CONSOLIDATED STATEMENTS OF EARNINGS
Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended January 31 2016	2015
Revenues		**$ 498.9**	$ 489.7
Operating expenses	5	**415.0**	408.9
Restructuring and other costs (revenues)	6	**5.5**	(0.4)
Operating earnings before depreciation and amortization		**78.4**	81.2
Depreciation and amortization	7	**26.8**	25.1
Operating earnings		**51.6**	56.1
Net financial expenses	8	**3.1**	3.9
Earnings before share of net earnings in interests in joint ventures and income taxes		**48.5**	52.2
Share of net earnings in interests in joint ventures, net of related taxes		**—**	0.1
Income taxes	9	**11.2**	12.4
Net earnings from continuing operations		**37.3**	39.9
Net earnings from discontinued operations	10	**—**	(2.2)
Net earnings		**37.3**	37.7
Non-controlling interests	10	**—**	(0.2)
Net earnings attributable to shareholders of the Corporation		**$ 37.3**	$ 37.9
Net earnings per share - basic			
Continuing operations	15	**$ 0.48**	$ 0.51
Discontinued operations		**—**	(0.02)
		$ 0.48	$ 0.49
Net earnings per share - diluted			
Continuing operations	15	**$ 0.48**	$ 0.51
Discontinued operations		**—**	(0.03)
		$ 0.48	$ 0.48
Weighted average number of shares outstanding - basic (in millions)		**78.0**	78.0
Weighted average number of shares - diluted (in millions)	15	**78.2**	78.2

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended January 31 2016	2015
Net earnings		**$ 37.3**	$ 37.7
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		**(6.5)**	(9.1)
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		**2.0**	0.5
Related income taxes		**(1.3)**	(2.3)
		(3.2)	(6.3)
Cumulative translation differences			
Net unrealized exchange gains on the translation of the financial statements of foreign operations		**19.6**	19.0
Net change in the fair value of derivatives designated as hedges of net investments in foreign operations		**(0.7)**	—
Related income taxes		**(0.2)**	—
		19.1	19.0
Items that will not be reclassified to net earnings			
Changes in actuarial gains and losses in respect of defined benefit plans			
Actuarial gains (losses) in respect of defined benefit plans		**(17.9)**	7.5
Related income taxes		**(4.8)**	2.0
		(13.1)	5.5
Other comprehensive income [1]	17	**2.8**	18.2
Comprehensive income		**$ 40.1**	$ 55.9
Attributable to:			
Shareholders of the Corporation		**$ 40.1**	$ 56.1
Non-controlling interests	10	**—**	(0.2)
		$ 40.1	$ 55.9

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited

(in millions of Canadian dollars)	Attributable to shareholders of the Corporation						
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests (Note 10)	Total equity
Balance as at October 31, 2015	**$ 368.2**	**$ 3.2**	**$ 625.5**	**$ 19.4**	**$ 1,016.3**	**$ —**	**$ 1,016.3**
Net earnings	**—**	**—**	**37.3**	**—**	**37.3**	**—**	**37.3**
Other comprehensive income	**—**	**—**	**—**	**2.8**	**2.8**	**—**	**2.8**
Shareholders' contributions and distributions to shareholders							
Share redemptions (Note 14)	**(3.0)**	**—**	**(6.4)**	**—**	**(9.4)**	**—**	**(9.4)**
Exercise of stock options (Note 14)	**0.2**	**—**	**—**	**—**	**0.2**	**—**	**0.2**
Dividends (Note 14)	**—**	**—**	**(13.2)**	**—**	**(13.2)**	**—**	**(13.2)**
Balance as at January 31, 2016	**$ 365.4**	**$ 3.2**	**$ 643.2**	**$ 22.2**	**$ 1,034.0**	**$ —**	**$ 1,034.0**
Balance as at October 31, 2014	$ 366.0	$ 3.4	$ 415.6	$ 7.1	$ 792.1	$ 1.0	$ 793.1
Net earnings	—	—	37.9	—	37.9	(0.2)	37.7
Other comprehensive income	—	—	—	18.2	18.2	—	18.2
Shareholders' contributions and distributions to shareholders							
Exercise of stock options (Note 14)	0.8	(0.1)	—	—	0.7	—	0.7
Dividends (Note 14)	—	—	(12.5)	—	(12.5)	—	(12.5)
Stock-option based compensation (Note 16)	—	0.1	—	—	0.1	—	0.1
Balance as at January 31, 2015	$ 366.8	$ 3.4	$ 441.0	$ 25.3	$ 836.5	$ 0.8	$ 837.3

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	**As at January 31, 2016**	As at October 31, 2015
Current assets			
Cash		**$ 25.6**	$ 38.6
Accounts receivable		**338.8**	393.0
Income taxes receivable		**9.4**	15.2
Inventories		**107.8**	116.3
Prepaid expenses and other current assets		**19.1**	16.2
		500.7	579.3
Property, plant and equipment		**571.3**	567.5
Intangible assets		**260.6**	257.5
Goodwill		**468.8**	459.5
Investments in joint ventures		**2.5**	2.5
Deferred taxes		**212.2**	197.1
Other assets		**40.8**	50.1
		$ 2,056.9	$ 2,113.5
Current liabilities			
Accounts payable and accrued liabilities		**$ 259.0**	$ 339.7
Provisions	12	**9.0**	10.2
Income taxes payable		**13.1**	20.7
Deferred revenues and deposits	13	**61.4**	51.4
Current portion of long-term debt		**30.2**	36.4
		372.7	458.4
Long-term debt		**347.5**	347.7
Deferred taxes		**69.0**	79.9
Provisions	12	**4.2**	5.7
Other liabilities	13	**229.5**	205.5
		1,022.9	1,097.2
Equity			
Share capital	14	**365.4**	368.2
Contributed surplus		**3.2**	3.2
Retained earnings		**643.2**	625.5
Accumulated other comprehensive income	17	**22.2**	19.4
		1,034.0	1,016.3
		$ 2,056.9	$ 2,113.5

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

		Three months ended January 31	
(in millions of Canadian dollars)	Notes	**2016**	2015
Operating activities			
Net earnings		**$ 37.3**	$ 37.7
Less: Net earnings from discontinued operations	10	**—**	(2.2)
Net earnings from continuing operations		**37.3**	39.9
Adjustments to reconcile net earnings from continuing operations and cash flows from operating activities:			
Depreciation and amortization	7	**33.6**	31.5
Financial expenses on long-term debt	8	**4.6**	5.6
Net losses (gains) on disposal of assets		**0.4**	(6.9)
Income taxes	9	**11.2**	12.4
Net foreign exchange differences and other		**(13.6)**	(3.7)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**73.5**	78.8
Changes in non-cash operating items (1)		**(11.9)**	(13.1)
Income taxes paid		**(27.3)**	(40.8)
Cash flows from continuing operating activities		**34.3**	24.9
Investing activities			
Business disposals		**0.5**	0.3
Acquisitions of property, plant and equipment		**(14.1)**	(13.0)
Disposals of property, plant and equipment		**—**	0.2
Increase in intangible assets		**(4.6)**	(5.5)
Cash flows from investments in continuing operations		**(18.2)**	(18.0)
Financing activities			
Reimbursement of long-term debt		**(0.1)**	(65.0)
Net increase (decrease) in credit facility		**(8.0)**	59.2
Financial expenses on long-term debt		**(5.4)**	(7.8)
Interest received related to previous tax reassessments		**5.4**	—
Exercise of stock options	14	**—**	0.7
Dividends	14	**(13.2)**	(12.5)
Share redemptions	14	**(9.4)**	—
Cash flows from the financing of continuing operations		**(30.7)**	(25.4)
Effect of exchange rate changes on cash denominated in foreign currencies		**1.6**	3.4
Net change in cash from continuing operations		**(13.0)**	(15.1)
Net change in cash from discontinued operations	10	**—**	4.3
Cash at beginning of period		**38.6**	35.2
Cash at end of period		**$ 25.6**	$ 24.4
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ (0.8)**	$ (0.6)

(1) Includes an amount of $31.0 millions that was received and recognized as deferred revenues during the three-month period ended January 31, 2016 (Note 13 "Deferred Revenues").

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

1 GENERAL INFORMATION

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

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

Net investment hedge
During the three-month period ended January 31, 2016, the Corporation designated certain foreign exchange forward contracts denominated in U.S. dollars as hedging instruments for an equivalent amount of its net investment in certain foreign establishments, that have the U.S. dollar as their functional currency. Thus, the effective portion of changes in fair value of hedging instruments, net of related income taxes, is recognized in other comprehensive income and the ineffective portion is recognized in net earnings. Cumulative gains and losses recognized in accumulated other comprehensive income, are reclassified in net earnings in the period in which the related net investment in foreign operations is subject to a total or partial disposal.

New or amended accounting standards not yet adopted

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

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

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

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

3 SEGMENTED INFORMATION

The operating segments were determined and grouped by management in two separate sectors, according to the type of activity, which are manufacturing and publishing activities. The Printing and Packaging Sector includes the manufacturing activities of the Corporation and generates revenues from activities such as the printing of retail flyers, magazines, newspapers, color books, personalized and mass marketing products, and the production of flexible packaging solutions in Canada and the United States. The Media Sector generates revenues through print and digital publishing products, in French and English, of the following type: newspapers, educational books, specialized publications for professionals, retail promotional content, mass and personalized marketing, mobile and interactive applications, and geotargeted door-to-door and digital distribution services. The Media Sector's consumer magazines were reclassified as discontinued operations, as described in Note 10 "Discontinued Operations", and segmented information excludes these operations. Inter-segment sales of the Corporation are recognized at fair value. Transactions other than sales are recognized at carrying amount.

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

For the three-month period ended January 31, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 382.2**	**$ 127.0**	**$ (10.3)**	**$ 498.9**
Operating expenses	**303.5**	**119.5**	**(8.0)**	**415.0**
Adjusted operating earnings before depreciation and amortization (1)	**78.7**	**7.5**	**(2.3)**	**83.9**
Restructuring and other costs (revenues)	**4.2**	**1.6**	**(0.3)**	**5.5**
Operating earnings before depreciation and amortization	**74.5**	**5.9**	**(2.0)**	**78.4**
Depreciation and amortization	**21.0**	**3.8**	**2.0**	**26.8**
Operating earnings	**$ 53.5**	**$ 2.1**	**$ (4.0)**	**$ 51.6**
Adjusted operating earnings (1)	**$ 57.7**	**$ 3.7**	**$ (4.3)**	**$ 57.1**
Acquisitions of non-current assets (2)	**$ 12.2**	**$ 4.5**	**$ 1.2**	**$ 17.9**

For the three-month period ended January 31, 2015 (3)	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 361.5	$ 140.2	$ (12.0)	$ 489.7
Operating expenses	288.1	127.2	(6.4)	408.9
Adjusted operating earnings before depreciation and amortization (1)	73.4	13.0	(5.6)	80.8
Restructuring and other costs (revenues)	4.6	1.7	(6.7)	(0.4)
Operating earnings before depreciation and amortization	68.8	11.3	1.1	81.2
Depreciation and amortization	19.5	3.6	2.0	25.1
Operating earnings	$ 49.3	$ 7.7	$ (0.9)	$ 56.1
Adjusted operating earnings (1)	$ 53.9	$ 9.4	$ (7.6)	$ 55.7
Acquisitions of non-current assets (2)	$ 9.8	$ 7.1	$ 1.0	$ 17.9

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

3 SEGMENTED INFORMATION (CONTINUED)

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

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

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

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

	Three months ended January 31	
	2016	2015
Printing and packaging products	**$ 371.9**	$ 349.8
Publishing and content products	**82.4**	89.3
Other products and services	**44.6**	50.6
	$ 498.9	$ 489.7

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

	As at January 31, 2016	As at October 31, 2015 (2)
Printing and Packaging Sector	**$ 1,472.9**	$ 1,478.4
Media Sector	**484.6**	489.2
Head office and inter-segment eliminations (1)	**99.4**	145.9
	$ 2,056.9	$ 2,113.5

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

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

4 BUSINESS COMBINATION

Ultra Flex Packaging

On September 30, 2015, the Corporation acquired all the shares of Ultra Flex Packaging, a supplier of flexible packaging located in Brooklyn, New York, for a purchase price of US$84.9 million ($113.0 million), subject to adjustments and including a contingent consideration payable in cash at the first and second anniversaries of the acquisition date, following the achievement of pre-established income thresholds.

The preliminary assessment of the estimated fair value of assets acquired and liabilities assumed at the acquisition made as at October 31, 2015 has not significantly changed during the three-month period ended January 31, 2016. The final purchase price allocation is expected to be completed as soon as management has gathered all of the significant information, available and considered necessary in order to finalize its fair value measurement of machinery and equipment and intangible assets, such as customer relationships and non-compete agreements. The Corporation will finalize the accounting for this acquisition during the current year.

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

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended January 31	
	2016	2015
Employee-related costs	**$ 164.3**	$ 163.5
Supply chain and logistics [1]	**223.4**	218.3
Other goods and services [2]	**27.3**	27.1
	$ 415.0	$ 408.9

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

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

6 RESTRUCTURING AND OTHER COSTS (REVENUES)

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

	Three months ended January 31	
	2016	2015
Workforce reductions	**$ 5.6**	$ 5.3
Other costs related to restructuring	**0.5**	0.9
Onerous contracts	**(0.8)**	—
Business acquisition costs [1]	**0.2**	0.1
Gain on the sale of a building	**—**	(6.8)
Other costs	**—**	0.1
	$ 5.5	$ (0.4)

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

7 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended January 31	
	2016	2015
Property, plant and equipment	**$ 20.1**	$ 19.7
Intangible assets	**6.7**	5.4
	26.8	25.1
Intangible assets and other assets, recognized in revenues and operating expenses	**6.8**	6.4
	$ 33.6	$ 31.5

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

8 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows:

	Three months ended January 31	
	2016	2015
Financial expenses on long-term debt	**$ 4.6**	$ 5.6
Net interest on defined benefit plans asset and liability	**0.2**	—
Other expenses (revenues)	**(0.5)**	0.8
Net foreign exchange gains	**(1.2)**	(2.5)
	$ 3.1	$ 3.9

9 INCOME TAXES

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

	Three months ended January 31	
	2016	2015
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 48.5**	$ 52.2
Canadian statutory tax rate (1)	**26.90 %**	26.90 %
Income taxes at the statutory tax rate	**13.0**	14.0
Effect of differences in tax rates in other jurisdictions	**0.4**	1.0
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**(1.3)**	(0.7)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**—**	(1.5)
Other	**(0.9)**	(0.4)
Income taxes at effective tax rate	**$ 11.2**	$ 12.4
Income taxes before the following items:	**$ 12.6**	$ 13.9
Income taxes on restructuring and other costs (revenues)	**(1.4)**	(1.5)
Income taxes at effective tax rate	**$ 11.2**	$ 12.4

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

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

10 DISCONTINUED OPERATIONS

Discontinued consumer magazines

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

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

The following table presents the results from discontinued operations for the three-month period ended January 31, 2015:

		2015
Revenues [(1)]	$	14.9
Operating expenses [(1)]		17.2
Restructuring and other costs		0.2
Depreciation and amortization		0.5
Earnings before share of net earnings in interests in joint ventures and income taxes		(3.0)
Share of net earnings in interests in joint ventures, net of related taxes		—
Income taxes recovered		(0.8)
Net earnings and comprehensive income from discontinued operations	$	(2.2)
Attributable to:		
Shareholders of the Corporation	$	(2.0)
Non-controlling interests		(0.2)
	$	(2.2)

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

The following table presents cash flows from discontinued operations for the three-month period ended January 31, 2015:

		2015
Cash flows related to operations	$	4.7
Cash flows related to investments		(0.4)
Net change in cash flows from discontinued operations	$	4.3

11 LONG-TERM DEBT

Credit facility extension

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

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

12 PROVISIONS

The following table presents changes in provisions for the three-month period ended January 31, 2016:

	Restructuring costs	Onerous contracts	Other [1]	Total
Balance as at October 31, 2015	$ 5.6	$ 9.2	$ 1.1	$ 15.9
Provisions recorded	6.0	0.2	0.1	6.3
Amounts used	(7.0)	(0.8)	(0.2)	(8.0)
Provisions reversed	—	(1.1)	(0.1)	(1.2)
Other	—	0.2	—	0.2
Balance as at January 31, 2016	$ 4.6	$ 7.7	$ 0.9	$ 13.2
Current portion	$ 4.6	$ 4.1	$ 0.3	$ 9.0
Non-current portion	—	3.6	0.6	4.2
	$ 4.6	$ 7.7	$ 0.9	$ 13.2

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

13 DEFERRED REVENUES

On December 7, 2015, the Corporation renegotiated its agreement with The Globe and Mail Inc. relating to the printing of *The Globe and Mail* newspaper. The Corporation received a single payment of $31.0 million to compensate for price reductions on future services in certain markets. The amount received was classified as deferred revenues and will be recognized in revenues over the estimated duration of printing for these markets. For the three-month period ended January 31, 2016, an amount of $1.2 million was recognized as revenues, with no effect on cash flows. As at January 31, 2016, amounts of $7.0 million and $22.8 million are presented in deferred revenues and deposits and in other liabilities, respectively, in the Consolidated Statement of Financial Position.

14 SHARE CAPITAL

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

	Three months ended January 31			
	2016		2015	
	Number of shares	**Amount**	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of period	**63,363,281**	**$ 348.1**	63,189,351	$ 345.9
Conversion of Class B Shares into Class A Subordinate Voting Shares	**66,890**	**0.1**	2,400	—
Participating shares redeemed and cancelled	**(543,500)**	**(3.0)**	—	—
Exercise of stock options	**14,038**	**0.2**	50,357	0.8
Balance, end of period	**62,900,709**	**345.4**	63,242,108	346.7
Class B Shares				
Balance, beginning of period	**14,807,016**	**20.1**	14,832,416	20.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	**(66,890)**	**(0.1)**	(2,400)	—
Balance, end of period	**14,740,126**	**20.0**	14,830,016	20.1
	77,640,835	**$ 365.4**	78,072,124	$ 366.8

14 SHARE CAPITAL (CONTINUED)

Share redemptions

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

During the three-month period ended January 31, 2016, the Corporation repurchased 543,500 of its Class A Subordinate Voting Shares at a weighted average price of $17.23, for a total cash consideration of $9.4 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $6.4 million, was applied against retained earnings. The Corporation was under no obligations to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 31, 2016.

During the three-month period ended January 31, 2015, the Corporation did not repurchase any of its Class A Subordinate Voting Shares and Class B Shares, and was under no obligation as such at that date.

Exercise of stock options

When officers and senior executives exercise their stock options, any consideration paid is credited to share capital and the amount previously credited to contributed surplus is also transferred to share capital. For the three-month period ended January 31, 2016, the consideration receivable was $0.2 million and a negligible amount was transferred from contributed surplus to share capital. For the three-month period ended January 31, 2015, the consideration received was $0.7 million and $0.1 million were transferred from contributed surplus to share capital (Note 16 "Stock-based Compensation").

Dividends

Dividends of $0.17 and $0.16 per share were declared and paid to participating shareholders for the three-month periods ended January 31, 2016 and 2015, respectively.

15 NET EARNINGS PER SHARE

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

	Three months ended January 31	
	2016	2015
Numerator		
Net earnings from continuing operations	**$ 37.3**	$ 39.9
Denominator (in millions)		
Weighted average number of shares outstanding - basic	**78.0**	78.0
Dilutive effect of stock options	**0.2**	0.2
Weighted average number of shares - diluted	**78.2**	78.2

As at January 31, 2016, all stock options are included in the calculation of the diluted net earnings per share from continuing operations due to their potential dilutive effect. As at January 31, 2015, 119,244 stock options were excluded from the calculation of the diluted net earnings per share from continuing operations since they were anti-dilutive, their exercise price being higher than the average share price of Class A Subordinate Voting Shares during the period.

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

16 STOCK-BASED COMPENSATION

Stock option plan

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

For the three-month periods ended January 31, 2016 and 2015, a negligible amount of stock-based compensation expenses and $0.1 million, respectively, were charged to the Consolidated Statements of Earnings and increased contributed surplus included in equity.

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

	Three months ended January 31			
	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**762,703**	**$ 12.57**	1,160,296	$ 13.33
Exercised	**(14,038)**	**11.60**	(50,357)	13.09
Expired	**—**	**—**	(181,100)	19.32
Options outstanding, end of period	**748,665**	**$ 12.59**	928,839	$ 12.18
Options exercisable, end of period	**656,311**	**$ 12.76**	687,247	$ 12.39

Share unit plan for certain officers and senior executives

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

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

	Three months ended January 31			
Number of units	**2016**	2015	**2016**	2015
	DSU		RSU	
Balance, beginning of period	**279,162**	241,812	**1,064,655**	924,627
Units granted	**—**	3,121	**344,918**	378,396
Units cancelled	**—**	—	**(67,070)**	(12,969)
Units paid	**—**	(1,624)	**(266,379)**	(205,894)
Units converted	**2,586**	27,174	**(2,586)**	(27,174)
Dividends paid in units	**3,144**	2,980	**7,526**	4,204
Balance, end of period	**284,892**	273,463	**1,081,064**	1,061,190

As at January 31, 2016, the liability related to the share unit plan for certain officers and senior executives was $12.1 million ($17.8 million as at October 31, 2015). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 31, 2016 and 2015 were $(0.5) million and $1.3 million, respectively. Amounts of $5.2 million and $3.1 million were paid under this plan for the three-month periods ended January 31, 2016 and 2015, respectively.

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

16 STOCK-BASED COMPENSATION (CONTINUED)

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

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

	Three months ended January 31	
Number of units	**2016**	2015
Balance, beginning of period	**363,514**	371,086
Directors' compensation	**9,163**	8,241
Units paid	**—**	(48,678)
Dividends paid in units	**3,770**	3,341
Balance, end of period	**376,447**	333,990

As at January 31, 2016, the liability related to the share unit plan for directors was $6.8 million ($7.4 million as at October 31, 2015). The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month periods ended January 31, 2016 and 2015 were $(0.6) million and $0.2 million, respectively. No amount was paid under this plan for the three-month period ended January 31, 2016. An amount of $0.7 million was paid under this plan for the three-month period ended January 31, 2015.

17 ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income
Balance as at October 31, 2015	**$ (7.0)**	**$ 24.3**	**$ 2.1**	**$ 19.4**
Net change in gains (losses), net of income taxes	**(3.2)**	**19.1**	**(13.1)**	**2.8**
Balance as at January 31, 2016	**$ (10.2)**	**$ 43.4**	**$ (11.0)**	**$ 22.2**
Balance as at October 31, 2014	$ (3.3)	$ 1.7	$ 8.7	$ 7.1
Net change in gains (losses), net of income taxes	(6.3)	19.0	5.5	18.2
Balance as at January 31, 2015	$ (9.6)	$ 20.7	$ 14.2	$ 25.3

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

	2016	2017	2018	2019	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ (8.8)	$ (4.2)	$ (0.8)	$ (0.3)	$ (14.1)
Income taxes	(2.4)	(1.2)	(0.2)	(0.1)	(3.9)
	$ (6.4)	$ (3.0)	$ (0.6)	$ (0.2)	$ (10.2)

Actuarial gains (losses) in respect of defined benefit plans
The actuarial losses in respect of defined benefit plans of $17.9 million ($13.1 million after tax), recognized in other comprehensive income for the three-month period ended January 31, 2016, reflect the following items:

- Loss of $36.0 million on defined benefit obligation due to the change in discount rate, which decreased by 0.4%, from 4.4% as at October 31, 2015 to 4.0% as at January 31, 2016.
- Gain of $14.1 million on the actual return on assets which was higher than expected return.
- Gain of $4.0 million on the effect of the asset ceiling.

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

18 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

	As at January 31, 2016		As at October 31, 2015	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 2.0**	**$ 2.0**	$ —	$ —
Long-term debt	**(393.5)**	**(377.7)**	(400.5)	(384.1)
Foreign exchange forward contracts in liabilities	**(12.1)**	**(12.1)**	(6.5)	(6.5)

These financial instruments are classified in Level 2 of the fair value hierarchy. For the three-month period ended January 31, 2016, no financial instruments were transferred between levels 1, 2 and 3.