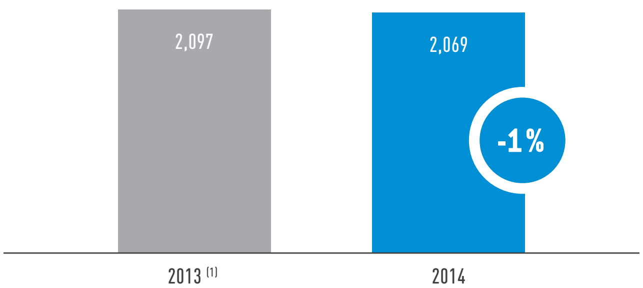
$20M IN SYNERGIES

GOING FORWARD

- INTEGRATE THE WEEKLY NEWSPAPERS ACQUIRED FROM SUN MEDIA CORPORATION AND GENERATE EXPECTED SYNERGIES.
- ADJUST COST BASE TO NEW MARKET REALITY.
- BUILD A STRONG DIGITAL PROMOTION PLATFORM INCLUDING APPLICATION PROGRAMMING INTERFACE (API).
- RAMP-UP THE GEO-TARGETED BUNDLE FOR LOCAL RETAILERS.
- DIVERSIFY INTO NON-ADVERTISING BASED BUSINESSES.

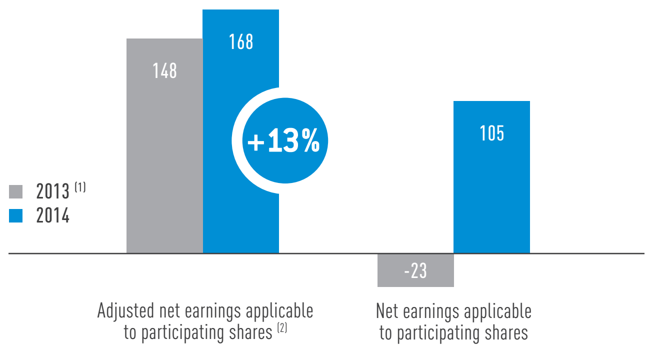
STABLE REVENUES AND INCREASED PROFITABILITY

CONSOLIDATED REVENUES
(IN MILLIONS OF DOLLARS)



Revenues slightly decreased 1.3%, from $2,096.7 million to $2,069.4 million, primarily as a result of lower advertising revenues in TC Transcontinental's two sectors, particularly in the printing of newspapers and marketing products and magazine and newspaper publishing. It was also impacted by the divestiture of Rastar's assets. The decrease was partially offset by the contribution from new distribution and printing agreements, as well as by acquisitions.

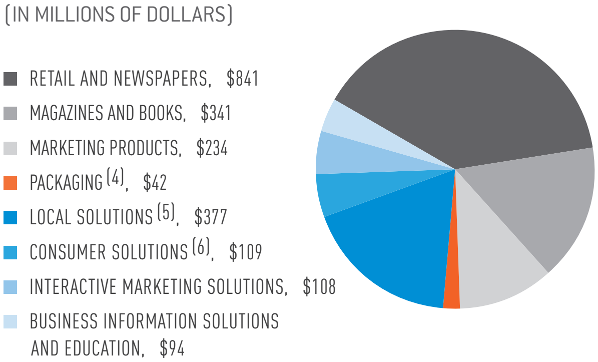
ADJUSTED NET EARNINGS APPLICABLE TO PARTICIPATING SHARES [2] AND NET EARNINGS APPLICABLE TO PARTICIPATING SHARES
(IN MILLIONS OF DOLLARS)



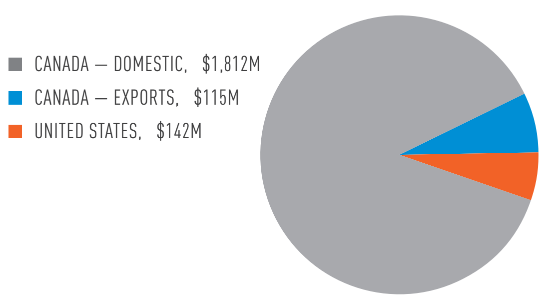
Adjusted net income applicable to participating shares [2] rose from $148.3 million, or $1.90 per share, to $168.2 million, or $2.16 per share. This performance stems mainly from the initiatives to reduce costs in TC Transcontinental's two sectors, from the net contribution of acquisitions and closures, from new distribution and printing agreements, from lower net financial costs and from the positive effect of share-price variance on the stock-based compensation expense. It was partially offset by lower advertising revenues and higher income tax expenses. Net income applicable to participating shares improved from a loss of $23.4 million, or $0.30 per share, to a profit of $105.1 million, or $1.35 per share.

REVENUE MIX

2014 REVENUES BY BUSINESS SEGMENT [3]
(IN MILLIONS OF DOLLARS)



2014 REVENUES BY GEOGRAPHIC SEGMENT



PORTFOLIO EVOLVING TOWARDS A HIGHER GROWTH PROFILE

(1) 2013 figures have been restated to take into account the effects of IAS 19 amended — Employee Benefits, IFRS 11— Joint Arrangements and other elements.
(2) Please refer to the table "Reconciliation of Non-IFRS financial measures" in the Management's Discussion and Analysis section of this annual report.
(3) Excludes intercompany eliminations.
(4) Estimated packaging revenues of US$72 million annualized.
(5) Revenues from the Sun Media Corporation acquisition estimated at $50M annualized.
(6) On November 17, 2014, TC Transcontinental announced the sale of its consumer magazines produced in Quebec and Ontario and their websites, as well as all related platforms. The transaction is subject to regulators' approval, including the Competition Bureau. These assets represent about $95 million in revenues.

STRONG CASH FLOW GENERATION AND SOLID BALANCE SHEET

TC Transcontinental continues to generate strong cash flow. In 2014, it generated $348 million. While it has a multi-pronged approach to capital allocation, it allocated a greater portion of cash to acquisitions this year in order to support its consolidation strategy in its Media sector and its growth strategy into flexible packaging.

To maintain its financial flexibility, the Corporation completed an offering of $250 million aggregate principal amount of senior unsecured notes due in 2019. It also exercised its right to redeem all of its outstanding Cumulative 5-Year Rate Reset First Preferred Shares, Serie D on October 15, 2014 for a total of $100 million. Recently, it also extended its credit facility for two additional years, extending the maturity date to February 2020.

$100M REDEMPTION OF PREFERRED SHARES

10% DIVIDEND INCREASE

$226M FOR ACQUISITIONS

$250M IN NEW FINANCING

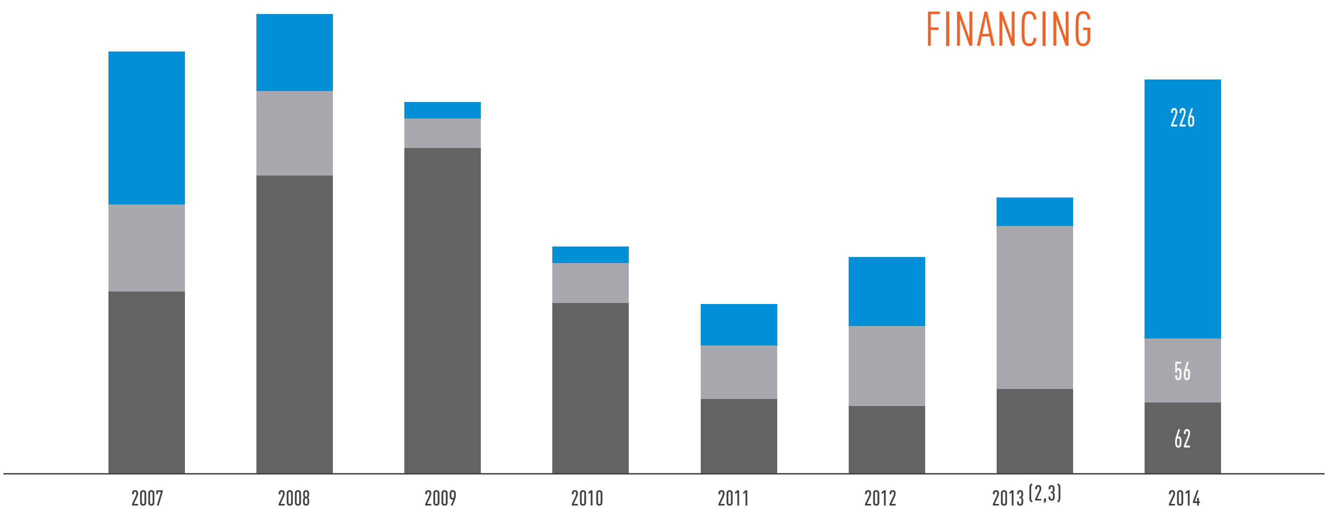
MULTI-PRONGED APPROACH TO CAPITAL ALLOCATION

CAPITAL ALLOCATION

(IN MILLIONS OF DOLLARS)

- CAPITAL EXPENDITURES (INCLUDING INTANGIBLES), $1,112M
- RETURN TO SHAREHOLDERS [1], $526M
- ACQUISITIONS, $575M

TOTAL ALLOCATED SINCE 2007: $2,213M



(1) Return to shareholders is the sum of dividends and share repurchases.
(2) Paid a special dividend of $77.9 million to holders of participating shares in addition to a regular dividend of $52 million.
(3) 2013 figures have been restated to take into account the effects of IAS 19 amended — Employee Benefits, IFRS 11— Joint Arrangements and other elements.

SHAREHOLDER INFORMATION

HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED OCTOBER 31 (UNAUDITED) /
(IN MILLIONS OF DOLLARS, EXCEPT RATIOS)

	IFRS				CANADIAN GAAP
	2014	2013 [1]	2012 [2]	2011 [2]	2010 [2]
OPERATIONS					
Revenues	**$ 2,069.4**	$ 2,096.7	$ 2,112.1	$ 1,989.3	$ 2,028.3
Adjusted operating earnings before amortization [3]	**360.4**	338.6	357.6	365.4	373.2
Operating earnings	**169.8**	35.6	(9.7)	176.3	222.5
Adjusted operating earnings [3]	**257.4**	233.6	245.2	246.6	249.9
Net earnings applicable to participating shares	**105.1**	(23.4)	(183.3)	120.7	166.6
Adjusted net earnings applicable to participating shares [3]	**168.2**	148.3	149.4	155.3	155.9
Cash flows generated by operating activities before changes in non-cash operating items and income tax paid	**348.0**	327.1	320.8	373.0	311.1
Cash flows from operating activities	**334.8**	415.9	229.0	331.8	156.0
INVESTING & FINANCING					
Business combinations	**225.9**	24.5	60.4	35.8	14.0
Acquisitions of property, plant & equipment and intangible assets	**61.6**	73.8	59.3	64.7	149.1
Dividends on participating shares [4]	**48.8**	123.1	46.0	39.7	28.3
Participating share redemptions	**N/A**	12.1	17.3	N/A	N/A
FINANCIAL CONDITION					
Total assets	**2,027.7**	1,850.8	2,136.2	2,360.0	2,594.7
Shareholders' equity	**793.1**	815.4	901.4	1,202.9	1,247.0
Adjusted net indebtedness [3]	**441.6**	320.8	470.8	539.4	698.8
Corporate credit rating (DBRS)	**BBB LOW, STABLE**	BBB, NEGATIVE	BBB, NEGATIVE	BBB HIGH, STABLE	BBB HIGH, STABLE
Corporate credit rating (Standard & Poor's)	**BBB-, STABLE**	BBB-, STABLE	BBB, NEGATIVE	BBB, STABLE	BBB-, STABLE
RATIOS					
Adjusted operating earnings before amortization margin [3]	**17.4%**	16.1%	16.9%	18.4%	18.4%
Return on net assets	**7.9%**	8.0%	8.1%	8.7%	8.0%
Return on average equity	**20.9%**	17.3%	14.2%	13.2%	13.2%
Adjusted net indebtedness ratio [3]	**1.23x**	0.95x	1.32x	1.48x	1.87x
Dividend yield on participating shares [5]	**4.1%**	9.5%	5.6%	4.3%	2.5%

(1) 2013 figures have been restated to take into account the effects of IAS 19 amended — Employee Benefits, IFRS 11 — Joint Arrangements and other elements.
(2) As previously reported.
(3) Please refer to the section "Reconciliation of non-IFRS Financial Measures" in the Management's Discussion and Analysis section of this annual report.
(4) Payment of special dividend of $77.9 million in addition to regular dividend of $45.2 million in fiscal 2013.
(5) Including special dividend of $1.00 per share in fiscal 2013.

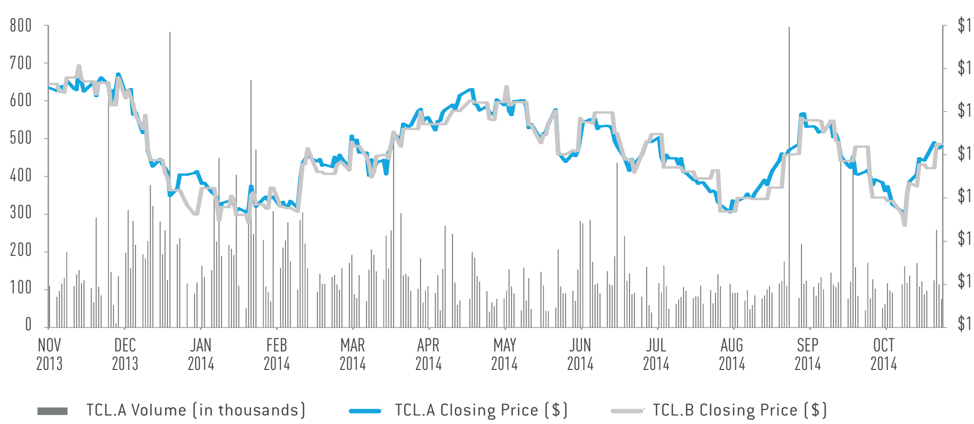
SHARE INFORMATION

FOR THE YEARS ENDED OCTOBER 31

	2014	2013	2012	2011	2010
TRADING OF CLASS A SUBORDINATE VOTING SHARES (TCL.A ON THE TSX)					
Intraday high	$ 17.19	$ 16.90	$ 13.37	$ 17.25	$ 15.74
Intraday low	$ 13.28	$ 9.26	$ 7.97	$ 9.96	$ 11.44
Closing	$ 15.39	$ 16.65	$ 10.30	$ 12.70	$ 15.31
Total volume	38,543,986	48,432,094	33,453,850	30,625,634	38,252,284
Average daily volume	153,562	192,957	127,686	122,023	153,009
TRADING OF CLASS B SHARES (TCL.B ON THE TSX)					
Intraday high	$ 17.10	$ 16.79	$ 14.00	$ 17.09	$ 15.62
Intraday low	$ 13.17	$ 9.27	$ 7.92	$ 9.72	$ 11.01
Closing	$ 15.25	$ 16.71	$ 9.86	$ 12.95	$ 15.62
Total volume	107,513	133,431	116,867	132,942	219,425
Average daily volume	757	988	1,454	1,228	3,004
TRADING OF SERIES D PREFERRED SHARES (1) (TCL.PR.D ON THE TSX)					
Intraday high	$ 25.68	$ 26.64	$ 27.30	$ 27.00	$ 26.51
Intraday low	$ 24.79	$ 24.60	$ 24.64	$ 23.82	$ 24.05
Closing	$ 24.99	$ 25.06	$ 25.43	$ 25.50	$ 26.34
Total volume	1,239,846	909,395	1,334,499	1,274,436	1,892,865
Average daily volume	5,254	3,667	5,214	5,117	7,602
OTHER STATISTICS					
Dividends on participating shares (in millions) (2)	$ 48.8	$ 123.1	$ 46.0	$ 39.7	$ 28.3
Dividends on preferred shares (in millions) (1)	$ 6.8	$ 6.8	$ 6.8	$ 6.8	$ 7.0
Average number of participating shares outstanding (in millions)	78.0	78.0	80.7	81.0	80.8
Public float (in millions)	64.8	64.8	71.5	71.8	71.8
Market capitalization (in millions)	$ 1,200	$ 1,299	$ 831	$ 1,029	$ 1,237
Enterprise value (in millions)	$ 1,642	$ 1,716	$ 1,399	$ 1,615	$ 2,033

(1) The Corporation exercised its right to redeem all outstanding Preferred Shares on October 15, 2014, for a total of $100 million.
(2) Payment of special dividend of $77.9 million in addition to regular dividend of $45.2 million in fiscal 2013.

FISCAL 2014 CLOSING SHARE PRICE & VOLUME



BOARD OF DIRECTORS

ISABELLE MARCOUX
Chair of the Board, Transcontinental Inc.

RICHARD FORTIN[1, 4]
Corporate Director

ANDRÉ TREMBLAY[2]
Managing Partner, Trio Capital Inc.

PIERRE FITZGIBBON[1]
Investor and Corporate Director

FRANÇOIS R. ROY[1]
Corporate Director

LUCIEN BOUCHARD, G.O.Q.[3]
Partner, Davies Ward Phillips & Vineberg LLP

RÉMI MARCOUX, C.M., O.Q., F.C.A.
Founder and Director, Transcontinental Inc.

PIERRE MARCOUX
Senior Vice President, Business Information Solutions and Education, TC Media

ANNA MARTINI, F.C.A.[2]
President, Groupe Dynamite Inc.

CLAUDE DUBOIS[3]
President, Gestion Phila Inc.

FRANÇOIS OLIVIER
President and Chief Executive Officer, Transcontinental Inc.

LINO A. SAPUTO, JR.[2]
Chief Executive Officer and Vice Chairman of the Board, Saputo Inc.

NATHALIE MARCOUX
Vice President, Finance, Capinabel Inc.

ALAIN TASCAN[3]
President and Chief Executive Officer, Sava Transmedia Inc.

1 Member of the Audit Committee
2 Member of the Human Resources and Compensation Committee
3 Member of the Corporate Governance Committee
4 Lead Director

As at December 19, 2014

EXECUTIVE MANAGEMENT COMMITTEE OF THE CORPORATION

FRANÇOIS OLIVIER
President and Chief Executive Officer

CHRISTINE DESAULNIERS
Chief Legal Officer and Corporate Secretary

NELSON GENTILETTI
Chief Financial and Development Officer

KATYA LAVIOLETTE
Chief Human Resources Officer

EDWARD J. (TED) MARKLE
President, TC Media

SYLVAIN MORISSETTE
Chief Communications Officer

BRIAN REID
President, TC Transcontinental Printing and TC Transcontinental Packaging

SENIOR MANAGEMENT

FRANÇOIS OLIVIER
President and Chief Executive Officer

ANDRÉ BOLDUC
Director of Internal Audit

PHILIPPE BONIN
Treasurer

ISABELLE CÔTÉ
Corporate Controller

CHRISTINE DESAULNIERS
Chief Legal Officer and Corporate Secretary

NELSON GENTILETTI
Chief Financial and Development Officer

BENOÎT GUILBAULT
Chief Information Officer

ISABELLE LAMARRE
Assistant General Counsel and Assistant Corporate Secretary

KATYA LAVIOLETTE
Chief Human Resources Officer

DONALD LECAVALIER
Vice President, Finance

BRIGITTE LÉPINE
Vice President, Innovation and Strategy

MARTIN LONGCHAMPS
Vice President, Mergers and Acquisitions

EDWARD J. (TED) MARKLE
President, TC Media

JENNIFER F. MCCAUGHEY
Senior Director, Investor Relations and External Corporate Communications

SYLVAIN MORISSETTE
Chief Communications Officer

BRIAN REID
President, TC Transcontinental Printing and TC Transcontinental Packaging

MAIN ADDRESSES

TC TRANSCONTINENTAL HEAD OFFICE

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1 Place Ville Marie, Suite 3315
Montreal, Quebec, Canada H3B 3N2
t. 514 954-4000 **f.** 514 954-4016
www.tc.tc

SECTOR GENERAL MANAGEMENT OFFICES

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Vaughan, Ontario, Canada L4H 1X9
t. 905 663-0050 **f.** 905 663-6268

TC Media
1100 René-Lévesque Blvd. West, 24th Floor
Montreal, Quebec, Canada H3B 4X9
t. 514 392-9000 **f.** 514 392-1489

OTHER INFORMATION

MEDIA

For general information about the Corporation,
please contact the Corporate Communications Department
t. 514 954-4000

INVESTOR RELATIONS DEPARTMENT

t. 514 954-4000
e. investorrelations@tc.tc

TRANSFER AGENT & REGISTRAR:

CST Trust Company,
2001 University Street, Suite 1600,
Montreal, Quebec H3A 2A6,
t. 1 800 387-0825

DONATION

For more information about the Transcontinental Inc. Donation Policy, visit the Corporation's website at **www.tc.tc** and go to "About/Governance."
To request a donation, please fill out the form available under "About/Community."

DUPLICATE COMMUNICATIONS

Some shareholders may receive more than one copy of publications such as quarterly financial statements and the Annual Report. Every effort is made to avoid such duplication. Shareholders who receive duplicate mailings should advise CST Trust Company at 1 800 387-0825.

SHAREHOLDERS, INVESTORS & ANALYSTS

For further financial information or to order supplementary documentation about the Corporation, please contact the Investor Relations Department or visit the "Investors" section of TC Transcontinental's website at **www.tc.tc**

INFORMATION

This annual report is also available in the "Investors" section of TC Transcontinental's website. The list of TC Transcontinental's business units is available on the Corporation's website.

Des exemplaires en français du rapport annuel, de la notice annuelle, des rapports de gestion et des états financiers trimestriels sont disponibles sur demande en communiquant avec le Service des relations avec les investisseurs et sur **www.tc.tc**

PRODUCTION OF ANNUAL REPORT

Project management: Corporate Communications Department

Graphic design & artistic direction: Totem Communications
Photography: Laurence Labat
Translation: Lucille Nelson, Sylvain Turner

Printing: Transcontinental Acme Direct

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This annual report is printed on Creator Silk and Opus Dull that are Forest Stewardship Council® (FSC®) certified. Note also that the Transcontinental Acme Direct printing plant is FSC®-certified.

Printed in Canada

ANNUAL MEETING OF SHAREHOLDERS

Transcontinental Inc.'s Annual Meeting of Shareholders will be held at:
2:30 P.M. ON MARCH 17, 2015
at the Centre Mont-Royal,
2200 Mansfield Street,
Montreal, Quebec, Canada

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended October 31, 2014

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

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term "dollar," as well as the symbol "$" designate Canadian dollars, unless otherwise indicated. In this Management's Discussion and Analysis we also use non-IFRS financial measures. Please refer to table 6 in the section of this report entitled "Reconciliation of Non-IFRS Measures" for a complete description of these measures. This report should be read in conjunction with the information presented in the consolidated financial statements for the fiscal year ended October 31, 2014. 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 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 this Management's Discussion and Analysis 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 after the date of December 9, 2014.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at December 9, 2014. Forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

SUMMARY OF FORWARD-LOOKING STATEMENTS

Forward-looking Statements	Assumptions	Risk Factors
Continuing ability to generate cash.	- Lower spending on print media advertising will continue to affect both our sectors. - Ability to control our costs. - Volume with most of our major customers will be maintained and the flyer use of our clients will remain stable. - Stable level of competition in the markets in which we operate. - Moderate growth rate of the Canadian economy.	- The impact of new media and the corresponding shift of advertising revenues to new platforms. - Our ability to execute our strategy. - Our ability to continually improve our operational efficiency to maintain or improve our profitability.
Expected impact of commercial agreements signed with customers.	- Volumes will not fluctuate significantly.	- Significant increase in the price of our raw materials and inputs. - A quick and significant shift of product demand from print to digital. - Renegotiation of commercial printing agreements with some of our major clients could lead to lower operating earnings despite long-term agreements.
Estimated increase in adjusted operating earnings before amortization following the acquisition of all the Quebec weekly newspapers from Sun Media Corporation	- Smooth and efficient integration with our operations. - We will be capable of ensuring the retention of key employees throughout the transition.	- The identified increase in adjusted operating earnings before amortization could take longer to realize than anticipated.
Estimated increase in adjusted operating earnings before amortization following the acquisition of Capri Packaging and our ability to grow in the flexible packaging industry	- We will be able to retain key employees in order to ensure a smooth transition and customer satisfaction. - Financial forecasts will be accurate with no major decrease in volume from existing clients. - Ability to apply our manufacturing expertise to maintain operational efficiency and properly integrate this new growth area. - Ability to develop new business opportunities to ensure profitable investments.	- The expected increase in sales and adjusted operating earnings before amortization could take longer to realize than anticipated.
Internal and external investments aimed at achieving our operating strategies.	- We will be able to develop new products and services. - Our internal projects will generate savings and efficiencies that will improve our profitability. - A declining local and national advertising market. - Low but stable growth rate of the Canadian economy.	- Inappropriate selection of priority investments and an inability to create value. - Well-established competitors entering our various markets could force us to change our investment strategies.

DEFINITION OF TERMS USED IN THIS REPORT

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

Terms Used	Definitions
Net indebtedness	Total of long-term debt plus current portion of long-term debt plus bank overdraft less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before amortization
Net earnings applicable to participating shares	Net earnings less dividends on preferred shares
Adjusted net earnings applicable to participating shares	Net earnings applicable to participating shares, before restructuring and other costs (net of related income taxes), asset impairment (net of related income taxes) and net increase in the carrying amount of deferred income tax assets
Adjusted operating earnings	Operating earnings before restructuring and other costs, as well as asset impairments
Adjusted operating earnings before amortization	Operating earnings before amortization, restructuring and other costs, as well as asset impairments

PROFILE OF TC TRANSCONTINENTAL

Canada's largest printer, with operations in print and digital media, publishing and flexible packaging, 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 8,500 employees in Canada and the United States, and revenues of C$2.1 billion in 2014. Website www.tc.tc

Printing & Packaging Sector

TC Transcontinental Printing is the third-largest printer in North America and has the most comprehensive state-of-the-art print network in Canada. Nearly 5,000 employees provide innovative print solutions in retail flyers, magazines, newspapers and colour books, as well as personalized and mass marketing products, including point-of-purchase materials, meeting the needs of both marketers and publishers.

TC Transcontinental Packaging offers an array of flexible packaging solutions on plastic and premedia services for the food industry, meeting the highest standards in this field. This division has about 200 employees, most of whom work in two plants in Clinton, Missouri, USA.

Media Sector

TC Media is a leading provider of media and interactive marketing solutions in Canada, employing over 3,500 people. The sector reaches most Canadian consumers through a wide range of print and digital publishing products in French and English: newspapers, educational books, consumer magazines, trade publications, retail promotional content, mass and personalized marketing, mobile and interactive applications and geotargeted door-to-door and digital distribution services.

Note that on November 17, 2014, the Corporation signed a definitive agreement to sell all of its consumer magazines produced in Montreal and Toronto, as well as their websites and all related platforms, to TVA Group Inc. The transaction is subject to approval from regulators, including the Competition Bureau.

HIGHLIGHTS OF FISCAL 2014

- Revenues decreased by $27.3 million, or 1.3%, from $2,096.7 million in 2013 to $2,069.4 million in fiscal 2014.
- Adjusted operating earnings rose by $23.8 million, or 10.2%, from $233.6 million in 2013 to $257.4 million in 2014.
- Adjusted net earnings applicable to participating shares increased by $19.9 million, or 13.4%, from $148.3 million in 2013 to $168.2 million in 2014.
- On May 3, 2014, the Corporation completed the acquisition of the assets of Capri Packaging. A 10-year packaging-supply contract was also signed with the seller, Schreiber Foods, Inc.
- On June 1, 2014, the Corporation completed the acquisition of all the weekly newspapers in Quebec and their related Web properties owned by Sun Media Corporation, a subsidiary of Quebecor Media, after receiving approval pursuant to the *Competition Act* (Canada) from the regulatory authorities.
- The net indebtedness ratio increased in fiscal 2014, from 0.95x as at October 31, 2013 to 1.23x as at October 31, 2014.
- The Corporation recorded an asset impairment charge (including goodwill) of $46.2 million mainly in the Media Sector Book Publishing Group, due to budget cuts by customers of this group.
- In fiscal 2014, the Corporation recorded $41.4 million in restructuring charges and other costs, primarily due to completion of the integration of Quad/Graphics Canada, Inc. and workforce reductions stemming from the integration of the weekly newspapers acquired from Sun Media Corporation.
- To maintain its financial flexibility, the Corporation signed a private financing agreement for $250 million in senior unsecured notes at a rate of 3.897% due in 2019. The Corporation also exercised its right to redeem all outstanding Preferred Shares on October 15, 2014, for a total of $100 million. Lastly, the Corporation extended its credit facility for two additional years, until February 2020.
- On November 17, 2014, the Corporation signed a definitive agreement to sell all its consumer magazines, their websites and all related platforms produced in Montreal and Toronto to TVA Group Inc. for $55.5 million. This transaction, which is subject to regulatory clearances, including that of the Competition Bureau, also contains an agreement to print the magazines being sold, as well as an extension to 2022 of the contract to print certain TVA Group Inc. publications that was signed in December 2013.

STRATEGY

TC Transcontinental's growth strategy is shaped by four basic principles:

1. Be the leader in the markets served.
2. Establish a competitive advantage.
3. Maintain a disciplined approach to acquisitions and financial management aimed at generating profits and recurring cash flows.
4. Build a loyal clientele.

Over time, the Corporation has developed solid expertise in manufacturing and the creation, organization and distribution of print and digital content. It has successfully cultivated long-term business relationships, particularly with the major retailers who account for close to half the company's revenues. In 2014, the Corporation took the step of investing in the flexible packaging industry, to grow both revenues and profits.

Market Forces

The ongoing transformation in media and marketing is having a profound impact on the entire print industry. Print products remain a key component of the media mix used by marketers, but their growth is limited by the increasing emphasis placed by them on new media and communication platforms such as mobile devices and digital channels. The printers who will emerge from this evolving market are those who acquire advanced technologies in order to reduce their production costs, who offer a national network that brings them close to their customers, and who provide a comprehensive set of multiplatform solutions.

In addition, certain macroeconomic factors, including the evolution of technology and communication platforms, the resurgence of environmental and social concerns, and the globalization of markets have an impact on their operations. As a group, these new trends influence the demands and expectations of customers, encouraging them to explore the personalized marketing, new platforms and integrated services offered by their suppliers. The Corporation plans to take advantage of these trends, especially in the market segments where it has a competitive advantage and can leverage its core expertise.

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

The Corporation's plan is built around three objectives:

Maximize Print
TC Transcontinental ensures the profitability of its print activities by maximizing the use of its state of the art national print platform to drive efficiencies and by focusing on specific niches, such as point-of-purchase materials for retailers, and by seeking out new print business, primarily from newspaper editors.

Grow the Packaging Division
TC Transcontinental plans to diversify its offering by establishing a significant foothold in the packaging industry. The goal is to increase market share in flexible packaging for dairy products through both acquisitions and internal growth, and to serve other segments in this industry as well.

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

ANALYSIS OF CONSOLIDATED RESULTS - FISCAL YEAR
(unaudited)

Table #1:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
For fiscal 2013	**$ 2,096.7**		**$ 233.6**		**$ (23.4)**
Acquisitions/Disposals and Closures	50.9	2.4 %	11.0	4.7 %	5.3
Existing operations	(78.2)	(3.7) %	12.8	5.5 %	14.6
Restructuring and other costs					(10.7)
Impairment of assets					109.3
Net increase in the carrying amount of deferred income tax assets					10.0
For fiscal 2014	**$ 2,069.4**	**(1.3) %**	**$ 257.4**	**10.2 %**	**$ 105.1**

Revenues
Revenues were down 1.3%, from $2,096.7 million in 2013 to $2,069.4 million in 2014. This change is due to the following factors:

- Revenues from existing operations were down $78.2 million, or 3.7%, in fiscal 2014, primarily due to lower advertising spending, which affected the print media results of our two sectors, partially offset by new distribution, newspaper and magazine-printing agreements.

- The majority of the $50.9 million, or 2.4%, increase in our acquisitions and disposals stems from the purchases of Capri Packaging and the Quebec local newspapers owned by Sun Media Corporation, partially offset by the sale of Rastar's assets

Adjusted operating earnings

Adjusted operating earnings increased 10.2%, from $233.6 million in 2013 to $257.4 million in 2014. This change is due to the following factors:

- Adjusted operating earnings from existing operations rose $12.8 million, or 5.5%, in fiscal 2014. This increase stems from cost-reduction initiatives in our two sectors, partially offset by lower revenues as noted above. The impact resulting from the variance in share-price during 2014 compared to 2013 on the stock-based compensation expense also had a positive impact on our adjusted operating earnings.

- The net effect of acquisitions and closures raised adjusted operating earnings by $11.0 million, or 4.7%, principally due to the contribution from the acquisition of Capri Packaging and the Quebec local newspapers owned by Sun Media Corporation.

Restructuring and Other Costs

In fiscal 2014, an amount of $41.4 million ($31.1 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs. This expense stems mainly from cost reduction initiatives in both our sectors. The Media Sector recorded a charge of $12.5 million for workforce reductions, mainly due to the integration of the weekly newspapers acquired from Sun Media Corporation. In addition, a charge of $17.3 million stems from workforce reductions in our print operations resulting from the completion of the Quad/Graphics Canada, Inc. integration. The remaining amounts are mainly related to onerous contracts related to operating leases for vacated space no longer being used following our rationalization measures, and for expenses related to recent acquisitions.

In fiscal 2013, an amount of $28.0 million ($20.4 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs, mostly due to the integration of the printing operations of Quad/Graphics Canada, Inc. Of that amount, $19.4 million stemmed from workforce reductions, and $8.6 million from other restructuring costs, including the settlement impact of defined benefit plans following workforce reductions.

Asset Impairment

In fiscal 2014, an asset impairment charge of $46.2 million ($42.0 million after tax) was recorded. Of that amount, $30.6 million was related to goodwill write-offs in the Media Sector's Book Publishing Group due to budget cuts implemented by the group's customers. An impairment charge of $12.1 million was also recorded related to the trade names of our weekly newspapers in Saskatchewan and the Atlantic Provinces, mainly as a result of the decrease in advertising revenues. The remainder of the impairment charge is related to property, plant and equipment that was decommissioned in our printing operations. These impairment charges had no impact on the Corporation's operations, cash or compliance with debt covenants.

In fiscal 2013, an asset impairment charge of $170.0 million before tax ($151.3 million after tax) was recorded separately on the Consolidated Statement of Income. Goodwill impairment charges of $75.0 million were recorded in the Business and Consumer Solutions Group and the Local Solutions Group due to challenging market conditions. An impairment charge of $10.0 million was also recorded in our Book Publishing Group. The remainder of the impairment charge was related to property, plant and equipment, primarily in our Printing Sector.

Net Financial Expenses

Net financial expenses decreased by $9.0 million in fiscal 2014, from $28.5 million in 2013 to $19.5 million in 2014. The decrease stems mainly from lower pension plan expenses, excess cash flows from operations which reduced our average debt, the impact of the exchange rate on our monetary position and a lower weighted average interest rate than in the previous year. These items were partially offset by the impact of cash outflows related to recent acquisitions.

Income Taxes

Income taxes were up $14.6 million, from $24.2 million in fiscal 2013 to $38.8 million in fiscal 2014.

Excluding income taxes on restructuring and other costs, asset impairment and non-recurring items, income taxes would have amounted to $63.3 million in fiscal 2014, for a tax rate of 26.6%, compared to $50.5 million, or 24.6%, in fiscal 2013. The higher tax rate stems mainly from the geographic distribution of our revenues.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares rose from $-23.4 million in fiscal 2013 to $105.1 million in fiscal 2014. The improvement is mainly due to a lower asset impairment charge in 2014 and to an increase in our adjusted operating earnings, partially offset by an increase in our restructuring and other costs. On a per share basis, net earnings applicable to participating shares improved from $-0.30 to $1.35.

Adjusted net earnings applicable to participating shares increased by $19.9 million, or 13.4%, from $148.3 million in fiscal 2013 to $168.2 million in fiscal 2014, principally as a result of the increase in our operating earnings and lower net financial expenses, partially offset by higher income taxes. On a per share basis, it increased from $1.90 to $2.16.

ANALYSIS OF SECTOR RESULTS - FISCAL YEAR

(unaudited)

Table #2:

(in millions of dollars)	Printing and Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated Results
Revenues - For fiscal 2013	**$ 1,476.8**	**$ 705.0**	**$ (85.1)**	**$ 2,096.7**
Acquisitions/Disposals and Closures	28.8	22.1	—	50.9
Existing operations	(47.0)	(39.4)	8.2	(78.2)
Revenues - For fiscal 2014	**$ 1,458.6**	**$ 687.7**	**$ (76.9)**	**$ 2,069.4**
Adjusted operating earnings - For fiscal 2013	**$ 221.7**	**$ 37.6**	**$ (25.7)**	**$ 233.6**
Acquisitions/Disposals and Closures	8.2	2.8	—	11.0
Existing operations	5.3	2.0	5.5	12.8
Adjusted operating earnings - For fiscal 2014	**$ 235.2**	**$ 42.4**	**$ (20.2)**	**$ 257.4**

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 decreased by 1.2%, or $18.2 million, from $1,476.8 million in 2013 to $1,458.6 million in 2014. The decrease stems from the $47.0 million, or 3.2%, decrease in revenues from existing operations, mainly due to difficult market conditions within our magazine, marketing products and newspaper printing activities. New printing agreements and our offering of printed point-of-purchase marketing products partially offset the decrease. In acquisitions and closures, activities related to the acquisition of Capri Packaging generated revenues of $41.8 million, partially offset by the sale of Rastar's assets, which had an adverse impact of $13.0 million, for a net impact of $28.8 million on the Corporation's revenues.

Adjusted operating earnings were up $13.5 million, or 6.1%, from $221.7 million in 2013 to $235.2 million in 2014. The adjusted operating margin was also up, from 15.0% in 2013 to 16.1% in fiscal 2014. These increases are mostly due to the acquisition of Capri Packaging and the sale of Rastar's assets, as well as the $4.1 million impact of the exchange rate. Operational initiatives, including an improved procurement process, reduced costs and an optimized use of our equipment also had a positive impact, despite the revenue decrease explained above.

Media Sector

Media Sector revenues were down 2.5%, or $17.3 million, from $705.0 million in 2013 to $687.7 million in fiscal 2014. The decrease in revenues from our existing operations is mostly attributable to the lower volume of advertising spending, which affected our consumer magazines and weekly newspapers, partially offset by new distribution agreements. In addition, budget compressions among our customers have had a negative impact on our book publishing operations. This decline in revenues was partially offset by the impact of acquisitions and disposals, primarily attributable to the contribution from the acquisition of the Quebec weekly newspapers owned by Sun Media Corporation.

Adjusted operating earnings increased by $4.8 million, or 12.8%, from $37.6 million in 2013 to $42.4 million in fiscal 2014, due to cost-savings initiatives, new distribution agreements and the impact from acquisitions and disposals. These items were offset by the decline in revenues noted above. The sector's adjusted operating margin rose from 5.3% in 2013 to 6.2% in fiscal 2014.

Head Office and Inter-Segment Eliminations

Eliminations of inter-segment revenues rose from -$85.1 million in 2013 to -$76.9 million in fiscal 2014. Adjusted operating earnings went from -$25.7 million in 2013 to -$20.2 million in fiscal 2014, primarily due to a favourable $5.2 million dollar impact on our stock-based compensation expense resulting from the variance in share-price in 2014 compared to 2013.

ANALYSIS OF CONSOLIDATED RESULTS – FOURTH QUARTER

(unaudited)

Table #3:

(in millions of dollars)	Revenues	%	Adjusted operating earnings	%	Net earnings applicable to participating shares
Fourth quarter of 2013	**$ 562.6**		**$ 83.4**		**$ (94.5)**
Acquisitions/Disposals and Closures	30.7	5.5 %	5.9	7.1 %	2.9
Existing operations	(21.4)	(3.8) %	7.8	9.3 %	8.6
Restructuring and other costs					(14.4)
Impairment of assets					106.4
Fourth quarter of 2014	**$ 571.9**	**1.7 %**	**$ 97.1**	**16.4 %**	**$ 9.0**

Revenues

Revenues increased by $9.3 million, or 1.7%, from $562.6 million in the fourth quarter of 2013 to $571.9 million in the fourth quarter of 2014. This change is due to the following factors:

- The net effect of acquisitions and closures resulted in a $30.7 million increase in revenues, mainly due to the acquisition of Capri Packaging and the Quebec weekly newspapers owned by Sun Media Corporation, partially offset by the sale of Rastar's assets.

- Revenues from existing operations were down $21.4 million, notably due to the decline in advertising spending which continues to affect the print media results for our two operating segments, partially offset by new distribution,newspaper and magazine printing agreements.

Adjusted operating earnings

Adjusted operating earnings increased by $13.7 million, or 16.4%, from $83.4 million in the fourth quarter of 2013 to $97.1 million in the fourth quarter of 2014. This change is due to the following factors:

- Adjusted operating earnings from existing operations rose by $7.8 million, principally due to cost-reduction initiatives in both sectors, partially offset by the soft local and national advertising market. Our costs related to other head office activities were down, principally as a result of the impact on our stock-based compensation expense of the share-price variance in the fourth quarter of 2014 compared to the corresponding quarter of 2013.

- The net effect of acquisitions and disposals translated into an increase of $5.9 million, primarily due to the acquisition of Capri Packaging and to a lesser extent the Quebec weekly newspapers owned by Sun Media Corporation.

Restructuring and Other Costs

In the fourth quarter of 2014, an amount of $22.3 million ($16.9 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs. The Media Sector recorded a charge of $7.4 million related to workforce reductions, primarily due to the integration of the weekly newspapers owned by Sun Media Corporation. In addition, an expense of $10.2 million in our printing operations stems principally from workforce reductions upon completion of the integration of the acquisition of Quad/Graphics Canada, Inc. The other amounts are mainly for onerous contracts related to operating leases for spaces no longer being used following our rationalization measures.

In the fourth quarter of 2013, an amount of $3.3 million before tax ($2.5 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs, primarily for restructuring initiatives in the Media Sector.

Asset Impairment

In the fourth quarter of 2014, an asset impairment charge of $45.5 million ($41.5 million after tax) was recorded. Of that amount, $30.6 million related to a goodwill write-off that was recorded in the media sector's Book Publishing Group due to budget cuts by the group's customers. An impairment charge of $12.1 million was also recorded related to the trade names of our weekly newspapers in Saskatchewan and the Atlantic Provinces, due mainly to a decrease in advertising revenues. The remainder of the impairment charge is related to property, plant and equipment in our Printing Sector. These impairment charges had no impact on the Corporation's operations, cash or compliance with debt covenants.

In the fourth quarter of 2013, an amount of $165.3 million ($147.9 million after tax) was accounted for separately on the consolidated Statement of Income as asset impairment. Goodwill impairment charges of $75.0 million were recorded in the Business and Consumer Solutions Group and the Local Solutions Group due to challenging market conditions. An impairment charge of $10.0 million was also recorded in our Book Publishing Group due to budget cuts implemented by our customers. The remainder of the impairment charge was related to property, plant and equipment, primarily in our Printing Sector.

Net Financial Expenses

Net financial expenses were down $1.1 million, from $6.4 million in 2013 to $5.3 million in 2013. The decrease stems mainly from a decrease in pension plan expenses, excess cash flows from operations and an exchange gain, partially offset by the impact of cash outflows related to our recent acquisitions.

Income taxes

Income taxes increased from $1.2 million in the fourth quarter of 2013 to $13.1 million in the fourth quarter of 2014. Excluding income taxes on restructuring and other costs, asset impairment charges and non-recurring items, income taxes would have amounted to $22.5 million in the fourth quarter of 2014, for a tax rate of 24.6%, compared to $19.4 million, or 25.2%, in the fourth quarter of 2013. The decrease in the rate is mainly due to the reconciliation of the estimated accounting provision and the actual tax expense.

Net Earnings Applicable to Participating Shares

Net earnings applicable to participating shares increased from -$94.5 million in the fourth quarter of 2013 to $9.0 million in the fourth quarter of 2014. The change is mostly due to a decrease in the asset impairment charge and an increase in adjusted operating earnings, partially offset by higher restructuring costs and income taxes. On a per share basis, net earnings applicable to participating shares increased from $-1.21 to $0.12.

Adjusted net earnings applicable to participating shares increased by $11.5 million, or 20.6%, from $55.9 million in the fourth quarter of 2013 to $67.4 million in the fourth quarter of 2014, mostly as a result of the increase in our adjusted operating earnings, partially offset by an increase in income taxes. On a per share basis, it increased from $0.71 to $0.87.

ANALYSIS OF SECTOR RESULTS – FOURTH QUARTER

(unaudited)

Table #4:

(in millions of dollars)	Printing and Packaging Sector	Media Sector	Head office and Inter-Segment Eliminations	Consolidated Results
Revenues - Fourth quarter of 2013	**$ 390.4**	**$ 194.5**	**$ (22.3)**	**$ 562.6**
Acquisitions/Disposals and Closures	17.9	12.8	—	30.7
Existing operations	(10.1)	(14.0)	2.7	(21.4)
Revenues - Fourth quarter of 2014	**$ 398.2**	**$ 193.3**	**$ (19.6)**	**$ 571.9**
Adjusted operating earnings - Fourth quarter of 2013	**$ 71.9**	**$ 21.6**	**$ (10.1)**	**$ 83.4**
Acquisitions/Disposals and Closures	4.4	1.5	—	5.9
Existing operations	1.0	3.9	2.9	7.8
Adjusted operating earnings - Fourth quarter of 2014	**$ 77.3**	**$ 27.0**	**$ (7.2)**	**$ 97.1**

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 were up $7.8 million, or 2.0%, from $390.4 million in the fourth quarter of 2013 to $398.2 million in the fourth quarter of 2014. This increase is principally attributable to the acquisition of Capri Packaging, which generated $22.7 million, but was partially offset by a decrease of $4.8 million stemming from the sale of Rastar's assets. The decline in our existing operations is mainly due to the reduction in advertising spending, which primarily affected our marketing product and magazine printing operations. New agreements to print newspapers, magazines and books partially offset the decrease in certain existing operations.

Adjusted operating earnings were up 7.5%, or $5.4 million, from $71.9 million in the fourth quarter of 2013 to $77.3 million in the fourth quarter of 2014. The increase is largely due to the Capri Packaging acquisition, which accounts for $4.0 million of the increase in our acquisitions and disposals. The increase in existing operations stems primarily from the impact of the exchange rate. As a result, the adjusted operating earnings margin rose from 18.4% in the fourth quarter of 2013 to 19.4% in the fourth quarter of 2014.

Media Sector

Media Sector revenues were down $1.2 million, or 0.6%, from $194.5 million in the fourth quarter of 2013 to $193.3 million in the fourth quarter of 2014. The decrease is largely due to a reduction in advertising spending in our consumer magazine and weekly newspaper publishing operations, partially offset by new distribution agreements. The net effect of acquisitions and closures partially offset this decline as a result of the acquisition of the Quebec weekly newspapers owned by Sun Media Corporation.

Adjusted operating earnings were up $5.4 million, or 25.0%, from $21.6 million in the fourth quarter of 2013 to $27.0 million in the fourth quarter of 2014. The adjusted operating margin rose from 11.1% in the fourth quarter of 2013 to 14.0% in 2013. The contribution from cost-reduction initiatives, acquisitions and disposals offset the decrease in revenues noted above.

Head office and Inter-Segment Eliminations

Eliminations of inter-segment revenues went from -$22.3 million in the fourth quarter of 2013 to -$19.6 million in the fourth quarter of 2014. Adjusted operating earnings increased by $2.9 million, from -$10.1 million in the fourth quarter of 2013 to -$7.2 million in 2014. This improvement is due to the favourable impact of $2.3 million related to the stock-based compensation expense due to the share-price variance in the fourth quarter of 2014 compared to the fourth quarter of 2013.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

(in millions of dollars, except per share amounts)	2014				2013[1]			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$ 571.9**	**$ 500.0**	**$ 498.2**	**$ 499.3**	$ 562.6	$ 490.7	$ 517.8	$ 525.6
Adjusted operating earnings before amortization	**124.3**	**84.7**	**82.8**	**68.6**	110.0	78.8	80.4	69.4
Adjusted operating earnings margin before amortization	**21.7 %**	**16.9 %**	**16.6 %**	**13.7 %**	19.6 %	16.1 %	15.5 %	13.2 %
Adjusted operating earnings	**97.1**	**58.3**	**58.5**	**43.5**	83.4	52.5	54.2	43.5
Adjusted operating earnings margin	**17.0 %**	**11.7 %**	**11.7 %**	**8.7 %**	14.8 %	10.7 %	10.5 %	8.3 %
Net earnings applicable to participating shares	**$ 9.0**	**$ 44.2**	**$ 34.7**	**$ 17.2**	$ (94.5)	$ 30.1	$ 25.3	$ 15.7
Per share	**0.12**	**0.56**	**0.45**	**0.22**	(1.21)	0.39	0.32	0.20
Adjusted net earnings applicable to participating shares	**67.4**	**37.6**	**36.8**	**26.4**	55.9	33.4	32.6	26.4
Per share	**0.87**	**0.48**	**0.47**	**0.34**	0.71	0.43	0.42	0.34
% of fiscal year	**40 %**	**22 %**	**22 %**	**16 %**	37 %	23 %	22 %	18 %

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

The above table shows changes in our quarterly results over the past eight quarters. Our recent acquisitions of Capri Packaging and the Quebec weekly newspapers owned by Sun Media Corporation offset the decrease in our existing revenues related to the soft local and national advertising markets. The impact of the Capri Packaging acquisition in the flexible packaging niche also opened a new avenue of growth for the Corporation, improving our adjusted operating earnings for the second half of fiscal 2014. The Corporation strives continually to optimize its cost structure, which has allowed us to maintain and even improve our 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 have been prepared in conformity with IFRS. However, certain measures used in this report do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many readers of our management discussion & analysis analyze our results based on certain non-IFRS financial measures because such measures are normalized for evaluating the Corporation's operating performance. Management uses such non-IFRS financial information to evaluate the performance of its operations and managers. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS. The following table reconciles IFRS financial measures to non-IFRS financial measures.

Table #6:

	Three months ended October 31		For fiscal years ended October 31	
(in millions of dollars, except per share amounts)	**2014**	2013 (1)	**2014**	2013 (1)
Net earnings applicable to participating shares	**$ 9.0**	$ (94.5)	**$ 105.1**	$ (23.4)
Dividends on preferred shares	**1.7**	1.7	**6.8**	6.8
Non-controlling interests	**0.5**	0.3	**0.6**	0.4
Income taxes	**13.1**	1.2	**38.8**	24.2
Share of earnings in interests in joint ventures, net of related taxes	**(0.3)**	(0.3)	**(1.0)**	(0.9)
Financial expenses	**5.3**	6.4	**19.5**	28.5
Impairment of assets	**45.5**	165.3	**46.2**	170.0
Restructuring and other costs	**22.3**	3.3	**41.4**	28.0
Adjusted operating earnings	**$ 97.1**	$ 83.4	**$ 257.4**	$ 233.6
Amortization	**27.2**	26.6	**103.0**	105.0
Adjusted operating earnings before amortization	**$ 124.3**	$ 110.0	**$ 360.4**	$ 338.6
Net earnings applicable to participating shares	**$ 9.0**	$ (94.5)	**$ 105.1**	$ (23.4)
Net increase in the carrying amount of deferred income tax assets	**—**	—	**(10.0)**	—
Impairment of assets (after tax)	**41.5**	147.9	**42.0**	151.3
Restructuring and other costs (after tax)	**16.9**	2.5	**31.1**	20.4
Adjusted net earnings applicable to participating shares	**$ 67.4**	$ 55.9	**$ 168.2**	$ 148.3
Average number of participating shares outstanding	**78.0**	77.9	**78.0**	78.0
Adjusted net earnings applicable to participating shares per share	**$ 0.87**	$ 0.71	**$ 2.16**	$ 1.90

	As at October 31, 2014	As at October 31, 2013 (1)
Long-term debt	**$ 358.7**	$ 128.9
Current portion of long-term debt	**118.1**	218.3
Cash	**(35.2)**	(26.4)
Net indebtedness	**$ 441.6**	$ 320.8
Adjusted operating earnings before amortization (last 12 months)	**$ 360.4**	$ 338.6
Net indebtedness ratio	**1.23** x	0.95 x

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES – FISCAL YEAR
(unaudited)

Table #7:

(in millions of dollars)		**2014**		2013 (1)
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items				
and income taxes paid	**$**	**348.0**	$	327.1
Changes in non-cash operating items		**(9.3)**		101.1
Income taxes paid		**(3.9)**		(12.3)
Cash flows from operating activities	**$**	**334.8**	$	415.9
Investing activities				
Business combinations	**$**	**(225.9)**	$	(24.5)
Business dispositions		**2.3**		—
Acquisitions of property, plant and equipment		**(35.3)**		(47.0)
Disposals of property, plant and equipment		**2.2**		5.1
Increase in intangible assets		**(26.3)**		(26.8)
Cash flows from investing activities	**$**	**(283.0)**	$	(93.2)
Financing activities				
Increase in long-term debt	**$**	**250.0**	$	—
Reimbursement of long-term debt		**(33.3)**		(88.8)
Net increase (decrease) in revolving term credit facility		**(89.0)**		(57.6)
Issuance costs on long-term debt		**(1.8)**		—
Financial expenses on long-term debt		**(13.6)**		(20.5)
Bond forward contract		**(1.5)**		—
Dividends on participating shares		**(48.8)**		(123.1)
Dividends on preferred shares		**(6.8)**		(6.8)
Dividends paid to non-controlling interests		**—**		(1.4)
Issuance of participating shares		**—**		1.2
Preferred share redemptions		**(100.0)**		—
Participating share redemptions		**—**		(12.1)
Cash flows from financing activities	**$**	**(44.8)**	$	(309.1)

Financial position		**As at October 31, 2014**		As at October 31, 2013 (1)
Net indebtedness	**$**	**441.6**	$	320.8
Net indebtedness ratio		**1.23 x**		0.95 x
Credit rating				
DBRS		**BBB (low)**		BBB
Outlook		**Stable**		Negative
Standard and Poor's		**BBB-**		BBB-
Outlook		**Stable**		Stable

Balance sheet		As at October 31, 2014		Au 31 octobre 2013 (1)
Current assets	**$**	**574.4**	$	553.6
Current liabilities		**532.1**		563.6
Total assets		**2,027.7**		1,850.8
Total liabilities		**1,234.6**		1,035.4

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

Cash Flows from Continuing Operations

Cash flows generated by operating activities before changes in non-cash operating items and income tax paid increased from $327.1 million in 2013 to $348.0 million in 2014, primarily due to the increase in operating earnings. Furthermore, changes in non-cash operating items used $9.3 million in 2014, net of the $31.0 million received from the renegotiation of the agreement with Gesca Ltée to print *La Presse*, which was recorded as deferred revenues. In 2013, these items generated $101.1 million, mainly as a result of the amount of US$200.0 million received from the renegotiation of the agreement with Hearst Corporation to print the *San Francisco Chronicle*, which was recorded as deferred revenues, partially offset by a significant variance in our accounts payable. With respect to income taxes, we paid $12.3 million in 2013 compared to $3.9 million in 2014. Consequently, cash flows from operations were lower, leading to a cash inflow of $334.8 million in 2014, compared to $415.9 million in 2013.

Cash Flows from Investments in Continuing Operations

Our business acquisitions and investments in property, plant and equipment and intangible assets, net of disposals, went from a cash outflow of $93.2 million in 2013 to a cash outflow of $283.0 million in 2014. This increase is mostly attributable to our business acquisitions of Capri Packaging and Sun Media Corporation's weekly newspapers in Quebec.

Cash Flows from the Financing of Continuing Operations

In fiscal 2014, we signed a private financing agreement for $250.0 million in senior unsecured notes and redeemed all outstanding Cumulative Rate Reset First Preferred Shares for $100.0 million. This financing allowed us to pay down a larger portion of our term revolving credit facility in 2014, to make two major acquisitions and to maintain our financial flexibility. In 2013, we repaid the first tranche of our Senior Notes Series 2002 A with a value of US$75.0 million and in 2014 we repaid our Senior Notes Series 2004 C with a value of US$15.0 million.

We paid $48.8 million in dividends on participating shares and $6.8 million on preferred shares, compared to $123.1 million and $6.8 million respectively for the same period in 2013. The decrease related to our dividends is the result of a special dividend of $77.9 million, or $1.00 per participating share, paid on April 26, 2013.

Debt Instruments

As at October 31, 2014, our net indebtedness ratio stood at 1.23x (0.95x as at October 31, 2013), and net indebtedness rose from $320.8 million as at October 31, 2013 to $441.6 million as at October 31, 2014, primarily due to our business acquisitions and the redemption of all of our preferred shares. However, the cash flows generated from operations enabled us to mitigate the impact of our acquisitions on our net indebtedness ratio.

Contractual Obligations and Business Commitments

Table #8:

Contract type (in millions of dollars)		2015		2016		2017		2018		2019 and thereafter		Total
Long-term debt	$	118.1	$	11.5	$	0.1	$	—	$	350.0	$	479.7
Other commitments 1		33.9		31.4		29.6		23.6		65.5		184.0
Total commitments	**$**	**152.0**	**$**	**42.9**	**$**	**29.7**	**$**	**23.6**	**$**	**415.5**	**$**	**663.7**

(1) Mainly office rental contracts

Share Capital

During the fiscal year ended October 31, 2013, the Corporation repurchased 1,161,600 of its Class A Subordinate Voting Shares at a weighted average price of $9.98, for a total cash consideration of $11.6 million. During the same period, the Corporation also paid an amount of $0.5 million, which was included in accounts payable and accrued liabilities as at October 31, 2012, for shares that were repurchased prior to October 31, 2012. It should be noted that the Corporation did not repurchase any of its Class B Shares during fiscal 2013. However, during fiscal 2013, the Corporation exchanged 172,800 Class B Shares for Class A Subordinate Voting Shares. Under our share repurchase program that ended on April 14, 2013, we repurchased 3,173,200 Class A Subordinate Voting Shares, or 96.3% of the program.

The share repurchase program renewed in April 2013 terminated on April 14, 2014. It should be noted that the Corporation did not repurchase any of its shares during this period. However, the program was renewed for one year, to allow the Corporation to repurchase for cancellation on the open market or, subject to the approval of any securities authority, by private agreements, between April 15, 2014 and April 14, 2015, or at an earlier date if the Corporation completes or cancels the bid, up to 4,742,369 Class A Subordinate Voting Shares, representing 7.5% of its 63,188,951 issued and outstanding Class A Subordinate Voting Shares as at April 2, 2014, and up to 741,640 of its Class B Shares, representing 5.0% of its 14,832,816 issued and outstanding Class B Shares as at April 2, 2014. The repurchases are made in the normal course of business at market prices through the facilities of the Toronto Stock Exchange. In the fiscal year ended October 31, 2014, the Corporation did not repurchase any of its Class A Subordinate Voting Share or its Class B shares, and had no obligation to repurchase them.

The Corporation also exercised its right to redeem all of its Cumulative Rate Reset First Preferred Shares, Series D on October 15, 2014, at a price per share of $25.00, for $100.0 million.

Table #9:

Shares Issued and Outstanding	As at October 31, 2014	As at November 30, 2014
Class A (Subordinate Voting Shares)	63,189,351	63,189,751
Class B (Multiple Voting Shares)	14,832,416	14,832,016
Series D Preferred (Cumulative dividend with rate reset)	—	—

FUTURE CHANGES IN ACCOUNTING POLICIES

Accounting standards impacting the Consolidated Financial Statements of the Corporation

The following table presents the impact of the adoption of standards effective from November 1, 2013.

Retroactive restatements of the Consolidated Statements of Earnings and Comprehensive Income of the Corporation for the year ended October 31, 2013 are as follows:

	As reported	IFRS 11 (a)	Restated Amended IAS 19 (b)	Others (c)	Restated
Revenues	**$ 2,110.1**	$ (13.4)	$ —	$ —	**$ 2,096.7**
Operating expenses	**1,761.0**	(12.1)	5.8	3.4	**1,758.1**
Restructuring and other costs	**28.0**	—	—	—	**28.0**
Impairment of assets	**170.0**	—	—	—	**170.0**
Operating earnings before amortization	**151.1**	(1.3)	(5.8)	(3.4)	**140.6**
Amortization	**105.3**	(0.3)	—	—	**105.0**
Operating earnings	**45.8**	(1.0)	(5.8)	(3.4)	**35.6**
Net financial expenses	**25.5**	—	6.4	(3.4)	**28.5**
Earnings before share of net earnings in interests in joint ventures and income taxes	**20.3**	(1.0)	(12.2)	—	**7.1**
Share of net earnings in interests in joint ventures, net of related taxes	**—**	0.9	—	—	**0.9**
Income taxes	**27.6**	(0.1)	(3.3)	—	**24.2**
Net loss	**(7.3)**	—	(8.9)	—	**(16.2)**
Non-controlling interests	**0.4**	—	—	—	**0.4**
Net earnings attributable to shareholders of the Corporation	**(7.7)**	—	(8.9)	—	**(16.6)**
Dividends on preferred shares, net of related taxes	**6.8**	—	—	—	**6.8**
Net earnings attributable to participating shares	**$ (14.5)**	$ —	$ (8.9)	$ —	**$ (23.4)**
Net earnings per participating share - basic and diluted	**$ (0.19)**	$ —	$ (0.11)	$ —	**$ (0.30)**
Other comprehensive income	**62.3**	—	8.9	—	**71.2**
Comprehensive income	**$ 55.0**	$ —	$ —	$ —	**$ 55.0**

a) Joint arrangements

On November 1st 2013, the Corporation adopted IFRS 11, "Joint Arrangements", intended to replace IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". IFRS 11 deals with the contractual rights and obligations inherent in a joint arrangement, rather than the legal form of the arrangement. IFRS 11 eliminates the election to use the proportionate consolidation method when recognizing interests in jointly controlled entities, and requires the use of the equity method.

In accordance with the standards previously in force, the Corporation used the proportionate consolidation method to recognize interests in joint ventures, but now applies the equity method under IFRS 11. Under this method, the Corporation's share of the net assets, net earnings and other comprehensive income (loss) in joint ventures will be presented in a single line item in the Consolidated Statement of Financial Position, the Consolidated Statement of Earnings and the Consolidated Statement of Comprehensive Income, respectively.

b) Employee benefits

On November 1st 2013, the Corporation adopted the amended version of IAS 19, "Employee Benefits", in order to reflect significant changes in the recognition and measurement of the defined benefit pension plan expense. The amended IAS 19 introduces a new approach to calculate the net interest expense on defined benefit liabilities (assets), under which the rate of return on the asset will be identical to the rate used to discount the obligation. The presentation has also been changed such that current and past service costs and plan administration costs are presented under “Operating expenses” and the net interest expense is presented under “Net financial expenses”. The amended version of IAS 19 also includes new requirements for annual disclosures for defined benefit plans, including the presentation of additional information on the characteristics and risks of the plans.

c) Other
Certain prior period figures have been reclassified to conform with the current period presentation.

Accounting standards not impacting the consolidated financial statements of the Corporation

d) Consolidated financial statements
On November 1st 2013, the Corporation adopted IFRS 10, "Consolidated Financial Statements", intended to replace IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidation - Special Purpose Entities". IFRS 10 defines the concept of control as the determining factor in whether an entity should be included in the basis of consolidation in another entity's consolidated financial statements and provides additional guidance to assist in determining control. The application of this standard has no impact on the consolidated financial statements of the Corporation.

e) Disclosure of interests in other entities
On November 1st 2013, the Corporation adopted IFRS 12, "Disclosure of Interests in Other Entities". IFRS 12 complements the disclosure requirements concerning interests that an entity holds in subsidiaries, joint ventures, associates and consolidated structured entities. IFRS 12 requires an entity to disclose information regarding the nature and risks associated with all its interests in other entities and the effect of those interests on its financial position, financial performance and cash flows. These new annual reporting requirements have no effect on the financial position or operating results of the Corporation and are included in the current annual consolidated financial statements.

f) Fair value measurement
On November 1st 2013, the Corporation adopted IFRS 13, "Fair Value Measurement". IFRS 13 improves consistency and reduces complexity by providing a specific definition of fair value. IFRS 13 therefore replaces the guidance on measurement of fair value contained in individual IFRS with a single source of guidance on all measurements of fair value. The application of this standard has no impact on the consolidated financial statements of the Corporation, except for the presentation of additional informations as presented in Note 30 "Financial Instruments".

g) Financial Instruments: Offsetting financial assets and liabilities
In December 2011, the IASB issued amended versions of IFRS 7, "Financial Instruments: Disclosures" and IAS 32, "Financial Instruments: Presentation", to clarify the requirements for offsetting financial instruments and to require new disclosures on the effect of offsetting arrangements on an entity's financial position. The application of this standard has no impact on the consolidated financial statements of the Corporation.

Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these recent pronouncements on its consolidated financial statements.

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

IFRS 9 includes requirements relating to the accounting and evaluation, impairment, derecognition and general hedging model. The IASB completed its project to replace IAS 39 by stages and the standard was enhanced at every stage. The version of IFRS 9 published in 2014 supersedes all previous versions; however, for a defined period, previous versions of IFRS 9 may be adopted early, if not already done, to the extent that the relevant initial application date prior to February 1, 2015. IFRS 9 does not replace the requirement for hedge accounting at fair value of the portfolio in regard to the risk of interest rates, since this stage was separated from the draft IFRS 9 due to the nature of longer-term macro-hedging project which is currently at the stage of documenting the established process. Therefore, the exception set forth in IAS 39 regarding hedge the fair value exposure to interest rate risk of a portfolio of assets or financial liabilities continue to apply. IFRS 9 is effective for years beginning on or after January 1, 2018, with earlier application permitted.

i) 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".

The standard contains a single model that applies to contracts with customers and two approaches to recognising 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, 2017, with earlier application permitted.

j) Clarification of acceptable methods of amortization

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

RISKS AND UNCERTAINTIES

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

Managing the Corporation's risks is a major factor in the decisions taken by Management with regard to acquisitions, capital investments, divestiture of assets, grouping of plants, or efforts to create synergies among operating sectors. This focus also guides decisions regarding cost-reduction measures, product diversification, new market penetration, and certain treasury movements. Below is a list of the main risks the Corporation is exposed to that could have a significant impact on its financial situation and the strategies it is taking to mitigate them.

Strategic Risks

Competition

Competition is based on price, quality of products and the range of services offered. Some of the printing niches in which the Corporation operates are highly competitive; in addition, there is increased pressure from U.S.-based competitors. To reduce this risk, the Corporation continually strives to improve operational efficiency while maximizing the use of its most productive equipment. Furthermore, the Corporation also believes that this risk is limited by its position as Canadian leader, and by the fact that it has a diversified client base in which more than half its revenues are generated under medium and long-term agreements. Lastly, there could be a decline in the volume of our newspaper printing business due to the impact of new media. However, we hope to integrate other newspaper publishers into our print network to offset this loss of volume.

On the media side, advertisers now have a more diverse selection of media products in which to spend their advertising dollars. These products compete with the Corporation's newspapers, Internet sites, magazines and complementary communication platforms for advertising space sales. To mitigate this risk, the Corporation focuses on continuous improvement programs, cost-reduction initiatives and developing new digital and print products and services in order to broaden its integrated service offer to businesses.

With consumers having rapidly adopted digital communications, producing content tailored to a target audience becomes critical for retaining and developing our client base. We are seeing significant changes in the weekly newspaper, magazine and book publishing industries. Although this situation could well generate online business opportunities, these new realities are evolving very quickly and if the Corporation doesn't offer its customers an attractive return on investment, the effect on its bottom line could be negative. Also, the market for interactive marketing solutions is fragmented, competitive and evolving rapidly. With the introduction of new technologies and the influx of new market players, there is a risk that competition could become entrenched and even intensify, which could hinder the Corporation's ability to increase sales and maintain its prices. The Corporation has in fact targeted market segments in its strategy for digital media and interactive solutions in order to position itself as a content creator and to deliver on new interactive or digital platforms. Success depends on the quality of the Corporation's products and services as well as their monetization. Consequently, it must continue to invest to improve its digital platforms as well as introduce new high-potential products and services. On the other hand, these investments could affect operating earnings.

It is also possible that new players will enter our various local markets, including major well-established companies such as Google and Facebook. If such players decide to develop, market or resell competing products or services, or to acquire or form a strategic alliance with an existing competitor, the Corporation's operating earnings could be affected.

Competition also has an impact on our flexible packaging operations, because it is impossible to guarantee that the Corporation will be able to compete against packaging companies that are already established in this market, with more resources and experience in this industry. Driven by the necessity of adapting to consumer needs, the flexible packaging industry continues to evolve new formats and types of packaging. There is thus a risk that competitors will be able to adapt more quickly to consumer preferences, which would affect our ability to grow in this area. This risk is partially offset by concluding long-term contracts and establishing solid relations with our primary customers. However, our success may still depend on our ability to change with the technology and to make appropriate investments in R&D in order to continue offering satisfactory products.

It is also crucial that we maintain a culture of innovation in our two sectors in order to be able to compete in competitive and perpetually changing industries. We will therefore continue to invest in an innovation program that motivates our employees to explore new ideas.

Loss of Reputation
The Corporation currently enjoys a good reputation. The risk of losing or tarnishing this reputation could have an important impact on the business of the Corporation or its stock market valuation. Also, its ability to maintain its existing customer relationships and generate new customers depends greatly on the quality of its services, reputation and business continuity. Dissatisfaction with its services, damage to its reputation, or changes to key employees could lead to a loss of business. Since its creation, the Corporation has taken important steps to mitigate this risk, mainly by ensuring strong corporate governance and establishing policies, including a Code of Ethics.

Control Held
At October 31, 2014, Capinabel inc., a company controlled by Rémi Marcoux, directly or indirectly held 16.94% of shares outstanding and 72.65% of voting rights attached to the participating shares outstanding of Transcontinental Inc. Given the controlling stake of this shareholder, it is possible that in some situations the interests of the controlling shareholder might not correspond to the interests of other holders of participating shares of Transcontinental Inc.

Operational Risks

Confidential Information, Privacy and Copyright
This risk involves the use and manipulation of confidential information provided by the Corporation's customers. The potential dissemination of such information to the wrong individuals could cause significant damage to the Corporation's reputation and could result in legal actions. The techniques for stealing confidential information are constantly being refined, which increases the risk that our data could be compromised. In addition, it is possible that a data breach might not be detected quickly enough to limit the scope of the information that could be stolen. To mitigate this risk, various measures to improve prevention and control have been implemented, including a Corporation-wide review of cash receipt procedures. The requirements imposed by regulators are becoming stricter in this regard, and the Corporation's compliance with such regulations could have a financial impact.

Furthermore, it is possible that some of the Corporation's activities could infringe on the privacy of users and others. On July 1, 2014, Canada's anti-spam legislation came into force. This legislation states that businesses that send commercial electronic messages must obtain the consent of the person to whom the message is sent. It is also possible that some copyright rules could be contravened with the publication of different types of content in the various media used by the Corporation. While it has introduced strict controls in these areas, any breach with respect to the collection, use, disclosure or security of personal information, protection of copyright, or other related confidentiality issues could damage its reputation.

Dependence on Information Systems
The Corporation uses several information technology systems. If these systems were to experience disruptions or breakdowns due to a system crash, power outage, viruses, unauthorized access, human error, sabotage or other such events, it could have a negative effect on its operations and earnings. Consumers' confidence in the security of information held and transactions carried out using our online sites and our technology (including via mobile devices) is crucial to maintaining our reputation and our competitiveness on the market.

The media industry is still in the grip of massive technological change. The growing use of the Internet has increased the number of content options competing with traditional media. The Corporation must therefore manage the changes in these new technologies and be able to acquire, develop or integrate them. Its ability to successfully manage the implementation of new technologies could have a material impact on the Corporation's future competitiveness.

We mitigate these risks by ensuring that we maintain an agile, quality technology environment on which our internal and external clients can rely. In addition, we periodically assess our computer controls to ensure they comply with standards. The Corporation is also investing in its information system infrastructure to make it more robust.

Recruiting and Keeping Talent

Social and demographic trends are making it more challenging to hire and retain qualified personnel. There is a diminishing pool of qualified talent, an increase in professional mobility, an increase in technology use and a high demand for emerging skill sets. There is a risk that the Corporation will have difficulty hiring and retaining qualified personnel. As a result, the Corporation established development plans for high-potential and promotable executives, as part of the ongoing leadership review process. To ensure execution, each senior leader established specific objectives and committed to provide operational growth opportunities and challenges to further accelerate each person's development. In addition, senior managers are evaluated on their implementation of succession plans for key positions and the Corporation conducts a leadership review to support challenges the organization may face and ensure ongoing identification of successors.

Operational Efficiency

Due to the nature of its markets, the Corporation must continually improve operational efficiency in order to maintain or improve profitability. However, there is no guarantee that the Corporation will be able to do this in the future. As well, the need to reduce ongoing operating expenses could result in costs to downsize the workforce, close or consolidate facilities, or upgrade equipment and technology.

The Corporation increasingly concentrates the production of certain products in high-volume plants, which increases the risk of missing production deadlines in the event of a disaster at one of these facilities. However, the Corporation has implemented contingency plans for all facilities that deliver products on a daily basis.

Regulation

The Corporation is subject to many regulations that may be amended by municipal, provincial or federal authorities. Complying with any changes to these regulations could result in a material increase in costs for the Corporation. The Corporation could have to increase its payroll contributions, increase its workforce and enhance compensation, or invest in raw materials or equipment.

The Corporation benefits from certain government subsidy programs for magazines and books. Any change in the rules for applying these government programs in the future could have a material impact on the Corporation's operating earnings.

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

Integration of Acquisitions and Reorganization

Acquisitions have been and continue to be a key element in the Corporation's growth strategy. However, the integration of acquisitions is always a risk and this risk increases with the size, sector and type of acquisition. Integrating businesses could cause temporary disruptions to operations, make us lose major contracts or affect our personnel retention and our customer relationships. In addition, the identified synergies may not be fully realized or may take longer to realize than originally anticipated. However, to limit this risk, the Corporation relies on strict acquisition criteria as well as experienced due diligence teams and rigorous integration methods.

Development of our new avenue of growth in the production of flexible packaging solutions

Our strategy for growth in this new area is based on organic growth and our ability to make strategic acquisitions that will broaden our offering in this niche. To grow organically, we are counting on the Corporation's capacity to develop flexible packaging expertise so that we can offer an excellent product to existing and prospective customers. As noted above, the inability to innovate and/or retain employees who are skilled in this field could affect our ability to expand in this niche quickly enough to offset the anticipated decline in our traditional operations. Furthermore, to grow through acquisitions, we must find interesting opportunities, at a reasonable value, and integrate them effectively into our existing operations. We have adjusted our operational structure and are currently investing in a computer system in order to efficiently expand our operations.

Environmental Risks

Printing and publishing use large quantities of paper for their day-to-day operations. Consumers continue to express concern about sustainability and protecting the environment. To mitigate this risk, the Corporation tries to be at the forefront of its industry in terms of commitment to the environment and, in collaboration with its suppliers, is looking on an ongoing basis to reduce its eco-footprint. However, concern for the environment could lead governments to adopt new regulations on greenhouse gas emissions or soil contamination which could oblige the Corporation to incur additional costs in order to achieve compliance.

Raw Materials and Energy Prices

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

While paper and ink costs are a pass through for the Corporation's printing operations, the increase in the price of these raw materials could have a negative effect on print operations if it changes the purchasing habits of customers, in terms of number of pages printed for example. Moreover, the increase in the price of paper negatively affects the profitability of the Media Sector. It should also be noted that some customer agreements contain escalation clauses that index selling prices to fluctuations in raw material costs and exchange rates.

To ensure stable supplies at competitive prices for our Printing & Packaging Sector, we have deliberately consolidated our paper, ink and resin suppliers. This reduces our procurement costs, but could create a risk of dependence on some suppliers. However, the Corporation does business with major companies who are well-established in their respective industries, and we always source from more than one supplier in order to ensure a ready supply of our raw materials.

Financial Risks

Economic Cycles

A significant risk that the Corporation faces, and which it has difficulty controlling, is related to economic cycles, including the risk of economic recession. As well, the vast majority of the Corporation's operating revenues depend, directly or indirectly, on retailers' advertising budgets. Advertising spending tends to be cyclical as a result of the global economic climate and consumers' buying habits. Furthermore, significant changes, including consolidation in some industries and the migration to digital platforms, are affecting the industries of our principal advertisers, which could have an impact on the products offered by the Corporation.

However, the Corporation believes it mitigates this risk through the very composition of its operations, since a substantial segment of the client base operates in less cyclical markets, such as food and personal care. Lastly, because it has implemented a development strategy based on becoming a leader in its niches, the Corporation believes it can limit its exposure to economic cycles without, however, eliminating their occurrence or magnitude.

Availability of Capital and Use of Financial Leverage

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due, or that it will be able to meet them, but at an excessive cost. It should be noted that the Corporation's credit ratings assigned by various agencies have a significant influence on its financing ability. Consequently, the risk is that the Corporation may not be able to raise the necessary capital to meet its financing needs. This risk is mitigated by the fact that the Corporation is in a very good financial position, with a net indebtedness ratio of 1.23x, and expects to continue generating significant cash flows from operations. In addition, to maintain its financial flexibility, in May 2014 the Corporation signed a private financing agreement for $250 million in senior unsecured notes. Lastly, as at October 31, 2014, an amount of $47.7 million was drawn on the $400.0 million revolving credit facility which matures in February 2020.

Interest Rate

The Corporation is exposed to market risks related to interest-rate fluctuations. At the end of fiscal 2014, considering the derivative financial instruments used, the fixed rate portion of the Corporation's long-term debt represented 85% of the total, while the floating rate portion represented 15% (73% and 27%, respectively, at October 31, 2013). The floating rate portion of the debt bears interest at rates based on LIBOR or bankers' acceptance rates. The Corporation tries to keep a good balance of fixed versus floating rate debt.

Exchange Rate

The Corporation's currency-hedging program uses derivatives to protect it from risks related to short-term currency fluctuations. Moreover, the Corporation attempts to match cash inflows and outflows in the same currency. In addition, the increase in the value of the US dollar provides the Corporation with some protection against foreign competition.

Credit

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

Pension Plans

At October 31, 2014, almost all of TC Transcontinental's active employees were participating in defined contribution pension plans. A portion of the risks related to the benefits earned through the defined benefit pension plans that were in place prior to the migration to the defined contribution plans are still assumed by the Corporation, despite risk-mitigation measures implemented during the fiscal year. Funding for defined benefit plans is based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the expected long-term rate of return on pension plan assets. The defined benefit obligation, fair value of plan assets and plan asset composition are measured at the date of the annual financial statements. Our most recent actuarial valuations show a slight solvency deficiency. To more rigorously control the volatility risk of the defined benefit plans, the Corporation has implemented an investment strategy to limit the exposure of our assets to major fluctuations that would affect pension plan solvency.

Impairment Tests

The Corporation conducts impairment tests that could lead to asset write-downs and as a result have an unfavourable impact on shareholders' equity. Under International Financial Reporting Standards (IFRS), the Corporation must regularly test long-term assets for impairment to determine whether the value of the asset in question has decreased. Any asset write-down from impairment testing reduces the net earnings applicable to participating shares but has no major impact on conformity with the debt ratio the Corporation must respect under the terms of its current credit facilities, nor on its borrowing power.

Disputes with tax authorities regarding the Corporation's position with respect to certain tax issues could have a material adverse impact on the Corporation and its operations, operating earnings and financial position.

In the normal course of the Corporation's business, tax authorities conduct regular audits. In that regard, the Corporation assumes that all expenses claimed by the group's business units are reasonable and deductible and that the cost and the capital cost deduction used for the depreciable property of these business units have been calculated correctly. However, there is no guarantee that tax authorities will not dispute these positions. If rulings in such disputes favour the tax authorities, it could have a material adverse impact on the Corporation's financial position and could affect shareholders' returns.

Conclusion on Risks and Uncertainties

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

DISCLOSURE CONTROLS AND PROCEDURES

Transcontinental's President and Chief Executive Officer and its Chief Financial and Development Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures.

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

The President and Chief Executive Officer and the Chief Financial and Development Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures as at October 31, 2014, have concluded that the Corporation's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Corporation and its subsidiaries would have been known to them.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for implementing and maintaining adequate internal control. The purpose of internal control with respect to financial information 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.

As at October 31, 2014, Management excluded Capri Packaging from its internal control with respect to financial information; this 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.

Capri Packaging, acquired on May 3, 2014, generated revenues of $41.8 million for the fiscal year ended October 31, 2014 and adjusted operating earnings of $6.5 million, or 2.0% and 2.5% respectively of the Corporation's consolidated earnings for fiscal 2014. Capri Packaging has two flexible packaging production plants and about 200 employees.

The following table provides additional information about this acquisition:

Statement of financial position	**As at October 31, 2014**
Current assets	$11.4 M
Non-current assets	$138.4 M
Current liabilities	$3.3 M
Long-term liabilities	$ - M
Statement of earnings	**Fiscal year ended October 31, 2014**
Revenues	$41.8 M
Adjusted operating earnings before amortization	$10.1 M
Adjusted operating earnings	$6.5 M

Please see Note 4 in the interim consolidated financial statements for the fiscal year ended October 31, 2014 for more information about the Capri Packaging acquisition.

In the fiscal year ended October 31, 2014, 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.

Management evaluated the effectiveness of internal controls with respect to financial information based on the COSO (1992) framework at October 31, 2014, and based on that evaluation has determined that internal control over financial information was effective.

SUBSEQUENT EVENTS

On November 17, 2014, the Corporation signed a definitive agreement to sell all its consumer magazines, their websites and all related platforms produced in Montreal and Toronto to TVA Group Inc. for $55.5 million. This transaction, which is subject to regulatory clearances, including that of the Competition Bureau, also contains an agreement to print the magazines being sold, as well as an extension to 2022 of the contract to print certain TVA Group Inc. publications that was signed in December 2013.

On December 9, 2014, the Corporation extended its credit facility for two more years, changing the due date to February 2020, in order to maintain its financial flexibility.

OUTLOOK

New agreements to print newspapers and flyers should contribute to our operating earnings and we will continue our efforts to attract other Canadian newspaper publishers to our highly efficient print network. We will also keep developing solutions to meet the evolving needs of retailers. Furthermore, the recently announced closures of some printing plants will allow us to consolidate production in more technologically advanced facilities, which should improve efficiency. However, the printing of magazines, newspapers, books and marketing products will still be affected by declining revenues, primarily due to decreased advertising spending. We will therefore focus on maximizing the profitability of our printing platform in fiscal 2015.

The integration of Capri Packaging is ongoing, as is the development of this promising new avenue of growth in the production of flexible packaging solutions. In the short term we will seek to improve efficiency and organic sales growth with our current and prospective clients. Results in this niche continue to meet our expectations and our approach to growth opportunities will be a disciplined one.

The disposition, subject to regulatory clearances, of our consumer magazines will allow us to focus on the greater business opportunities in the local advertising market. Going forward, following the regulatory approval of our acquisition of the Quebec weekly newspapers owned by Sun Media Corporation, we expect to achieve about $20 million in synergies, primarily in 2015, which should offset the decline in the local advertising market. Given the challenging conditions in the advertising market, we will make further adjustments to our cost structure and continue to develop our digital and interactive marketing products for retailers, among others, and enhance our business and education offerings.

We will continue to generate significant cash flows in the short-term, and our excellent financial position should permit us to continue applying our multi-pronged capital management approach, which allows us to reduce our debt, pay dividends and invest in our transformation. We have also secured long-term financing to preserve the financial flexibility required to implement our growth strategy. Our printing operations will therefore continue to get the most out of our highly efficient network and our two sectors will concentrate on their core competencies in order to improve profitability and further our transformation.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

December 9, 2014

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Transcontinental Inc. are the responsibility of Management and have been approved by the Board of Directors of the Corporation. The financial statements include some amounts that are based on Management's best estimates using reasonable judgment. The financial statements have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS").

In fulfilling their responsibilities, Management of Transcontinental Inc. and its subsidiaries develop and aim to improve accounting and management systems designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable for preparing the financial statements.

The Board of Directors of the Corporation fulfills its responsibility for the financial statements principally through its Audit Committee. The Audit Committee meets with management and the independent auditors every quarter to discuss the results of the audit, internal controls and financial reporting matters. The independent auditors appointed by the shareholders have unrestricted access to the Audit Committee, with or without the presence of management.

The financial statements have been audited by KPMG LLP, whose report is presented on the following page.

François Olivier
President and Chief Executive Officer

Nelson Gentiletti
Chief Financial and Development Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Transcontinental Inc.

We have audited the accompanying consolidated financial statements of Transcontinental Inc., which comprise the consolidated statements of financial position as at October 31, 2014, and October 31, 2013, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Transcontinental Inc. as at October 31, 2014 and October 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

KPMG LLP*

Montreal, Canada
December 9, 2014
*FCPA auditor, FCA, public accountancy permit No. A106087

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 31, 2014 and 2013
(in millions of Canadian dollars, except per share data)

	Notes	**2014**	2013 Restated (Note 3)
Revenues		**$ 2,069.4**	$ 2,096.7
Operating expenses	5	**1,709.0**	1,758.1
Restructuring and other costs	6	**41.4**	28.0
Impairment of assets	7	**46.2**	170.0
Operating earnings before amortization		**272.8**	140.6
Amortization	8	**103.0**	105.0
Operating earnings		**169.8**	35.6
Net financial expenses	9	**19.5**	28.5
Earnings before share of net earnings in interests in joint ventures and income taxes		**150.3**	7.1
Share of net earnings in interests in joint ventures, net of related taxes	16	**1.0**	0.9
Income taxes	10	**38.8**	24.2
Net earnings		**112.5**	(16.2)
Non-controlling interests		**0.6**	0.4
Net earnings attributable to shareholders of the Corporation		**111.9**	(16.6)
Dividends on preferred shares, net of related taxes	22	**6.8**	6.8
Net earnings attributable to participating shares		**$ 105.1**	$ (23.4)
Net earnings per participating share - basic	23	**$ 1.35**	$ (0.30)
Net earnings per participating share - diluted	23	**$ 1.34**	$ (0.30)
Weighted average number of participating shares outstanding - basic (in millions)		**78.0**	78.0
Weighted average number of participating shares - diluted (in millions)	23	**78.2**	78.0

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended October 31, 2014 and 2013
(in millions of Canadian dollars)

	Notes		2014		2013 Restated (Note 3)
Net earnings		**$**	**112.5**	$	(16.2)
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			**(2.3)**		2.8
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			**2.8**		(2.8)
Related income taxes			**0.1**		(0.2)
			0.4		0.2
Cumulative translation differences					
Net unrealized exchange gains on the translation of the financial statements of foreign operations			**5.7**		1.0
Unrealized exchange losses on the translation of a debt designated as a hedge of a net investment in foreign operations			**(2.4)**		(1.6)
Related income taxes			**—**		(0.2)
			3.3		(0.4)
Items that will not be reclassified to net earnings					
Changes in actuarial gains and losses in respect of defined benefit plans					
Actuarial gains in respect of defined benefit plans	28		**22.7**		97.4
Related income taxes			**6.1**		26.0
			16.6		71.4
Other comprehensive income	25		**20.3**		71.2
Comprehensive income		**$**	**132.8**	$	55.0
Attributable to:					
Shareholders of the Corporation		**$**	**132.2**	$	54.6
Non-controlling interests			**0.6**		0.4
		$	**132.8**	$	55.0

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended October 31, 2014 and 2013
(in millions of Canadian dollars)

	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
Balance as at October 31, 2013 (Restated, Note 3)	**$ 462.8**	**$ 2.9**	**$ 362.5**	**$ (13.2)**	**$ 815.0**	**$ 0.4**	**$ 815.4**
Net earnings	**—**	**—**	**111.9**	**—**	**111.9**	**0.6**	**112.5**
Other comprehensive income	**—**	**—**	**—**	**20.3**	**20.3**	**—**	**20.3**
Shareholders' contributions and distributions to shareholders							
Preferred share redemptions (Note 22)	**(96.8)**	**—**	**(3.2)**	**—**	**(100.0)**	**—**	**(100.0)**
Dividends (Note 22)	**—**	**—**	**(55.6)**	**—**	**(55.6)**	**—**	**(55.6)**
Stock-option based compensation (Note 24)	**—**	**0.5**	**—**	**—**	**0.5**	**—**	**0.5**
Balance as at October 31, 2014	**$ 366.0**	**$ 3.4**	**$ 415.6**	**$ 7.1**	**$ 792.1**	**$ 1.0**	**$ 793.1**
Balance as at November 1, 2012 (Note 3)	$ 467.7	$ 2.5	$ 514.2	$ (84.4)	$ 900.0	$ 1.4	$ 901.4
Net earnings	—	—	(16.6)	—	(16.6)	0.4	(16.2)
Other comprehensive income	—	—	—	71.2	71.2	—	71.2
Shareholders' contributions and distributions to shareholders							
Participating share redemptions (Note 22)	(6.4)	—	(5.2)	—	(11.6)	—	(11.6)
Exercise of stock options (Note 22)	1.5	(0.3)	—	—	1.2	—	1.2
Dividends (Note 22)	—	—	(129.9)	—	(129.9)	(1.4)	(131.3)
Stock-option based compensation (Note 24)	—	0.7	—	—	0.7	—	0.7
Balance as at October 31, 2013 (Restated, Note 3)	$ 462.8	$ 2.9	$ 362.5	$ (13.2)	$ 815.0	$ 0.4	$ 815.4

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended October 31, 2014 and 2013
(in millions of Canadian dollars)

	Notes	As at October 31, 2014	As at October 31, 2013 Restated (Note 3)
Current assets			
Cash		**$ 35.2**	$ 26.4
Accounts receivable	11	**415.1**	419.2
Income taxes receivable		**15.2**	12.1
Inventories	12	**94.2**	82.0
Prepaid expenses		**14.7**	13.9
		574.4	553.6
Property, plant and equipment	13	**565.9**	596.0
Intangible assets	14	**252.9**	194.1
Goodwill	15	**419.5**	324.0
Investments in joint ventures	16	**1.7**	0.8
Deferred income taxes	10	**152.2**	147.7
Other assets	17	**61.1**	34.6
		$ 2,027.7	$ 1,850.8
Current liabilities			
Accounts payable and accrued liabilities	18	**$ 301.8**	$ 272.8
Provisions	20	**20.0**	10.3
Income taxes payable		**30.8**	6.3
Deferred revenues and deposits		**61.4**	55.9
Current portion of long-term debt	19	**118.1**	218.3
		532.1	563.6
Long-term debt	19	**358.7**	128.9
Deferred income taxes	10	**84.7**	67.1
Provisions	20	**30.3**	40.2
Other liabilities	21	**228.8**	235.6
		1,234.6	1,035.4
Equity			
Share capital	22	**366.0**	462.8
Contributed surplus		**3.4**	2.9
Retained earnings		**415.6**	362.5
Accumulated other comprehensive income (loss)	25	**7.1**	(13.2)
Attributable to shareholders of the Corporation		**792.1**	815.0
Non-controlling interests		**1.0**	0.4
		793.1	815.4
		$ 2,027.7	$ 1,850.8

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31, 2014 and 2013
(in millions of Canadian dollars)

	Notes	2014	2013 Restated (Note 3)
Operating activities			
Net earnings		**$ 112.5**	$ (16.2)
Adjustments to reconcile net earnings and cash flows from operating activities:			
Amortization	8	**130.6**	130.9
Impairment of assets	7	**46.2**	170.0
Financial expenses on long-term debt	9	**19.8**	20.1
Net losses on disposal of assets		**0.2**	0.2
Income taxes	10	**38.8**	24.2
Stock-option based compensation	24	**0.5**	0.7
Other		**(0.6)**	(2.8)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**348.0**	327.1
Changes in non-cash operating items	26	**(9.3)**	101.1
Income taxes paid		**(3.9)**	(12.3)
Cash flows from operating activities		**334.8**	415.9
Investing activities			
Business combinations	4	**(225.9)**	(24.5)
Business dispositions	4	**2.3**	—
Acquisitions of property, plant and equipment		**(35.3)**	(47.0)
Disposals of property, plant and equipment		**2.2**	5.1
Increase in intangible assets		**(26.3)**	(26.8)
Cash flows from investing activities		**(283.0)**	(93.2)
Financing activities			
Increase in long-term debt	19	**250.0**	—
Reimbursement of long-term debt	19	**(33.3)**	(88.8)
Net decrease in revolving term credit facility	19	**(89.0)**	(57.6)
Financial expenses on long-term debt		**(13.6)**	(20.5)
Issuance costs on long-term debt		**(1.8)**	—
Bond forward contract on long term debt		**(1.5)**	—
Dividends on participating shares	22	**(48.8)**	(123.1)
Dividends on preferred shares	22	**(6.8)**	(6.8)
Dividends paid to non-controlling interests		**—**	(1.4)
Issuance of participating shares	22	**—**	1.2
Participating share redemptions	22	**—**	(12.1)
Preferred share redemptions	22	**(100.0)**	—
Cash flows from financing activities		**(44.8)**	(309.1)
Effect of exchange rate changes on cash denominated in foreign currencies		**1.8**	—
Net change in cash		**8.8**	13.6
Cash at beginning of year		**26.4**	12.8
Cash at end of year		**$ 35.2**	$ 26.4
Non-cash investing and financing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ 0.6**	$ (3.4)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 31, 2014 and 2013
(in millions of Canadian dollars, except per share data)

1 GENERAL INFORMATION

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

The Corporation operates in print and digital media, publishing and flexible packaging industries. The Corporation conducts business in Canada and the United States in two separate sectors: the Printing and Packaging Sector and the Media Sector. The Corporation's main activities are described in Note 32 "Segment Reporting".

The Corporation's Board of Directors approved these consolidated financial statements on December 9, 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in these annual consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at October 31, 2014. Any subsequent changes to the accounting policies, that are taking effect in the Corporation's consolidated financial statements after October 31, 2014, could result in a restatement of these annual consolidated financial statements.

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

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

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

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

The Corporation holds the following significant subsidiaries:

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Joint arrangements
Joint arrangements are entities over which the Corporation has joint control, established by contractual agreements that require the unanimous consent of the parties to decisions on activities that have a significant effect on the returns of the entity. When the Corporation has rights on the net assets of the entity, it is classified as a joint venture and accounted for using the equity method. The Corporation's interests in joint ventures are mainly in the Media Sector and their effect on the Corporation's consolidated financial statements is not significant. When the Corporation has rights on the assets and obligations relating to liabilities of the entity, it is classified as a joint operation and the Corporation recognizes its share of the assets, liabilities, revenues and expenses in respect of its interest in the joint operation. The Corporation has no joint operations at this time.

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

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

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

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

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

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

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

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

i) In the Printing and Packaging Sector, printing is the main source of revenue. Printing revenue is recognized when the products are shipped or delivered, in accordance with the customer agreement.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 31, 2014 and 2013
(in millions of Canadian dollars, except per share data)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Publishing, content preparation and marketing project revenues:
Publishing, content preparation and marketing project revenues are recognized based on the percentage of completion, in accordance with the customer agreement.

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

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

e) Exchange transactions

In the normal course of business, the Corporation offers advertising in exchange for goods or services. The related revenues are measured at the fair value of the goods and services received or given when the fair value of the goods or services received cannot be reliably measured. For the year ended October 31, 2014, the Corporation recognized an amount of $10.4 million as exchange transactions ($9.7 million for the year ended October 31, 2013).

f) Income taxes

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

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

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

g) Government assistance

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

h) Cash and cash equivalents

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

i) Inventories

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

j) Supplier rebates

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

m) Intangible assets

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

iii) Multi-employer pension plans
Obligations relating to multi-employer plans are recognized when the amount can be estimated reliably and the Corporation does not have all the information necessary for the recognition of these plans as defined benefit plans.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Employee benefits

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

The Corporation participates in multi-employer pension plans accounted for as defined contribution plans. Under IFRS, in accordance with IAS 19 "Employee Benefits", the multi-employer plans that include implicit obligations are accounted for as defined benefit plans when the Corporation has sufficient information to identify its share of the obligation under defined benefit, its share of plan assets and costs associated with the plans. The Corporation does not have all the information to be able to recognize these plans as defined benefit plans, but it has sufficient information to record this obligation as a provision. Contributions to the plans are recognized in net earnings at the time of delivery of services by employees.

i) Defined benefit plans

The cost of defined benefit pension plans and other post-employment defined benefit plans are established with the assistance of independent actuaries on each reporting date, using the Projected Unit Cost Method and based on management's best estimates regarding the expected rate of return of the plans' investments, salary increases, changes in health care costs, the retirement age of employees and life expectancies.

The defined benefit asset (liability) recognized in the Consolidated Statement of Financial Position is the present value of the defined benefit obligation, less the fair value of plan assets. The value of plan assets is limited to the total of unrecognized past service cost and the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Any surplus is immediately recognized in other comprehensive income.

A minimum liability is recognized when the minimum statutory financing of past service exceeds the economic benefits available, either as a plan repayment or as a reduction in future plan contributions.

Net cumulative actuarial gains and losses related to plan assets and the defined benefit obligation, as well as the effect of the limit on the employer's share of the cost of the future benefits, are recognized in comprehensive income during the period in which they occur.

Past service cost is recognized as an expense in the Consolidated Statement of Earnings, to the extent that benefit rights have become vested. Past service cost related to unvested benefits is deferred and amortized on a straight-line basis over the average period until the benefits become vested.

Current service cost, the expected return on plan assets and the financial costs of the defined benefit obligation are recognized in net earnings during the period in which they occur.

ii) Defined contribution pension plans, group registered savings plans and state plans

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

r) Stock-based compensation

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

i) Stock option plan

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

ii) Share unit plan for certain officers and senior executives

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

iii) Share unit plan for directors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

t) Financial instruments
Financial assets and liabilities are initially recognized at fair value and their subsequent valuation is dependent on their classification. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments.

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

	Category	Subsequent valuation
Cash	Loans and receivables	Amortized cost, at the effective interest rate
Accounts receivable, other receivables and other financial assets	Loans and receivables	Amortized cost, at the effective interest rate
Investments	Available for sale	Fair value or cost if there is no quoted market
Accounts payable, other accrued liabilities and other financial liabilities	Other financial liabilities	Amortized cost, at the effective interest rate
Long-term debt	Other financial liabilities	Amortized cost, at the effective interest rate
Derivative financial instruments	Held for trading	Fair value

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

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

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

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

At the inception of the hedging relationship and throughout its duration, the Corporation must have reasonable assurance that the relationship will remain effective and in accordance with its risk management objective and strategy as initially documented. The effectiveness of the hedging relationship must be confirmed at each reporting date. The effective portion of the hedging relationship, and the effective portion of changes in fair value of the derivative, are recognized in other comprehensive income and the ineffective portion is recognized in the Consolidated Statement of Earnings. The effective portion of the currency risk hedging relationship related to future purchases of production equipment, deferred in accumulated other comprehensive income, is reclassified against the production equipment at its initial recognition. The effective portion of the currency risk hedging relationship related to interest and capital payments is reclassified to net earnings during the period in which the hedged item affects net earnings.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 31, 2014 and 2013
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 NEW ACCOUNTING POLICIES

Accounting standards impacting the Consolidated Financial Statements of the Corporation

The following tables present the impact of the adoption of standards effective from November 1, 2013.

Retroactive restatements of the Consolidated Statements of Earnings and Comprehensive Income of the Corporation for the year ended October 31, 2013 are as follows:

	As reported	IFRS 11 (a)	Restated Amended IAS 19 (b)	Others (c)	Restated
Revenues	**$ 2,110.1**	$ (13.4)	$ —	$ —	**$ 2,096.7**
Operating expenses	**1,761.0**	(12.1)	5.8	3.4	**1,758.1**
Restructuring and other costs	**28.0**	—	—	—	**28.0**
Impairment of assets	**170.0**	—	—	—	**170.0**
Operating earnings before amortization	**151.1**	(1.3)	(5.8)	(3.4)	**140.6**
Amortization	**105.3**	(0.3)	—	—	**105.0**
Operating earnings	**45.8**	(1.0)	(5.8)	(3.4)	**35.6**
Net financial expenses	**25.5**	—	6.4	(3.4)	**28.5**
Earnings before share of net earnings in interests in joint ventures and income taxes	**20.3**	(1.0)	(12.2)	—	**7.1**
Share of net earnings in interests in joint ventures, net of related taxes	**—**	0.9	—	—	**0.9**
Income taxes	**27.6**	(0.1)	(3.3)	—	**24.2**
Net earnings	**(7.3)**	—	(8.9)	—	**(16.2)**
Non-controlling interests	**0.4**	—	—	—	**0.4**
Net earnings attributable to shareholders of the Corporation	**(7.7)**	—	(8.9)	—	**(16.6)**
Dividends on preferred shares, net of related taxes	**6.8**	—	—	—	**6.8**
Net earnings attributable to participating shares	**$ (14.5)**	$ —	$ (8.9)	$ —	**$ (23.4)**
Net earnings per participating share - basic and diluted	**$ (0.19)**	$ —	$ (0.11)	$ —	**$ (0.30)**
Other comprehensive income	**62.3**	—	8.9	—	**71.2**
Comprehensive income	**$ 55.0**	$ —	$ —	$ —	**$ 55.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 31, 2014 and 2013
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3 NEW ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Financial Position of the Corporation as at October 31, 2013 are as follows:

		Restatements		
	As reported	IFRS 11 (a)	Amended IAS 19 (b)	**Restated**
Current assets				
Cash	**$ 30.3**	$ (3.9)	$ —	**$ 26.4**
Accounts receivable	**421.2**	(2.0)	—	**419.2**
Income taxes receivable	**12.5**	(0.4)	—	**12.1**
Inventories	**82.0**	—	—	**82.0**
Prepaid expenses	**14.1**	(0.2)	—	**13.9**
	560.1	(6.5)	—	**553.6**
Property, plant and equipment	**596.6**	(0.6)	—	**596.0**
Intangible assets	**194.2**	(0.1)	—	**194.1**
Goodwill	**325.7**	(1.7)	—	**324.0**
Investments in joint ventures	**—**	0.8	—	**0.8**
Deferred income taxes	**148.0**	(0.3)	—	**147.7**
Other assets	**34.7**	(0.1)	—	**34.6**
	$ 1,859.3	$ (8.5)	$ —	**$ 1,850.8**
Current liabilities				
Accounts payable and accrued liabilities	**$ 275.8**	$ (3.0)	$ —	**$ 272.8**
Provisions	**10.3**	—	—	**10.3**
Income taxes payable	**6.4**	(0.1)	—	**6.3**
Deferred revenues and deposits	**61.1**	(5.2)	—	**55.9**
Current portion of long-term debt	**218.3**	—	—	**218.3**
	571.9	(8.3)	—	**563.6**
Long-term debt	**128.9**	—	—	**128.9**
Deferred income taxes	**67.1**	—	—	**67.1**
Provisions	**40.2**	—	—	**40.2**
Other liabilities	**235.8**	(0.2)	—	**235.6**
	1,043.9	(8.5)	—	**1,035.4**
Equity				
Share capital	**462.8**	—	—	**462.8**
Contributed surplus	**2.9**	—	—	**2.9**
Retained earnings	**371.4**	—	(8.9)	**362.5**
Accumulated other comprehensive loss	**(22.1)**	—	8.9	**(13.2)**
Attributable to shareholders of the Corporation	**815.0**	—	—	**815.0**
Non-controlling interests	**0.4**	—	—	**0.4**
	815.4	—	—	**815.4**
	$ 1,859.3	$ (8.5)	$ —	**$ 1,850.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 NEW ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Financial Position of the Corporation as at November 1, 2012 are as follows:

	As reported	Restatements IFRS 11 (a)	Restated
Current assets			
Cash	**$ 16.8**	$ (4.0)	**$ 12.8**
Accounts receivable	**449.8**	(2.0)	**447.8**
Income taxes receivable	**38.9**	(0.2)	**38.7**
Inventories	**82.5**	—	**82.5**
Prepaid expenses and other current assets	**14.7**	(0.2)	**14.5**
	602.7	(6.4)	**596.3**
Property, plant and equipment	**651.2**	(0.5)	**650.7**
Intangible assets	**171.5**	(0.1)	**171.4**
Goodwill	**487.0**	(1.7)	**485.3**
Deferred income taxes	**192.6**	(0.2)	**192.4**
Other assets	**31.2**	0.3	**31.5**
	$ 2,136.2	$ (8.6)	**$ 2,127.6**
Current liabilities			
Accounts payable and accrued liabilities	**$ 336.8**	$ (3.3)	**$ 333.5**
Provisions	**15.5**	—	**15.5**
Income taxes payable	**50.3**	(0.1)	**50.2**
Deferred revenues and deposits	**39.3**	(5.0)	**34.3**
Current portion of long-term debt	**283.5**	—	**283.5**
	725.4	(8.4)	**717.0**
Long-term debt	**204.1**	—	**204.1**
Investments in joint ventures	**—**	0.1	**0.1**
Deferred income taxes	**68.4**	—	**68.4**
Provisions	**45.3**	—	**45.3**
Other liabilities	**191.6**	(0.3)	**191.3**
	1,234.8	(8.6)	**1,226.2**
Equity			
Share capital	**467.7**	—	**467.7**
Contributed surplus	**2.5**	—	**2.5**
Retained earnings	**514.2**	—	**514.2**
Accumulated other comprehensive loss	**(84.4)**	—	**(84.4)**
Attributable to shareholders of the Corporation	**900.0**	—	**900.0**
Non-controlling interests	**1.4**	—	**1.4**
	901.4	—	**901.4**
	$ 2,136.2	$ (8.6)	**$ 2,127.6**

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3 NEW ACCOUNTING POLICIES (CONTINUED)

Retroactive restatements of the Consolidated Statement of Cash Flows of the Corporation for the year ended October 31, 2013 are as follows:

	As reported	Restatements IFRS 11 (a)	Restated
Cash flows from operating activities	**$ 416.2**	$ (0.3)	**$ 415.9**
Cash flows from investing activities	**(93.6)**	0.4	**(93.2)**
Cash flows from financing activities	**(309.1)**	—	**(309.1)**
Effect of exchange rate changes on cash denominated in foreign currencies	**—**	—	**—**
Net change in cash	**13.5**	0.1	**13.6**
Cash at beginning of year	**16.8**	(4.0)	**12.8**
Cash at end of year	**$ 30.3**	$ (3.9)	**$ 26.4**

a) Joint arrangements
On November 1st 2013, the Corporation adopted IFRS 11, "Joint Arrangements", intended to replace IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". IFRS 11 deals with the contractual rights and obligations inherent in a joint arrangement, rather than the legal form of the arrangement. IFRS 11 eliminates the election to use the proportionate consolidation method when recognizing interests in jointly controlled entities, and requires the use of the equity method.

In accordance with the standards previously in force, the Corporation used the proportionate consolidation method to recognize interests in joint ventures, but now applies the equity method under IFRS 11. Under this method, the Corporation's share of the net assets, net earnings and other comprehensive income (loss) in joint ventures will be presented in a single line item in the Consolidated Statement of Financial Position, the Consolidated Statement of Earnings and the Consolidated Statement of Comprehensive Income, respectively.

b) Employee benefits
On November 1st 2013, the Corporation adopted the amended version of IAS 19, "Employee Benefits", in order to reflect significant changes in the recognition and measurement of the defined benefit pension plan expense. The amended IAS 19 introduces a new approach to calculate the net interest expense on defined benefit liabilities (assets), under which the rate of return on the asset will be identical to the rate used to discount the obligation. The presentation has also been changed such that current and past service costs and plan administration costs are presented under “Operating expenses” and the net interest expense is presented under “Net financial expenses”. The amended version of IAS 19 also includes new requirements for annual disclosures for defined benefit plans, including the presentation of additional information on the characteristics and risks of the plans.

c) Other
Certain prior period figures have been reclassified to conform with the current period presentation.

Accounting standards not impacting the consolidated financial statements of the Corporation

d) Consolidated financial statements
On November 1st 2013, the Corporation adopted IFRS 10, "Consolidated Financial Statements", intended to replace IAS 27, "Consolidated and Separate Financial Statements" and SIC-12, "Consolidation - Special Purpose Entities". IFRS 10 defines the concept of control as the determining factor in whether an entity should be included in the basis of consolidation in another entity's consolidated financial statements and provides additional guidance to assist in determining control. The application of this standard has no impact on the consolidated financial statements of the Corporation.

e) Disclosure of interests in other entities
On November 1st 2013, the Corporation adopted IFRS 12, "Disclosure of Interests in Other Entities". IFRS 12 complements the disclosure requirements concerning interests that an entity holds in subsidiaries, joint ventures, associates and consolidated structured entities. IFRS 12 requires an entity to disclose information regarding the nature and risks associated with all its interests in other entities and the effect of those interests on its financial position, financial performance and cash flows. These new annual reporting requirements have no effect on the financial position or operating results of the Corporation and are included in the current annual consolidated financial statements.

f) Fair value measurement
On November 1st 2013, the Corporation adopted IFRS 13, "Fair Value Measurement". IFRS 13 improves consistency and reduces complexity by providing a specific definition of fair value. IFRS 13 therefore replaces the guidance on measurement of fair value contained in individual IFRS with a single source of guidance on all measurements of fair value. The application of this standard has no impact on the consolidated financial statements of the Corporation, except for the presentation of additional informations as presented in Note 30 "Financial Instruments".

3 NEW ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments: Offsetting financial assets and liabilities
In December 2011, the IASB issued amended versions of IFRS 7, "Financial Instruments: Disclosures" and IAS 32, "Financial Instruments: Presentation", to clarify the requirements for offsetting financial instruments and to require new disclosures on the effect of offsetting arrangements on an entity's financial position. The application of this standard has no impact on the consolidated financial statements of the Corporation.

Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these recent pronouncements on its consolidated financial statements.

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

IFRS 9 includes requirements relating to the accounting and evaluation, impairment, derecognition and general hedging model. The IASB completed its project to replace IAS 39 by stages and the standard was enhanced at every stage. The version of IFRS 9 published in 2014 supersedes all previous versions; however, for a defined period, previous versions of IFRS 9 may be adopted early, if not already done, to the extent that the relevant initial application date prior to February 1, 2015. IFRS 9 does not replace the requirement for hedge accounting at fair value of the portfolio in regard to the risk of interest rates, since this stage was separated from the draft IFRS 9 due to the nature of longer-term macro-hedging project which is currently at the stage of documenting the established process. Therefore, the exception set forth in IAS 39 regarding hedge the fair value exposure to interest rate risk of a portfolio of assets or financial liabilities continue to apply. IFRS 9 is effective for years beginning on or after January 1, 2018, with earlier application permitted.

i) 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".

The standard contains a single model that applies to contracts with customers and two approaches to recognising 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, 2017, with earlier application permitted.

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

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4 BUSINESS COMBINATIONS AND DISPOSITIONS

The following table summarizes the fair value of assets acquired and liabilities assumed during the year ended October 31, 2014, at their respective acquisition date:

	Sun Media Corporation weekly newspapers in Quebec	Capri Packaging	Total
Assets acquired			
Current assets	$ 7.7	$ 11.4	$ 19.1
Property, plant and equipment	0.8	14.9	15.7
Intangible assets	16.2	58.9	75.1
Goodwill (tax basis of 64.6)	60.1	64.6	124.7
Deferred income taxes	0.2	—	0.2
	$ 85.0	$ 149.8	$ 234.8
Liabilities assumed			
Current liabilities	$ 1.7	$ 3.3	$ 5.0
Other liabilities	4.5	—	4.5
	6.2	3.3	9.5
	$ 78.8	$ 146.5	$ 225.3
Total consideration			
Cash paid	$ 78.4	$ 146.5	$ 224.9
Short-term liabilities	0.4	—	0.4
	$ 78.8	$ 146.5	$ 225.3

Acquisition of the Sun Media Corporation weekly newspapers in Quebec

On December 5, 2013, the Corporation announced the completion of a definitive agreement pursuant to which it has agreed to acquire, through a corporation established for this purpose, all Quebec weekly newspapers and associated web properties from Sun Media Corporation, a subsidiary of Quebecor Media Inc., for a purchase price of $75.0 million. On June 1, 2014, the Corporation completed the acquisition after receiving approval pursuant to the *Competition Act* (Canada) from the regulatory authorities. Including adjustments for working capital and usual closing adjustments, the total cash consideration increased to $78.8 million, of which an amount of $0.4 million remains unpaid as of October 31, 2014. The Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of the weekly newspapers of Sun Media Corporation during the year ended October 31, 2014.

This acquisition allows the Corporation to strengthen its Media Sector assets, pursue the development of a local media offering for businesses and communities, and to continue to build multiplatform services. The anticipated synergies, as well as the growth in its offering, represent the principal factors that comprise the goodwill generated by this acquisition. Since this acquisition also benefits printing activities, a portion of the goodwill was attributed to the CGU groups of the Retail and Newspaper Group of the Printing and Packaging Sector.

Under the terms of the agreement with the Competition Bureau, the Corporation had to offer for sale, for a period of 60 days, 33 of the 154 weekly newspapers of its portfolio, including some that were part of the transaction with Sun Media Corporation. Most of the newspapers to be sold were launched during the past few years. On September 3, 2014, the Corporation announced the completion of the sale process. Among the 33 newspapers offered for sale, 14 were sold. The effect of these transactions on the Consolidated Financial Statements of the Corporation is not significant. The Corporation is currently integrating its portfolio of weekly newspapers in Quebec.

Acquisition of Capri Packaging

On March 10, 2014, the Corporation signed a definitive agreement to acquire the assets of Capri Packaging, a supplier of flexible packaging solutions located in Clinton, Missouri, for a purchase price of US$133.0 million ($146.1 million). In addition, the Corporation signed a 10-year packaging supply contract with Schreiber Foods, Inc., which guarantees the position of Capri Packaging as a strategic supplier of flexible packaging solutions, which represents about 75% of the current annual revenues of Capri Packaging. On May 3, 2014, the Corporation completed the transaction after approval by the regulatory authorities in the United States. Including adjustments for working capital and usual closing adjustments, the total cash consideration increased to $146.5 million. The Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of the weekly newspapers of Capri Packaging during the year ended October 31, 2014.

This acquisition allows the Corporation to pursue its transformation focused on its core competencies in manufacturing, and develop a new area of growth in the production of flexible packaging solutions. The potential growth associated with this acquisition is the principal factor that composes the goodwill generated by this acquisition.

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4 BUSINESS COMBINATIONS AND DISPOSITIONS (CONTINUED)

The Corporation's Consolidated Statements of Earnings for the year ended October 31, 2014 include the operating results of the acquired business since their respective acquisition date, including additional revenues of $68.3 million, operating earnings before amortization of $11.8 million and transaction costs of $4.0 million. The fair value of the receivables acquired of $8.7 million, of which $0.2 million is considered uncollectible at the acquisition date, is included in the current assets in the accounting of the business combination. If the Corporation had acquired these businesses on November 1, 2013, its operating results would have been as follow: additional revenues of approximately $158.0 million and an operating earnings before amortization of approximately $20.0 million.

During the year ended October 31, 2014, the Corporation paid $1.0 million related to the acquisition of Groupe Modulo Inc. which was acquired during the prior year.

Business disposition

Sale of printing assets in the United States
On February 11, 2014, the Corporation completed the sale of assets of its subsidiary, Rastar, Inc., which specializes in personalized printed products, in the United States. The effect of this transaction on the Consolidated Financial Statements of the Corporation is negligible.

2013

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the acquisition date, as well as adjustments made to prior period business combinations during the year ended October 31, 2013:

	Groupe Modulo Inc.	Other	Total
Assets acquired			
Current assets	$ 3.1	$ (0.9)	$ 2.2
Property, plant and equipment	—	0.1	0.1
Intangible assets	15.2	7.3	22.5
Goodwill (no tax value)	4.8	(5.4)	(0.6)
Deferred income taxes	0.6	—	0.6
	$ 23.7	$ 1.1	$ 24.8
Liabilities assumed			
Current liabilities	$ 1.7	$ (0.4)	$ 1.3
Long-term debt	—	(0.5)	(0.5)
	1.7	(0.9)	0.8
	$ 22.0	$ 2.0	$ 24.0
Total consideration			
Cash paid	$ 21.0	$ —	$ 21.0
Short-term liabilities	1.0	—	1.0
	22.0	—	22.0
Revaluation of previously held interest in *Métro* (Montréal)	—	2.0	2.0
	$ 22.0	$ 2.0	$ 24.0

Media Sector
On January 31, 2013, the Corporation acquired 100% of the shares of Groupe Modulo Inc., a publisher of French-language educational resources and materials in Canada. This transaction allows the Media Sector to strengthen its position in the education market in Quebec and to increase its presence in the education market in French communities in Canada. The Corporation completed its final assessment of the assets acquired and liabilities assumed of Groupe Modulo Inc. during the year ended October 31, 2013.

During the year ended October 31, 2013, the Corporation also completed its final assessment of the fair value of assets acquired and liabilities assumed for *Courrier Frontenac*, *Redux Media* and *Métro* (Montréal), all of which are business combinations completed in the previous fiscal year.

During the same year, the Corporation paid an amount of $3.5 million related to business combinations entered into during the previous fiscal year.

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5 OPERATING EXPENSES

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

		2014		2013 Restated (Note 3)
Employee-related costs	$	**667.4**	$	678.0
Supply chain and logistics [1]		**909.3**		938.4
Other goods and services [2]		**132.3**		141.7
	$	**1,709.0**	$	1,758.1

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

[2] "Other goods and services" includes mainly promotion, advertising and telecommunications costs, office supplies, real estate expenses and professional fees. Operating leases recognized during the year ended October 31, 2014 represent $26.7 million ($26.5 million for the year ended October 31, 2013). Leasing and subleasing revenues recognized during the year ended October 31, 2014 were $3.6 million ($2.1 million for the year ended October 31, 2013).

The amount of cost of goods sold recognized in operating expenses for the year ended October 31, 2014 was $1,082.7 million ($1,115.8 million for the year ended October 31, 2013). An amount of $1.4 million was recognized as inventory obsolescence expenses for the year ended October 31, 2014 ($1.0 million for the year ended October 31, 2013).

6 RESTRUCTURING AND OTHER COSTS

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

		2014		2013
Workforce reductions	$	**29.8**	$	19.4
Other costs related to restructuring		**4.9**		—
Onerous contracts		**3.4**		0.4
Business acquisition costs [1]		**4.0**		0.3
Gain on defined benefit plans curtailment related to workforce reductions		**(1.0)**		(0.7)
Impact of settlement on defined benefit plans related to workforce reductions		**0.1**		3.6
Other costs [2]		**0.2**		5.0
	$	**41.4**	$	28.0

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

[2] Other costs include long term disability plan costs, as well as the reversal of multi-employer pension plan costs.

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7 IMPAIRMENT OF ASSETS

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

		2014		2013
Property, plant and equipment	**$**	**2.6**	$	8.9
Intangible assets		**13.0**		1.1
Goodwill		**30.6**		160.0
	$	**46.2**	$	170.0

Property, plant and equipment

During the year ended October 31, 2014, the Corporation recognized an impairment charge in respect of property, plant and equipment totalling $2.6 million, primarily related to production equipments that was not used. During the year ended October 31, 2013, the Corporation had recorded an impairment charge in respect of property, plant and equipment in the amount of $8.9 million.

Intangible assets

During the year ended October 31, 2014, the Corporation performed its annual impairment test on intangible assets with an indefinite useful life, which consist of trade names acquired in business combinations for newspaper, magazine and book printing activities. The Corporation has concluded that the recoverable amounts of the cash generating of certain CGUs in the Media Sector's Local Solutions Group, determined on the basis of useful life were less than their carrying amounts due to a decline in profitability. This decline in profitability is located in weekly newspapers in Saskatchewan and in the maritime provinces, and is mainly due to a reduction in advertising revenues. The Corporation therefore recorded a $12.1 million impairment charge during the year ended October 31, 2014. During the same year, the Corporation also recorded an impairment charge of $0.9 million, in respect of the costs relating to technology projects. These impairment losses had no effect on the Corporation's activities, on cash or on meeting the requirements of debt covenants.

During the year ended October 31, 2013, no impairment charge was recorded in respect of intangible assets with an indefinite useful life. During the same year, an impairment charge in respect of intangible assets with a definite useful life totalling $1.1 million was recorded for the cost relating to technology projects.

Goodwill

As at October 31, 2014, the Corporation performed its annual goodwill impairment test. The Corporation concluded that the recoverable amounts for the CGU groups of the Book Publishing Group of Media Sector, determined on the base of the fair value less cost to sell, was lower than its carrying amount due to budget cuts within the customers of the group. These conditions have a negative impact on the operating results of this CGU group. The Corporation therefore recorded a $30.6 million impairment charge during the year ended October 31, 2014. These impairment losses had no effect on the Corporation's activities, on cash or on meeting the requirements of debt covenants.

During the year ended October 31, 2013, the Corporation recorded an impairment charge of $160.0 million in the Media Sector, comprised of $75.0 million in the CGU group of the Business and Consumer Solutions Group, $75.0 million in the CGU group of the Local Solutions Group and $10.0 million in the CGU group of the Book Publishing Group, primarily due to a decline in profitability.

Impairment tests

As at October 31, 2014, the Corporation performed its annual impairment test of goodwill and intangible assets with an indefinite useful life, in accordance with paragraph n) of Note 2 "Significant accounting policies". The recoverable value of a CGU established for the purposes of impairment test of intangible assets with an indefinite useful life have been determined on the basis of the value in use. The recoverable amounts of the CGU groups established for the impairment test of goodwill were determined based on the greater of the fair value less cost to sell and the value in use.

The fair value less the cost to sell was established using capitalization multiples of companies operating in similar industries with activities comparable to the CGU or CGU group concerned. This information can be observed on the market.

Value in use is determined by discounting future cash flows, which are derived from the three-year financial plan approved by management. The financial plan is based on past experience and reflect management's expectations regarding operating results and capital expenditures, taking into account the business strategy and economic and specific trends of the industry and market. Management establishes its forecasts based, particularly, on print revenues, advertising revenues, printing costs and wage increases. Beyond the three-year period, cash flows are extrapolated using a perpetual growth rate.

For the purpose of calculating value in use, the Corporation used discounts rates varying between 10.62% and 13.97% (pre-tax discount rates vary between 15.75% and 26.23%). The discount rate represents the weighted average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU or the CGU group concerned. The WACC is an estimate of the overall rate of return required by debt and equity holders on their investments. Determining the WACC requires analyzing the cost of equity and debt separately, and takes into account a risk premium that is based on the CGU or the CGU group concerned.

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7 IMPAIRMENT OF ASSETS (CONTINUED)

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

The following table presents the main CGUs subject to an impairment test for intangible assets with an indefinite useful life, with the basis used as recoverable value and key assumptions used:

	Carrying amount of trades names as at October 31, 2014	Basis used as recoverable value	Capitalization multiple	Perpetual growth rate	Pre-tax discount rate
Media Sector					
Cape Breton Post	$ 13.2	Value in use	n/a	(2.0) %	18.39 %
The Guardian	16.3	Value in use	n/a	(2.0)	17.80
The Telegram	23.7	Value in use	n/a	(2.0)	17.93

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

	Carrying amount of goodwill as at October 31, 2014	Basis used as recoverable value	Capitalization multiple	Perpetual growth rate	Pre-tax discount rate
Printing and Packaging Sector					
Magazine, Book and Catalogue Group	$ 65.4	Fair value	6.2x	n/a	21.49 %
Retail and Newspaper Group	96.8	Value in use	n/a	— %	21.21
Media Sector					
Business and Consumer Solutions Group	32.8	Fair value	6.8x	n/a	23.79
Local Solutions Group	116.2	Fair value	6.5x	n/a	26.23
Book Printing Group	50.1	Fair value	6.5x	n/a	21.00

8 AMORTIZATION

Amortization by major headings is as follows for the years ended October 31:

	2014	2013 Restated (Note 3)
Property, plant and equipment	**$ 82.6**	$ 89.2
Intangible assets	**20.4**	15.8
	103.0	105.0
Intangible assets and other assets, recognized in revenues and operating expenses	**27.6**	25.9
	$ 130.6	$ 130.9

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9 NET FINANCIAL EXPENSES

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

		2014		2013 Restated (Note 3)
Financial expenses on long-term debt	$	**19.8**	$	20.1
Net interest on defined benefit plans liability (Note 28)		**1.3**		6.4
Other expenses		**0.1**		0.9
Foreign exchange net losses (net gains)		**(1.7)**		1.1
	$	**19.5**	$	28.5

10 INCOME TAXES

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

		2014		2013 Restated (Note 3)
Earnings before share of net earnings in interests in joint ventures and income taxes	$	**150.3**	$	7.1
Canadian statutory tax rate		**26.90 %**		26.90 %
Income taxes at the statutory tax rate		**40.4**		1.9
Effect of differences in tax rates in other jurisdictions		**3.1**		(0.9)
Income taxes on non-deductible expenses and non-taxable portion of capital gains		**8.9**		29.0
Change in deferred income tax assets on tax losses or temporary differences not previously recognized (1)		**(9.8)**		(3.2)
Impact resulting from reassessments related to previous years		**(1.9)**		—
Other		**(1.9)**		(2.6)
Income taxes at effective tax rate	$	**38.8**	$	24.2
Income taxes include the following items:				
Income taxes before the following items:	$	**63.3**	$	50.5
Net increase to the carrying amount of deferred income tax assets (1)		**(10.0)**		—
Income taxes on restructuring and other costs		**(10.3)**		(7.6)
Income taxes on impairment of assets		**(4.2)**		(18.7)
Income taxes at effective tax rate	$	**38.8**	$	24.2

(1) The increase in the carrying amount of deferred income tax assets during the year ending October 31, 2014 results primarily from increased activity in the United States.

The statutory tax rates were 26.90% in 2014 and in 2013. The Corporation's applicable tax rate corresponds to the combined Canadian tax rates applicable in the provinces where the Corporation operates.

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10 INCOME TAXES (CONTINUED)

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

	2014	2013 Restated (Note 3)
Current income taxes		
Current year	**$ 25.5**	$ 4.6
Adjustment for previous years' balances	**(1.6)**	(3.8)
	23.9	0.8
Deferred income taxes		
Adjustment for previous years' balances	**(0.7)**	2.8
Increase related to temporary differences	**25.9**	24.1
Change in deferred income tax assets on tax losses or temporary differences not previously recognized	**(9.8)**	(3.2)
Impact of tax rate changes	**(0.5)**	(0.3)
	14.9	23.4
Income taxes	**$ 38.8**	$ 24.2

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

	As at October 31, 2014		As at October 31, 2013 Restated (Note 3)	
	Asset	**Liability**	Asset	Liability
Loss carryforwards	**$ 65.1**	**$ —**	$ 55.6	$ —
Inventories	**—**	**10.1**	—	10.5
Property, plant and equipment	**—**	**42.6**	—	48.7
Intangible assets and goodwill	**—**	**23.7**	—	13.0
Other assets	**13.7**	**—**	13.8	—
Deferred revenues	**73.2**	**—**	71.9	—
Long-term debt	**—**	**6.0**	—	8.6
Provisions	**6.7**	**—**	19.4	—
Transitional provision for partnerships	**—**	**7.9**	—	9.2
Defined benefit plans	**—**	**0.9**	9.9	—
	158.7	**91.2**	170.6	90.0
Offsetting of assets and liabilities	**(6.5)**	**(6.5)**	(22.9)	(22.9)
	$ 152.2	**$ 84.7**	$ 147.7	$ 67.1

The loss carryforwards included in deferred income tax assets expire between 2016 and 2034.

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10 INCOME TAXES (CONTINUED)

Changes in deferred income tax assets and liabilities for the year ended October 31, 2014 are as follows:

	Balance as at November 1, 2013 Restated (Note 3)	Recognized in net earnings	Exchange rate change	Recognized in other comprehensive income	Business combinations	Balance as at October 31, 2014
Loss carryforwards	**$ 55.6**	**$ 7.9**	**$ 1.6**	**$ —**	**$ —**	**$ 65.1**
Inventories	**(10.5)**	**0.4**	**—**	**—**	**—**	**(10.1)**
Property, plant and equipment	**(48.7)**	**5.8**	**0.2**	**—**	**0.1**	**(42.6)**
Intangible assets and goodwill	**(13.0)**	**(10.3)**	**0.7**	**—**	**(1.1)**	**(23.7)**
Other assets	**13.8**	**(0.1)**	**—**	**—**	**—**	**13.7**
Deferred revenues	**71.9**	**(3.7)**	**5.0**	**—**	**—**	**73.2**
Long-term debt	**(8.6)**	**2.7**	**—**	**(0.1)**	**—**	**(6.0)**
Provisions	**19.4**	**(14.2)**	**0.3**	**—**	**1.2**	**6.7**
Transitional provisions for partnerships	**(9.2)**	**1.3**	**—**	**—**	**—**	**(7.9)**
Defined benefit plans	**9.9**	**(4.7)**	**—**	**(6.1)**	**—**	**(0.9)**
	$ 80.6	**$ (14.9)**	**$ 7.8**	**$ (6.2)**	**$ 0.2**	**$ 67.5**

Changes in deferred income tax assets and liabilities for the year ended October 31, 2013 are as follows:

	Balance as at November 1, 2012 (Note 3)	Recognized in net earnings	Exchange rate change	Recognized in other comprehensive income	Business combinations	Balance as at October 31, 2013 Restated (Note 3)
Loss carryforwards	$ 125.7	$ (74.6)	$ 1.4	$ —	$ 3.1	$ 55.6
Inventories	(7.7)	(0.4)	—	—	(2.4)	(10.5)
Property, plant and equipment	(63.2)	13.3	0.2	—	1.0	(48.7)
Intangible assets and goodwill	(22.7)	10.5	0.6	—	(1.4)	(13.0)
Other assets	14.0	(0.5)	0.3	—	—	13.8
Deferred revenues	—	70.8	1.1	—	—	71.9
Long-term debt	(14.3)	5.2	0.1	0.4	—	(8.6)
Provisions	67.9	(50.1)	1.3	—	0.3	19.4
Transitional provisions for partnerships	(13.0)	3.8	—	—	—	(9.2)
Defined benefit plans	37.8	(1.9)	—	(26.0)	—	9.9
Other	(0.5)	0.5	—	—	—	—
	$ 124.0	$ (23.4)	$ 5.0	$ (25.6)	$ 0.6	$ 80.6

The Corporation has $113,8 million in capital losses that can be used indefinitely and for which the potential benefits have not been recognized. In addition, the Corporation has loss carryforwards in the United States and considering that it is unlikely that a sufficient future taxable income will be available, the Corporation has not recognized a deferred tax asset on these losses totaling $51.5 million. Losses related to the unrecognized asset expire between 2015 and 2034.

As at October 31, 2014, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Corporation controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

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11 ACCOUNTS RECEIVABLE

Components of accounts receivable are as follows:

	As at October 31, 2014	As at October 31, 2013 Restated (Note 3)
Trade receivables	**$ 390.4**	$ 400.9
Allowance for doubtful accounts	**(7.3)**	(9.6)
Other receivables	**32.0**	27.9
	$ 415.1	$ 419.2

12 INVENTORIES

Components of inventories are as follows:

	As at October 31, 2014	As at October 31, 2013
Raw materials	**$ 51.7**	$ 44.5
Work in progress and finished goods	**48.3**	44.1
Provision for obsolescence	**(5.8)**	(6.6)
	$ 94.2	$ 82.0

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13 PROPERTY, PLANT AND EQUIPMENT

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

2014	Land	Buildings	Leasehold improvements	Machinery and equipment	Machinery and equipment under finance leases	Other equipment	Assets under construction and deposits on equipment	Total
Cost								
Balance, beginning of year	$ 44.4	$ 224.8	$ 42.7	$ 1,121.9	$ 8.9	$ 108.8	$ 19.7	$ 1,571.2
Acquisitions	—	1.3	4.5	7.0	—	2.6	20.5	35.9
Made available for use	—	2.7	1.2	16.6	—	4.6	(25.1)	—
Business combinations	0.5	7.2	0.3	7.1	—	0.6	—	15.7
Business dispositions	—	—	(0.5)	(15.7)	(1.2)	(1.4)	—	(18.8)
Disposals and elimination of cost on fully amortized assets	—	(0.9)	—	(12.8)	—	—	—	(13.7)
Exchange rate change and other	1.7	3.4	1.8	8.1	4.4	1.4	—	20.8
Balance as at October 31, 2014	$ 46.6	$ 238.5	$ 50.0	$ 1,132.2	$ 12.1	$ 116.6	$ 15.1	$ 1,611.1
Accumulated amortization and impairment								
Balance, beginning of year	$ —	$ (111.1)	$ (15.4)	$ (754.4)	$ (6.5)	$ (87.8)	$ —	$ (975.2)
Amortization	—	(8.3)	(4.1)	(59.7)	(0.8)	(9.7)	—	(82.6)
Business dispositions	—	—	0.4	14.6	0.6	1.2	—	16.8
Disposals and elimination of cost on fully amortized assets	—	0.6	—	11.9	—	—	—	12.5
Impairment	—	—	(0.2)	(2.3)	—	(0.1)	—	(2.6)
Exchange rate change and other	—	(1.2)	(1.7)	(3.1)	(4.5)	(3.6)	—	(14.1)
Balance as at October 31, 2014	$ —	$ (120.0)	$ (21.0)	$ (793.0)	$ (11.2)	$ (100.0)	$ —	$ (1,045.2)
Net book value	$ 46.6	$ 118.5	$ 29.0	$ 339.2	$ 0.9	$ 16.6	$ 15.1	$ 565.9

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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2013 (Restated, Note 3)	Land	Buildings	Leasehold improvements	Machinery and equipment	Machinery and equipment under finance leases	Other equipment	Assets under construction and deposits on equipment	Total
Cost								
Balance, beginning of year	$ 43.6	$ 225.8	$ 48.5	$ 1,138.7	$ 8.9	$ 159.2	$ 20.0	$ 1,644.7
Acquisitions	—	1.0	7.9	10.3	—	3.6	20.8	43.6
Made available for use	—	2.1	0.5	12.7	—	5.5	(20.8)	—
Business combinations	—	—	—	—	—	0.1	—	0.1
Disposals and elimination of cost on fully amortized assets	(0.5)	(5.9)	(14.1)	(44.6)	—	(60.1)	—	(125.2)
Exchange rate change and other	1.3	1.8	(0.1)	4.8	—	0.5	(0.3)	8.0
Balance as at October 31, 2013	$ 44.4	$ 224.8	$ 42.7	$ 1,121.9	$ 8.9	$ 108.8	$ 19.7	$ 1,571.2
Accumulated amortization and impairment								
Balance, beginning of year	$ —	$ (104.4)	$ (24.2)	$ (724.7)	$ (5.8)	$ (134.9)	$ —	$ (994.0)
Amortization	—	(8.0)	(4.1)	(63.8)	(0.8)	(12.5)	—	(89.2)
Disposals and elimination of cost on fully amortized assets	—	2.5	13.7	42.9	—	60.1	—	119.2
Impairment	—	(0.5)	(1.0)	(7.0)	—	(0.4)	—	(8.9)
Exchange rate change and other	—	(0.7)	0.2	(1.8)	0.1	(0.1)	—	(2.3)
Balance as at October 31, 2013	$ —	$ (111.1)	$ (15.4)	$ (754.4)	$ (6.5)	$ (87.8)	$ —	$ (975.2)
Net book value	$ 44.4	$ 113.7	$ 27.3	$ 367.5	$ 2.4	$ 21.0	$ 19.7	$ 596.0

Borrowing costs capitalized to property, plant and equipment

For the years ended October 31, 2014 and 2013, negligible amounts were capitalized to property, plant and equipment as borrowing costs.

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14 INTANGIBLE ASSETS

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

	Finite useful life						Indefinite useful life	
2014	Customer relationships	Book prepublication costs	Educational book titles	Non-compete agreements	Technology project costs	Acquired printing contracts and other	Trade names	Total
Cost								
Balance, beginning of year	$ 52.0	$ 98.2	$ 12.6	$ 10.4	$ 47.8	$ 13.3	$ 128.3	$ 362.6
Additions (internally generated)	—	14.5	—	—	11.8	—	—	26.3
Business combinations	69.3	—	—	—	—	—	5.8	75.1
Elimination of cost on fully amortized assets	—	—	—	—	(6.4)	—	—	(6.4)
Exchange rate change and other	1.2	—	—	—	2.3	(1.6)	—	1.9
Balance as at October 31, 2014	$ 122.5	$ 112.7	$ 12.6	$ 10.4	$ 55.5	$ 11.7	$ 134.1	$ 459.5
Accumulated amortization and impairment								
Balance, beginning of year	$ (15.1)	$ (66.9)	$ (5.8)	$ (3.8)	$ (25.8)	$ (9.0)	$ (42.1)	$ (168.5)
Amortization	(8.0)	(11.3)	(1.8)	(1.8)	(7.9)	(0.9)	—	(31.7)
Elimination of accumulated amortization and impairment on fully amortized assets	—	—	—	—	6.4	—	—	6.4
Impairment	—	—	—	—	(0.9)	—	(12.1)	(13.0)
Exchange rate change and other	0.1	—	—	—	(0.1)	0.2	—	0.2
Balance as at October 31, 2014	$ (23.0)	$ (78.2)	$ (7.6)	$ (5.6)	$ (28.3)	$ (9.7)	$ (54.2)	$ (206.6)
Net book value	$ 99.5	$ 34.5	$ 5.0	$ 4.8	$ 27.2	$ 2.0	$ 79.9	$ 252.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS (CONTINUED)

	Finite useful life						Indefinite useful life	
2013 (Restated, Note 3)	Customer relationships	Book prepublication costs	Educational book titles	Non-compete agreements	Technology project costs	Acquired printing contracts and other	Trade names	Total
Cost								
Balance, beginning of year	$ 48.4	$ 82.1	$ 4.5	$ 6.9	$ 38.4	$ 11.6	$ 126.2	$ 318.1
Additions (internally generated)	—	12.3	—	—	14.5	—	—	26.8
Business combinations	3.6	3.4	8.1	3.5	—	1.8	2.1	22.5
Elimination of cost on fully amortized assets	—	—	—	—	(4.7)	—	—	(4.7)
Exchange rate change and other	—	0.4	—	—	(0.4)	(0.1)	—	(0.1)
Balance as at October 31, 2013	$ 52.0	$ 98.2	$ 12.6	$ 10.4	$ 47.8	$ 13.3	$ 128.3	$ 362.6
Accumulated amortization and impairment								
Balance, beginning of year	$ (10.9)	$ (57.3)	$ (4.5)	$ (1.7)	$ (22.3)	$ (7.9)	$ (42.1)	$ (146.7)
Amortization	(4.2)	(9.6)	(1.3)	(2.1)	(7.1)	(1.1)	—	(25.4)
Elimination of accumulated amortization and impairment on fully amortized assets	—	—	—	—	4.7	—	—	4.7
Impairment	—	—	—	—	(1.1)	—	—	(1.1)
Balance as at October 31, 2013	$ (15.1)	$ (66.9)	$ (5.8)	$ (3.8)	$ (25.8)	$ (9.0)	$ (42.1)	$ (168.5)
Net book value	$ 36.9	$ 31.3	$ 6.8	$ 6.6	$ 22.0	$ 4.3	$ 86.2	$ 194.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15 GOODWILL

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

	2014	2013 Restated (Note 3)
Cost		
Balance, beginning of year	**$ 994.2**	$ 996.0
Business combinations (Note 4)	**124.7**	(0.6)
Business disposition	**—**	(1.2)
Exchange rate change	**1.4**	—
Balance, end of year	**$ 1,120.3**	$ 994.2
Accumulated impairment		
Balance, beginning of year	**$ (670.2)**	$ (510.7)
Business disposition	**—**	0.5
Impairment (Note 7)	**(30.6)**	(160.0)
Balance, end of year	**$ (700.8)**	$ (670.2)
Net book value		
Beginning of year	**$ 324.0**	$ 485.3
End of year	**$ 419.5**	$ 324.0

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

Operating segments	**As at October 31, 2014**	As at October 31, 2013 Restated (Note 3)
Printing and Packaging Sector		
Magazine, Book and Catalogue Group	**$ 65.4**	$ 65.4
Retail and Newspaper Group	**96.8**	61.0
Flexible Packaging Group	**66.0**	—
	228.2	126.4
Media Sector		
Business and Consumer Solutions Group	**32.8**	32.8
Local Solutions Group	**116.2**	91.9
Book Publishing Group	**19.5**	50.1
Content Solutions Group	**12.7**	12.7
Digital Solutions Group	**10.1**	10.1
	191.3	197.6
	$ 419.5	$ 324.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 JOINT VENTURES

The following table presents joint ventures of the Corporation:

Joint ventures	Ownership	Operating activities	Principal activity
Media Sector			
Publications Senior inc.	50.00 %	Quebec	Magazine publishing
Atlantic Free Daily Newspapers Inc.	33.33	New Brunswick	Newspaper publishing
Cedrom-SNI inc.	50.00	Quebec	Media monitoring and content management

The following table presents a summary of the financial information related to the Corporation's joint ventures:

	As at October 31, 2014	Au October 31, 2013
Assets	**$ 19.3**	$ 19.6
Liabilities	**15.8**	17.9
Total net assets	**3.5**	1.7
Share of net assets of joint ventures	**$ 1.7**	$ 0.8

	2014	2013
Revenues	**$ 34.0**	$ 32.7
Expenses	**32.0**	30.9
Net earnings	**2.0**	1.8
Share of net earnings in interests in joint ventures	**$ 1.0**	$ 0.9

17 OTHER ASSETS

Components of other assets are as follows:

	As at October 31, 2014	As at October 31, 2013 Restated (Note 3)
Contract acquisition costs	**$ 18.4**	$ 18.4
Defined benefit asset (Note 28)	**38.6**	9.3
Other	**4.1**	6.9
	$ 61.1	$ 34.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Components of accounts payable and accrued liabilities are as follows:

	As at October 31, 2014	As at October 31, 2013 Restated (Note 3)
Accounts payable and other accruals	$ 132.8	$ 130.3
Salaries and other benefits payable	88.7	85.3
Stock-based compensation (Note 24)	16.8	15.0
Taxes payable	12.5	15.9
Fair value of derivative financial instruments	2.6	3.1
Financial expenses payable	7.6	3.7
Other	40.8	19.5
	$ 301.8	$ 272.8

19 LONG-TERM DEBT

Long-term debt is as follows:

	Effective interest rate as at October 31, 2014	Maturity	As at October 31, 2014	As at October 31, 2013
Senior notes				
Series 2002 A - 5.73% (US$50.0)	5.83 %	2015	$ 56.2	$ 52.3
Series 2004 C - LIBOR + 0.80% (US$15.0)	—	—	—	15.7
Series 2004 D - LIBOR + 0.90% (US$10.0)	1.19 %	2016	11.2	10.5
Senior unsecured notes - 3.897%	4.03 %	2019	250.0	—
Obligations under finance leases	—	—	—	1.9
Credit facility in Canadian dollars	4.16 %	2020	14.0	137.0
Credit facility in U.S dollars (US$30.0)	2.30 %	2020	33.7	—
Debentures - Solidarity Fund QFL				
Series 1 - 5.58%	5.63 %	2019	50.0	50.0
Series 2 - 4.011%	4.05 %	2020	50.0	50.0
Term loan - EURIBOR + 1.60% (2014 - €9.8; 2013 - €19.7)	5.33 %	2015	14.0	28.4
Other loans at zero nominal interest rates	5.73 %	2017	0.6	3.7
			479.7	349.5
Issuance costs on long-term debt at amortized cost			2.9	2.3
Total long-term debt			476.8	347.2
Current portion of long-term debt [1]			118.1	218.3
			$ 358.7	$ 128.9

[1] The current portion of long-term debt as at October 31, 2014 mainly includes the credit facility in Canadian and U.S dollars, the Series 2002 A Senior Notes and the Term loan in euros.

Series 2002 A Senior Notes are redeemable at the greater of par value or the discounted value of future cash flows, if redeemed before scheduled maturity, using an interest rate based on the rates of U.S treasury bills with similar maturities. The Series 2004 D Senior Notes are redeemable at their nominal value. During the year ended October 31, 2014, the Corporation repaid the Series 2004 C Senior Notes, which matured on March 1, 2014.

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19 LONG-TERM DEBT (CONTINUED)

On May 8, 2014, the Corporation concluded a $250.0 million private financing agreement of senior unsecured notes bearing interest at 3.897%, payable in equal semi-annual installments, and coming to maturity in 2019. The notes are direct unsecured obligations of the Corporation and rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Corporation.

The Corporation has a credit facility amounting to $400.0 million or the U.S dollar equivalent, which matures in February 2020. The applicable interest rate on the term revolving credit facility is based on the credit rating assigned by Standard & Poor's and DBRS. According to the current credit rating, it is either the bank prime rate, banker's acceptance rate or LIBOR, plus 1.675%, or the Canadian or U.S prime rate, plus 0.675%.

The financing of $100.0 million agreed to by the Solidarity Fund QFL is composed of two debentures of $50.0 million each. On February 6, 2014, the Corporation amended the terms of its $50.0 million unsecured debenture Series 2 with the Solidarity Fund QFL, which had matured. The debenture now matures on February 6, 2020, bears interest at 4.011% payable in equal semi-annual installments. The unsecured debenture Series 1 bears interest at 5.58% payable every six months, and matures in 2019. In the case of change of ownership of the Corporation, the terms of the financing agreement provide that the principal and accrued interest may be payable.

The financing of €9.8 million ($14.0 million) from a European bank bears interest at EURIBOR plus 1.60%. It is payable in equal installments of principal plus interest, every six months until July 2015. On December 1, 2009, the Corporation entered into a cross currency interest rate swap agreement, maturing in July 2015, to lock the exchange rate at 1.5761 and to convert the interest rate to the banker's acceptance rate plus 3.36%.

On April 11, 2014, the Corporation entered into two renewable and uncommitted letters of credit facilities, amounting to $15.0 million each, which mature on April 11, 2015. The annual fees applicable to the portion issued on these letter of credit facilities is 1.00%. As at October 31, 2014, letters of credit amounting to $12.1 million were issued on these facilities as collateral for unpaid contributions, with respect to the solvency deficiency of the Corporation's defined benefit plans.

As at October 31, 2014, letters of credit amounting to C$0.5 million and US$1.2 million were drawn on the committed credit facility, in addition to the amount presented in the table on the previous page.

The Corporation must comply with certain restrictive covenants, including the requirement to maintain certain financial ratios. For the years ended October 31, 2014 and 2013, the Corporation has not been in default under any of its financial obligations.

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

	Principal payments
2015	$ 118.1
2016	11.5
2017	0.1
2018	—
2019	300.0
2020 and thereafter	50.0
	$ 479.7

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20 PROVISIONS

The following table presents changes in provisions for the year ended October 31, 2014:

	Restructuring costs	Onerous contracts	Multi-employer pension plans	Other	Total
Balance, beginning of year	$ 5.4	$ 10.6	$ 32.6	$ 1.9	$ 50.5
Provisions recorded	30.6	3.8	—	0.6	35.0
Amounts used	(19.7)	(3.8)	—	(0.4)	(23.9)
Provisions reversed	(0.8)	(0.4)	(10.0)	(0.4)	(11.6)
Other	—	0.3	—	—	0.3
Balance as at October 31, 2014	$ 15.5	$ 10.5	$ 22.6	$ 1.7	$ 50.3
Current portion	15.5	3.5	—	1.0	20.0
Non-current portion	—	7.0	22.6	0.7	30.3
	$ 15.5	$ 10.5	$ 22.6	$ 1.7	$ 50.3

Restructuring costs

The Corporation is currently implementing rationalization measures in its operating segments. In the printing activities, these measures will address mainly excess production capacity in some specialized plants following the integration of the activities of Quad/Graphics Canada, Inc., and due to major structural changes in the printing industry. In the Media Sector, these measures result mainly from cost reduction initiatives, following the integration of the weekly newspapers of Sun Media Corporation.

Onerous contracts

The provisions for onerous contracts are mainly related to the operating leases for unused space by the Corporation following rationalization measures, and represent the present value of future rental expenses that the Corporation must pay under leases that cannot be cancelled, net of estimated future subleasing revenues expected to be received on these subleases. The terms of these leases vary from 1 to 5 years.

Multi-employer pension plans

The Corporation participates in multi-employer pension plans accounted for as defined contribution plans. The Corporation does not have all the information to be able to recognize these plans as defined benefit plans, but it has sufficient information to record this obligation as a provision. Provisions for multi-employer plans are established based on best estimates, using, among other things, the most recent actuarial valuations. There is no contractual agreement that states how the deficit of the plans will be funded by each participant and their respective share. These matters are currently being negotiated and the amount that will lead to a settlement could be different than the amount recognized in the Corporation's consolidated financial statements. During the year ended October 31, 2014, the Corporation reduced the provision by $10.0 million, based on the most recent actuarial estimates.

Other

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

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21 OTHER LIABILITIES

Components of other liabilities are as follows:

	As at October 31, 2014	As at October 31, 2013 Restated (Note 3)
Deferred revenues [1]	$ 163.6	$ 164.1
Accrued liabilities and other liabilities	17.6	24.6
Defined benefit liability (Note 28)	47.5	45.2
Fair value of derivative financial instruments	0.1	1.7
	$ 228.8	$ 235.6

[1] On February 17, 2014, the Corporation announced the renegotiation of its agreement with Gesca Ltd relating to the printing of *La Presse* newspaper. The Corporation received a single payment of $31.0 million to compensate for price reductions on future services and the increased flexibility granted to Gesca Ltd for the remaining term of the contract. The amount received was recognized as deferred revenues and will be transferred to revenues over the remaining term of the contract.

22 SHARE CAPITAL

Class A Subordinate Voting Shares:	subordinate participating voting shares carrying one vote per share, authorized in unlimited number, no par value;
Class B Shares:	participating voting shares carrying 20 votes per share, convertible into Class A Subordinate Voting Shares, authorized in unlimited number, no par value;
Preferred shares:	first and second preferred shares, issuable in series in number limited by the Corporation's Articles of Incorporation, carrying no voting rights except as provided by law or in the Corporation's Articles of Incorporation, entitling the holder to cumulative preferred dividends.

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

	2014		2013	
	Number of shares	Amount	Number of shares	Amount
Participating shares				
Class A Subordinate Voting Shares				
Balance, beginning of year	63,188,951	$ 345.9	64,056,651	$ 350.6
Conversion of Class B Shares into Class A Subordinate Voting Shares	400	—	172,800	0.2
Participating shares redeemed and cancelled	—	—	(1,161,600)	(6.4)
Exercise of stock options	—	—	121,100	1.5
Balance, end of year	63,189,351	345.9	63,188,951	345.9
Class B Shares				
Balance, beginning of year	14,832,816	20.1	15,005,616	20.3
Conversion of Class B Shares into Class A Subordinate Voting Shares	(400)	—	(172,800)	(0.2)
Balance, end of year	14,832,416	20.1	14,832,816	20.1
	78,021,767	$ 366.0	78,021,767	$ 366.0
Preferred shares				
Cumulative Rate Reset First Preferred Shares, Series D				
Balance, beginning of year	4,000,000	$ 96.8	4,000,000	$ 96.8
Preferred shares redeemed and cancelled	(4,000,000)	(96.8)	—	—
Balance, end of year	—	$ —	4,000,000	$ 96.8
		$ 366.0		$ 462.8

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22 SHARE CAPITAL (CONTINUED)

Preferred shares redemption

On October 15, 2014, the Corporation exercised its right to redeem all of the its 4,000,000 Cumulative Rate Reset First Preferred Shares, Series D at a price of $25.00 per share, for a total cash consideration of $100.0 million. The excess of the total cash consideration paid over the carrying amount of the shares, in the amount of $3.2 million, was applied against retained earnings.

Participating shares redemptions

The Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between April 15, 2014 and April 14, 2015, or at an earlier date if the Corporation concludes or cancels the offer, up to 4,742,369 Class A Subordinate Voting Shares, representing 7.5% of its 63,188,951 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2014, and up to 741,640 Class B Shares, representing 5.0% of its 14,832,816 Class B Shares issued and outstanding as at April 2, 2014. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

The Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between April 15, 2013 and April 14, 2014, or at an earlier date if the Corporation concludes or cancels the offer, up to 3,906,520 Class A Subordinate Voting Shares, representing 6.2% of its 63,051,851 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2013, and up to 742,440 Class B Shares, representing 5.0% of its 14,848,816 Class B Shares issued and outstanding as at April 2, 2013. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

The Corporation has been authorized to repurchase, for cancellation on the open market, between April 13, 2012 and April 12, 2013, up to 3,295,096 Class A Subordinate Voting Shares, representing 5.0% of its 65,901,932 Class A Subordinate Voting Shares issued and outstanding as at April 2, 2012, and up to 757,561 Class B Shares, representing 5.0% of its 15,151,235 Class B Shares issued and outstanding as at April 2, 2012. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

During the year ended October 31, 2014, the Corporation did not repurchase any of its Class A Subordinate Voting Shares and Class B Shares, and had no obligation as such at that date.

During the year ended October 31, 2013, the Corporation repurchased 1,161,600 of its Class A Subordinate Voting Shares at a weighted average price of $9.98 for a total cash consideration of $11.6 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $5.2 million, was applied against retained earnings. During the same period, the Corporation also paid an amount of $0.5 million, which was in accounts payable and accrued liabilities as at October 31, 2012, for shares that were repurchased before October 31, 2012, but were still held by the Corporation at that date. The Corporation was under no obligations to repurchase its Class A Subordinate Voting Shares as at October 31, 2013. During the year ended October 31, 2013, the Corporation did not repurchase any of its Class B Shares, and had no obligation as such at that date.

Exercise of stock options

When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. For the year ended October 31, 2014, no stock options were exercised. For the year ended October 31, 2013, consideration of $1.2 million was received, and $0.3 million was transferred from contributed surplus to share capital.

Dividends

Dividends of $0.63 and $0.58 per share were declared and paid to the holders of participating shares for the years ended October 31, 2014 and 2013, respectively. Dividends of $1.69 per share were declared and paid to the holders of preferred shares for the years ended October 31, 2014 and 2013.

On March 12, 2013, the Corporation's Board of Directors declared a special dividend of $1.00 per share, totalling $77.9 million, on Class A Subordinate Voting Shares and Class B Shares. This dividend has been paid on April 26, 2013 to participating shareholders of record at the close of business on April 5, 2013.

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23 NET EARNINGS PER PARTICIPATING SHARE

The following table presents a reconciliation of the components used in the calculation of basic and diluted net earnings per participating share for the years ended October 31:

	2014	2013 Restated (Note 3)
Numerator		
Net earnings	**$ 112.5**	$ (16.2)
Non-controlling interests	**(0.6)**	(0.4)
Dividends on preferred shares, net of related taxes	**(6.8)**	(6.8)
Net earnings attributable to participating shares	**$ 105.1**	$ (23.4)
Denominator (in millions)		
Weighted average number of participating shares outstanding - basic	**78.0**	78.0
Dilutive effect of stock options	**0.2**	—
Weighted average number of participating shares - diluted	**78.2**	78.0

As at October 31, 2014, 319,044 stock options were considered anti-dilutive in the calculation of the diluted net earnings per participating share, since their exercise price was greater than the average share price of Class A Subordinate Voting Shares during the period. As at October 31, 2013, 1,354,076 stock options were considered anti-dilutive in the calculation of the diluted net earnings per participating share, being all options issued and outstanding at that date considering the loss position for the year. Therefore, these stock options were excluded from the calculation of diluted net earnings per participating share for those years.

24 STOCK-BASED COMPENSATION

Stock option plan

The Corporation has a stock option plan for the benefit of certain officers and senior executives. The number of Class A Subordinate Voting Shares authorized for issuance and the balance of shares that are issuable under the plan as of October 31, 2014 was 6,078,562 and 4,401,928, respectively. Under the plan, each stock option entitles its holder to receive upon exercise one Class A Subordinate Voting Share. The exercise price of each option is determined using the weighted average price of all trades for the five days immediately preceding the grant of the stock option. The Corporation has ceased granting stock options as of the year ended October 31, 2014.

For the years ended October 31, 2014 and 2013, stock-based compensation expenses of $0.5 million and $0.7 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	2014		2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding at beginning of year	**1,354,076**	**$ 14.44**	1,432,616	$ 16.11
Granted	**—**	**—**	386,940	11.33
Exercised	**—**	**—**	(121,100)	9.64
Cancelled	**(15,100)**	**15.66**	—	—
Expired	**(178,680)**	**21.56**	(344,380)	19.57
Options outstanding at end of year	**1,160,296**	**$ 13.33**	1,354,076	$ 14.44

As at October 31, 2014, the balance of stock options available for future grants under the plan was 3,241,632.

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24 STOCK-BASED COMPENSATION (CONTINUED)

The following table summarizes information regarding stock options as at October 31, 2014:

	Options outstanding			Options exercisable	
Exercise price range	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$ 9.64 - 11.33	510,916	4.2	$ 10.89	227,029	$ 10.34
12.40 - 13.09	330,336	3.5	12.65	225,668	12.77
15.51 - 22.41	319,044	1.3	17.93	290,265	18.10
	1,160,296	3.2	$ 13.33	742,962	$ 14.11

Share unit plan for certain officers and senior executives

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

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

Number of units	**2014**	2013	**2014**	2013
	DSU		RSU	
Balance, beginning of year	**225,051**	178,907	**713,704**	606,597
Units granted	**—**	—	**418,934**	321,725
Units cancelled	**—**	—	**(67,520)**	(44,404)
Units paid	**(8,228)**	(944)	**(138,130)**	(148,874)
Units converted	**15,016**	21,340	**(15,016)**	(21,340)
Dividends paid in units	**9,973**	25,748	**12,655**	—
Balance, end of year	**241,812**	225,051	**924,627**	713,704

As at October 31, 2014, the liability related to the share unit plan for certain officers and senior executives was $11.2 million ($9.7 million as at October 31, 2013). The expenses recorded in the Consolidated Statements of Earnings for the years ended October 31, 2014 and 2013 were $3.9 million and $6.3 million, respectively. Amounts of $2.4 million and $1.5 million were paid under this plan for the years ended October 31, 2014 and 2013, respectively.

Share unit plan for directors

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

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

Number of units	**2014**	2013
Balance, beginning of year	**318,875**	247,505
Directors' compensation	**38,059**	37,767
Dividends paid in units	**14,152**	33,603
Balance, end of year	**371,086**	318,875

As at October 31, 2014, the liability related to the share unit plan for directors was $5.6 million ($5.3 million as at October 31, 2013). The expenses recorded in the Consolidated Statements of Earnings for the years ended October 31, 2014 and 2013 were $0.3 million and $2.9 million, respectively. No amount was paid under this plan for the years ended October 31, 2014 and 2013.

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25 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 31, 2013 (Restated, Note 3)	**$ (3.7)**	**$ (1.6)**	**$ (7.9)**	**$ (13.2)**
Net change in gains (losses), net of income taxes	**0.4**	**3.3**	**16.6**	**20.3**
Balance as at October 31, 2014	**$ (3.3)**	**$ 1.7**	**$ 8.7**	**$ 7.1**
Balance as at November 1, 2012 (Note 3)	$ (3.9)	$ (1.2)	$ (79.3)	$ (84.4)
Net change in gains (losses), net of income taxes	0.2	(0.4)	71.4	71.2
Balance as at October 31, 2013 (Restated, Note 3)	$ (3.7)	$ (1.6)	$ (7.9)	$ (13.2)

As at October 31, 2014, the amounts expected to be reclassified to net earnings in future years are as follows:

	2015	2016	2017	2018	2019 and thereafter	Total
Losses on derivatives designated as cash flow hedges	$ (1.5)	$ (1.2)	$ (0.9)	$ (0.9)	$ (0.3)	$ (4.8)
Income taxes	(0.5)	(0.3)	(0.3)	(0.3)	(0.1)	(1.5)
	$ (1.0)	$ (0.9)	$ (0.6)	$ (0.6)	$ (0.2)	$ (3.3)

26 SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2014	2013 Restated (Note 3)
Accounts receivable	**$ 9.0**	$ 27.4
Inventories	**(2.6)**	1.8
Prepaid expenses	**0.4**	—
Accounts payable and accrued liabilities	**(2.3)**	(64.7)
Provisions	**5.9**	(10.8)
Deferred revenues and deposits	**(8.0)**	169.9
Defined benefit plans	**(11.7)**	(22.5)
	$ (9.3)	$ 101.1

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27 RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly, including any director (whether executive or otherwise) of the Corporation. Key management personnel earned the following amounts for the years ended October 31:

		2014		2013
Salaries and other short-term employee benefits	$	**10.5**	$	7.4
Post-employment benefits		**0.7**		0.5
Stock-based compensation		**3.8**		8.0
	$	**15.0**	$	15.9

28 EMPLOYEE BENEFITS

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

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

The Corporation's funding policy is to make contributions to its pension plans based on various actuarial cost methods, as permitted by regulatory agencies for pension plans. The Corporation's contributions to its pension plans reflect the most recent actuarial valuations for investment returns, salary projections and benefits related to future service costs. The funding of pension plans is based on a solvency assessment for which assumptions may differ from those used for accounting purposes.

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

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

The Corporation also participates in multi-employer pension plans accounted for as defined contribution plans. In accordance with IAS 19 "Employee Benefits", the multi-employer plans that include implicit obligations are accounted for as defined benefit plans when the Corporation has sufficient information to identify its share of the obligation under defined benefit, its share of plan assets and costs associated with the plans. The Corporation does not have all the information to be able to recognize these plans as defined benefit plans, but it has sufficient information to record this obligation as a provision in Note 20 "Provisions".

The fair value of plan assets and the obligation for defined benefits are measured at the date of the annual consolidated financial statements. The most recent actuarial valuations of the Corporation's pension plans for funding purposes were done as at December 31, 2013.

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28 EMPLOYEE BENEFITS (CONTINUED)

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

		2014		2013
Equity securities				
Canadian and foreign equities and investment funds	$	**105.3**	$	446.5
Debt securities				
Government and corporate bonds and investment funds		**569.8**		247.4
Cash and cash equivalents		**27.0**		5.3
Annuities		**69.6**		—
	$	**771.7**	$	699.2

As at October 31, 2014, the plan assets included shares of the Corporation in the amount of $0.6 million ($0.5 million as at October 31, 2013).

All equity and debt securities are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) or inputs other than quoted prices in level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2). The offset strategy for the Corporation's assets and liabilities consists of minimizing risk through the purchase of annuities and debt securities.

The following table presents the changes in the defined benefit obligation and the fair value of plan assets for the years ended October 31:

	Pension benefits				Other defined benefit plans				Total			
		2014		2013		**2014**		2013		**2014**		2013
				(Restated, Note 3)				(Restated, Note 3)				(Restated, Note 3)
Defined benefit obligation												
Balance, beginning of year	**$**	**722.1**	$	766.6	**$**	**13.0**	$	14.7	**$**	**735.1**	$	781.3
Current service cost		**0.2**		1.4		**7.5**		—		**7.7**		1.4
Financial cost related to defined benefit obligation		**32.9**		33.1		**0.6**		0.6		**33.5**		33.7
Actuarial gains or losses from:												
The plan experience		**10.4**		1.5		**(3.5)**		(0.3)		**6.9**		1.2
Changes in demographic assumptions		**11.9**		7.2		**0.7**		—		**12.6**		7.2
Changes in financial assumptions		**27.1**		(34.3)		**0.6**		(0.8)		**27.7**		(35.1)
Benefits paid		**(38.6)**		(38.6)		**(1.2)**		(0.9)		**(39.8)**		(39.5)
Employee contributions		**0.2**		0.6		**—**		—		**0.2**		0.6
Gain on plan curtailments		**(1.0)**		(0.4)		**—**		(0.3)		**(1.0)**		(0.7)
Impact of settlement		**(2.4)**		(15.2)		**—**		—		**(2.4)**		(15.2)
Exchange rate change and other		**0.1**		0.2		**—**		—		**0.1**		0.2
Balance, end of year	**$**	**762.9**	$	722.1	**$**	**17.7**	$	13.0	**$**	**780.6**	$	735.1
Fair value of plan assets												
Balance, beginning of year	**$**	**699.2**	$	625.6	**$**	**—**	$	—	**$**	**699.2**	$	625.6
Return generated by plan assets		**32.2**		27.3		**—**		—		**32.2**		27.3
Actuarial gains or losses on plan assets		**69.9**		70.7		**—**		—		**69.9**		70.7
Administrative costs (other than the costs of asset management)		**(1.9)**		(2.5)		**—**		—		**(1.9)**		(2.5)
Benefits paid		**(38.6)**		(38.6)		**(1.2)**		(0.9)		**(39.8)**		(39.5)
Employee contributions		**0.2**		0.6		**—**		—		**0.2**		0.6
Employer contributions		**12.9**		34.8		**1.2**		0.9		**14.1**		35.7
Impact of settlement		**(2.5)**		(18.8)				—		**(2.5)**		(18.8)
Exchange rate change and other		**0.3**		0.1		**—**		—		**0.3**		0.1
Balance, end of year	**$**	**771.7**	$	699.2	**$**	**—**	$	—	**$**	**771.7**	$	699.2
Surplus (deficit) of the plans	**$**	**8.8**	$	(22.9)	**$**	**(17.7)**	$	(13.0)	**$**	**(8.9)**	$	(35.9)
Effect of the asset ceiling		**—**		—		**—**		—		**—**		—
Defined benefit asset (liability)	**$**	**8.8**	$	(22.9)	**$**	**(17.7)**	$	(13.0)	**$**	**(8.9)**	$	(35.9)

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28 EMPLOYEE BENEFITS (CONTINUED)

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

		2014		2013
Other assets	**$**	**38.6**	$	9.3
Other liabilities		**(47.5)**		(45.2)
	$	**(8.9)**	$	(35.9)

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

	Pension benefits				Other defined benefit plans				Total			
		2014		2013		**2014**		2013		**2014**		2013
Fair value of funded or partially funded plan assets	**$**	**771.7**	$	699.2	**$**	**—**	$	—	**$**	**771.7**	$	699.2
Defined benefit obligation of funded or partially funded plans		**733.9**		694.7		**—**		—		**733.9**		694.7
Funded status of funded or partially funded plans - surplus	**$**	**37.8**	$	4.5	**$**	**—**	$	—	**$**	**37.8**	$	4.5
Defined benefit obligation of unfunded plans		**29.0**		27.4		**17.7**		13.0		**46.7**		40.4
Total funded status - surplus (deficit)	**$**	**8.8**	$	(22.9)	**$**	**(17.7)**	$	(13.0)	**$**	**(8.9)**	$	(35.9)

The Corporation expects to contribute $0.8 million to its defined benefit plans for the year ending October 31, 2015, considering that it plans to use letters of credit from its credit facilities, as collateral for unpaid under-funding for the defined benefit plans contributions. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

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

	2014	2013
Discount rate, end of year	**4.30 %**	4.70 %
Weighted average rate of compensation increase	**3.07**	3.05

As at October 31, 2014, the growth rate of health care costs on other post-employment benefits plans was estimated at 7.0%, gradually decreasing to reach 4.25% by 2020, and remain constant thereafter.

The following table presents the impact of changes in the major assumptions on the defined benefit obligation for the year ended October 31, 2014 and has some limitations. The sensitivities of each key assumption have been calculated without taking into account the changing of any other assumption. Actual results could therefore result in changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in key assumptions.

Increase (decrease)		Defined benefit obligation
Impact of 0.1% increase in discount rate	$	(10.9)
Impact of 0.1% decrease in discount rate		11.4
Impact of 1.0% increase in growth rate of healthcare costs		1.0
Impact of 1.0% decrease in growth rate of healthcare costs		(0.8)

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28 EMPLOYEE BENEFITS (CONTINUED)

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

	Pension benefits		Other post-employment benefits		Total	
	2014	2013 (Restated, Note 3)	**2014**	2013 (Restated, Note 3)	**2014**	2013 (Restated, Note 3)
Current service cost	**$ 0.2**	$ 1.4	**$ 7.5**	$ —	**$ 7.7**	$ 1.4
Administrative costs	**1.9**	2.5	**—**	—	**1.9**	2.5
Gain on plan curtailments	**(1.0)**	(0.4)	**—**	(0.3)	**(1.0)**	(0.7)
Impact of settlement	**0.1**	3.6	**—**	—	**0.1**	3.6
Plans cost recognized in net earnings	**$ 1.2**	$ 7.1	**$ 7.5**	$ (0.3)	**$ 8.7**	$ 6.8
Financial cost related to defined benefit plans obligation	**$ 32.9**	$ 33.1	**$ 0.6**	$ 0.6	**$ 33.5**	$ 33.7
Return generated by plan assets	**(32.2)**	(27.3)	**—**	—	**(32.2)**	(27.3)
Net interest on defined benefit plans liability	**$ 0.7**	$ 5.8	**$ 0.6**	$ 0.6	**$ 1.3**	$ 6.4
Defined benefit plans cost	**$ 1.9**	$ 12.9	**$ 8.1**	$ 0.3	**$ 10.0**	$ 13.2

The defined benefit plans costs recognized in operating expenses in the Consolidated Statements of Earnings for the years ended October 31, 2014 and 2013 were $2.1 million and $3.9 million, respectively. The defined benefit plans costs recognized in restructuring and other costs in the Consolidated Statements of Earnings for the years ended October 31, 2014 and 2013 were $6.6 million and $2.9 million, respectively.

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

	2014	2013
Defined contribution pension plans	**$ 20.1**	$ 18.9
State plans	**19.5**	19.1
	$ 39.6	$ 38.0

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29 COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

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

	Less than 1 year	1 to 5 years	More than 5 years	Total
Leasing of premises [1]	$ 33.3	$ 102.0	$ 47.7	$ 183.0
Property, plant and equipment acquisition contracts	0.6	0.4	—	1.0
	$ 33.9	$ 102.4	$ 47.7	$ 184.0

[1] The Corporation has entered into sublease agreements for some of its locations under operating leases, with expiry dates between 2015 and 2018. The Corporation estimates to recover an amount totaling $8.3 million.

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

a) Indemnification of third parties
Under the terms of debt agreements, the Corporation has agreed to indemnify the holders of such debt instruments against any increase in their costs or reduction in the amounts otherwise payable to them resulting from changes in laws and regulations. These indemnification commitments are in effect for the term of the agreements and have no limitations. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to third parties. Historically, the Corporation has not made any indemnification payments and, as at October 31, 2014, the Corporation had not recorded a liability associated with these indemnification agreements.

b) Business dispositions
In connection with the disposal of operations or assets, the Corporation may agree to indemnify against any claims that may result from its previous activities. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to guaranteed parties. Historically, the Corporation has not made any significant indemnification payments and, as at October 31, 2014, the Corporation had not recorded any liability associated with these indemnification agreements.

Contingent liabilities
In the normal course of operations, the Corporation is involved in various claims and legal proceedings. Although the outcome of these pending cases as at October 31, 2014 cannot be determined with certainty, the Corporation considers that their outcome is unlikely to have a material adverse effect on its financial position and operating results, given the provisions or insurance coverage with regards to some of these claims and legal proceedings.

30 FINANCIAL INSTRUMENTS

Credit risk
Credit risk is the risk that the Corporation will incur losses arising from the failure of third parties to meet their contractual obligations. The Corporation is exposed to credit risk related to its accounts receivable, as well as with regard to its normal activities involving cash. The maximum exposure to credit risk for the Corporation for these elements is represented by their carrying value in the Consolidated Statements of Financial Position. The Corporation is also exposed to credit risk with regard to its derivative financial instrument assets. However, it does not foresee this possibility occurring because it deals only with recognized financial institutions with superior credit ratings. As at October 31, 2014, and 2013, the maximum exposure to credit risk related to financial instrument assets were negligible.

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

As at October 31, 2014, no single customer represented 10% or more of the revenues of the Corporation, or 10% or more of the related accounts receivable.

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30 FINANCIAL INSTRUMENTS (CONTINUED)

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

The past due receivables are as follows:

Trade receivables	**As at October 31, 2014**	As at October 31, 2013 Restated (Note 3)
Current	**$ 273.3**	$ 246.4
1 - 30 days past due	**71.5**	106.2
31 - 60 days past due	**18.1**	24.5
More than 60 days past due	**27.5**	23.8
	390.4	400.9
Allowance for doubtful accounts	**(7.3)**	(9.6)
Other receivables	**32.0**	27.9
	$ 415.1	$ 419.2

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

	2014	2013
Balance, beginning of year	**$ 9.6**	$ 14.5
Business combinations	**0.2**	—
Bad debt expense	**2.9**	3.3
Receivables recovered or written off	**(5.4)**	(8.2)
Balance, end of year	**$ 7.3**	$ 9.6

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

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30 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

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

The following table presents the contractual maturities of financial liabilities as at October 31, 2014:

2014	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	More than 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities [1]	**$ (299.2)**	**$ (299.2)**	**$ (299.2)**	**$ —**	**$ —**	**$ —**
Long-term debt	**(476.8)**	**(557.3)**	**(135.6)**	**(42.8)**	**(327.9)**	**(51.0)**
Long-term accrued liabilities [2]	**(4.4)**	**(4.4)**	**—**	**(4.4)**	**—**	**—**
	(780.4)	**(860.9)**	**(434.8)**	**(47.2)**	**(327.9)**	**(51.0)**
Derivative financial instruments						
Foreign exchange forward contracts	**(1.0)**	**(0.5)**	**(0.5)**	**—**	**—**	**—**
Cross currency interest rate swap	**(1.7)**	**(2.0)**	**(2.0)**	**—**	**—**	**—**
	(2.7)	**(2.5)**	**(2.5)**	**—**	**—**	**—**
	$ (783.1)	**$ (863.4)**	**$ (437.3)**	**$ (47.2)**	**$ (327.9)**	**$ (51.0)**

The following table presents the contractual maturities of financial liabilities as at October 31, 2013:

2013	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	More than 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities [1]	$ (272.7)	$ (272.7)	$ (272.7)	$ —	$ —	$ —
Long-term debt	(347.2)	(381.3)	(229.5)	(90.4)	(8.8)	(52.6)
Long-term accrued liabilities [2]	(9.3)	(9.7)	—	(9.7)	—	—
	(629.2)	(663.7)	(502.2)	(100.1)	(8.8)	(52.6)
Derivative financial instruments						
Foreign exchange forward contracts	(0.8)	(0.7)	(0.7)	—	—	—
Interest rate swaps	(0.4)	(0.6)	(0.6)	—	—	—
Cross currency interest rate swap	(3.6)	(4.2)	(2.3)	(1.9)	—	—
	(4.8)	(5.5)	(3.6)	(1.9)	—	—
	$ (634.0)	$ (669.2)	$ (505.8)	$ (102.0)	$ (8.8)	$ (52.6)

(1) Excluding derivative financial instruments
(2) Excluding non-financial liabilities

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

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30 FINANCIAL INSTRUMENTS (CONTINUED)

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

a) Interest rate risk
The Corporation is exposed to market risk related to interest rate fluctuations. To reduce this risk, the Corporation's objective is to maintain an adequate balance of fixed and floating-rate long-term debts.

As at October 31, 2014, the Corporation is part of a cross currency interest rate swap agreement, maturing in July 2015, to convert the interest rate on the debt of €9.8 million ($14.0 million), which bears interest at the EURIBOR rate plus 1.60%, to the banker's acceptance rate plus 3.36%. This instrument also sets the exchange rate at 1.5761. This swap is designated as a cash flow hedge as at October 31, 2014 and the hedging relationship was effective and in accordance with the risk management objectives and strategies throughout the year.

For the years ended October 31, 2014 and 2013, all things being equal, a hypothetical strengthening of the interest rate by 0.5% would have the following impact on net earnings and other comprehensive income:

	2014		2013	
	Net earnings	**Other comprehensive income**	Net earnings	Other comprehensive income
	$ (0.3)	**$ —**	$ (0.3)	$ —

A hypothetical weakening of the interest rate by 0.5% would have the opposite effect on net earnings and other comprehensive income.

b) Foreign currency risk
The Corporation operates and exports goods to the United States, and purchases machinery and equipment denominated in U.S dollars and in euros. Moreover, as at October 31, 2014, the Corporation had long-term debt denominated in U.S dollars and in euros, for nominal amounts of US$90.0 million and €9.8 million (US$75.0 million and €19.7 million as at October 31, 2013). Consequently, it is exposed to risks arising from foreign currency fluctuations.

To manage foreign currency risk related to exports to the United States, the Corporation enters into foreign exchange forward contracts. As at October 31, 2014, the Corporation held foreign exchange forward contracts to sell US$51.0 million (US$32.5 million as at October 31, 2013), including US$43.0 million and US$8.0 million that will be sold during the years ending October 31, 2015 and 2016, respectively. The maturities of foreign exchange forward contracts range from 1 to 15 months at rates varying from 1.0671 to 1.1390. Foreign exchange forward contracts are designated as cash flow hedges as at October 31, 2014 and hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the year.

For the years ended October 31, 2014 and 2013, all things being equal, a hypothetical 10.0% strengthening of the U.S dollar and the euro compared with the Canadian dollar would have the following impact on net earnings and other comprehensive income:

	2014		2013	
	Net earnings	**Other comprehensive income**	Net earnings	Other comprehensive income
U.S dollars	**$ 2.9**	**$ (4.4)**	$ 0.4	$ (2.6)
Euros	**—**	**(2.4)**	—	0.9

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 31, 2014 and 2013
(in millions of Canadian dollars, except per share data)

30 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

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

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to their short term maturities. The table below indicates the fair value and the carrying amount of the other financial instruments as at October 31, 2014 and 2013.

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

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

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

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

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

		2014		2013	
Asset (liability)	Level	**Fair value**	**Carrying amount**	Fair value	Carrying amount
Long-term debt	2	**$ (490.7)**	**$ (476.8)**	$ (354.2)	$ (347.2)
Foreign exchange forward contracts	2	**(1.0)**	**(1.0)**	(0.8)	(0.8)
Interest rate swaps	2	**—**	**—**	(0.4)	(0.4)
Cross currency interest rate swaps	2	**(1.7)**	**(1.7)**	(3.6)	(3.6)

Financial instruments of the Corporation are classified in Level 2 of the fair value hierarchy. For the years ended October 31, 2014 and 2013, no financial instruments were transferred between levels 1, 2 and 3.

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

31 CAPITAL MANAGEMENT

The Corporation manages and modifies its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

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

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

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

		2014		2013 Restated (Note 3)
Long-term debt	$	**358.7**	$	128.9
Current portion of the long-term debt		**118.1**		218.3
Cash		**(35.2)**		(26.4)
Net debt	**$**	**441.6**	$	320.8
Operating earnings before amortization, restructuring and other costs and impairment of assets	**$**	**360.4**	$	338.6
Net debt ratio		**1,23x**		0,95x

As at October 31, 2014, the Corporation's net debt ratio was 1.23x (0.95x as at October 31, 2013). Net debt increased from $320.8 million as at October 31, 2013 to $441.6 million as at October 31, 2014, mainly due to business acquisitions and the repurchase of all preferred shares. The cash flows generated from operating activities, however, reduced the impact on the net debt ratio.

For the year ended October 2014, the Corporation was not in default regarding any of its financial obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32 SEGMENT REPORTING

The operating segments are defined in terms of the types of products and services offered by the Corporation. Following the acquisition of Capri Packaging, the Printing Sector was renamed and became the Printing and Packaging Sector, in order to integrate the new production of flexible packaging solution activities. The Printing and Packaging Sector generates revenues from activities such as the printing of retail flyers, magazines, newspapers, color books and personalized and mass marketing products, and the production of flexible packaging solutions in the United States. The Media Sector generates revenues through the print and digital publishing, in French and English, of the following: newspapers, educational books, consumer magazines, specialized publications for professionals, promotional content for retailers, mass and personalized marketing tools, mobile and interactive applications, and a door-to-door distribution network and digital platforms. Inter-segment sales of the Corporation are recognized at fair value. Transactions other than sales are recognized at carrying amount.

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

Year ended October 31, 2014	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Total
Revenues	**$ 1,458.6**	**$ 687.7**	**$ (76.9)**	**$ 2,069.4**
Operating expenses	**1,145.9**	**626.0**	**(62.9)**	**1,709.0**
Adjusted operating earnings before amortization (1)	**312.7**	**61.7**	**(14.0)**	**360.4**
Restructuring and other costs	**25.4**	**19.6**	**(3.6)**	**41.4**
Impairment of assets	**2.5**	**43.7**	**—**	**46.2**
Operating earnings before amortization	**284.8**	**(1.6)**	**(10.4)**	**272.8**
Amortization	**77.5**	**19.3**	**6.2**	**103.0**
Operating earnings	**$ 207.3**	**$ (20.9)**	**$ (16.6)**	**$ 169.8**
Adjusted operating earnings (1)	**$ 235.2**	**$ 42.4**	**$ (20.2)**	**$ 257.4**
Acquisitions of non-current assets (2)	**$ 25.2**	**$ 30.0**	**$ 7.0**	**$ 62.2**

Year ended October 31, 2013 (Restated, Note 3)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Total
Revenues	$ 1,476.8	$ 705.0	$ (85.1)	$ 2,096.7
Operating expenses	1,176.7	646.1	(64.7)	1,758.1
Adjusted operating earnings before amortization (1)	300.1	58.9	(20.4)	338.6
Restructuring and other costs	15.8	12.5	(0.3)	28.0
Impairment of assets	7.0	162.5	0.5	170.0
Operating earnings before amortization	277.3	(116.1)	(20.6)	140.6
Amortization	78.4	21.3	5.3	105.0
Operating earnings	$ 198.9	$ (137.4)	$ (25.9)	$ 35.6
Adjusted operating earnings (1)	$ 221.7	$ 37.6	$ (25.7)	$ 233.6
Acquisitions of non-current assets (2)	$ 31.9	$ 26.5	$ 12.0	$ 70.4

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 31, 2014 and 2013
(in millions of Canadian dollars, except per share data)

32 SEGMENT REPORTING (CONTINUED)

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

	2014	2013 Restated (Note 3)
Main products and services		
Printed and packaged products	**$ 1,383.0**	$ 1,390.9
Publishing products	**395.8**	421.8
Digital and interactive products	**141.9**	151.3
Other products and services	**148.7**	132.7
	$ 2,069.4	$ 2,096.7

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

Operating segments	As at October 31, 2014	As at October 31, 2013 Restated (Note 3)
Assets		
Printing and Packaging Sector	**$ 1,314.5**	$ 1,145.4
Media sector	**589.1**	602.6
Head office and inter-segment eliminations (1)	**124.1**	102.8
	$ 2,027.7	$ 1,850.8

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

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

Geographic segments	2014	2013 Restated (Note 3)
Revenues		
Canada		
Domestic	**$ 1,811.7**	$ 1,854.0
Exports	**115.3**	137.5
United States	**142.4**	105.2
	$ 2,069.4	$ 2,096.7

	As at October 31, 2014	As at October 31, 2013 Restated (Note 3)
Non-current assets (1)		
Canada	**$ 1,004.9**	$ 1,018.0
United States	**257.6**	122.2
	$ 1,262.5	$ 1,140.2

(1) These amounts include property, plant and equipment, intangible assets, goodwill and other non-current assets, and exclude derivative financial instrument assets, deferred income tax assets and defined benefit assets.

33 SUBSEQUENT EVENTS

Agreement to sell Consumer Magazines

On November 17, 2014, the Corporation completed a definitive agreement to sell to TVA Group Inc. its consumer magazines and their related websites, as well as the brand-related products, for a purchase price of $55.5 million cash. This agreement has been approved by the Boards of Directors of Transcontinental Inc. and TVA Group Inc., and the transaction is subject to approval by the Competition Bureau of Canada. The transaction also includes an agreement to print the magazines that have been sold, and to extend the contracts signed in December 2013 to print certain TVA Group Inc. magazines until 2022.

Credit facility extension

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

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