CONSOLIDATED STATEMENTS OF EARNINGS
Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended July 30, 2017	Three months ended July 31, 2016	Nine months ended July 30, 2017	Nine months ended July 31, 2016
Revenues		**$ 477.7**	$ 467.8	**$ 1,480.0**	$ 1,463.9
Operating expenses	5	**382.3**	378.6	**1,206.6**	1,207.7
Restructuring and other costs (revenues)	6	**1.7**	(1.0)	**(6.0)**	14.1
Impairment of assets	7	**—**	0.1	**2.5**	30.4
Operating earnings before depreciation and amortization		**93.7**	90.1	**276.9**	211.7
Depreciation and amortization	8	**25.5**	26.5	**78.5**	80.2
Operating earnings		**68.2**	63.6	**198.4**	131.5
Net financial expenses	9	**3.9**	2.5	**13.4**	12.0
Earnings before share of net earnings in interests in joint ventures and income taxes		**64.3**	61.1	**185.0**	119.5
Share of net earnings in interests in joint ventures, net of related taxes		**—**	0.1	**—**	0.4
Income taxes	10	**15.3**	15.3	**46.9**	31.3
Net earnings		**$ 49.0**	$ 45.9	**$ 138.1**	$ 88.6
Net earnings per share - basic		**$ 0.64**	$ 0.59	**$ 1.79**	$ 1.14
Net earnings per share - diluted		**$ 0.64**	$ 0.59	**$ 1.78**	$ 1.14
Weighted average number of shares outstanding - basic (in millions)	14	**77.4**	77.5	**77.3**	77.7
Weighted average number of shares - diluted (in millions)	14	**77.6**	77.8	**77.5**	78.0

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 July 30, 2017	Three months ended July 31, 2016	Nine months ended July 30, 2017	Nine months ended July 31, 2016
Net earnings		**$ 49.0**	$ 45.9	**$ 138.1**	$ 88.6
Other comprehensive income (loss)					
Items that will be reclassified to net earnings					
Net change related to cash flow hedges					
Net change in the fair value of derivatives designated as cash flow hedges		**5.3**	(3.1)	**4.4**	3.2
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**0.3**	(0.4)	**1.1**	5.7
Related income taxes		**1.5**	(0.9)	**1.5**	2.4
		4.1	(2.6)	**4.0**	6.5
Cumulative translation differences					
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		**(47.2)**	16.9	**(36.9)**	1.7
Net change in the fair value of derivatives designated as hedges of net investments in foreign operations		**6.0**	(1.2)	**5.0**	1.8
Related income taxes		**1.7**	(0.4)	**1.4**	0.4
		(42.9)	16.1	**(33.3)**	3.1
Items that will not be reclassified to net earnings					
Changes in actuarial gains and losses in respect of defined benefit plans					
Actuarial gains (losses) in respect of defined benefit plans	16	**2.4**	2.9	**21.0**	(20.4)
Related income taxes		**0.6**	0.8	**5.6**	(5.4)
		1.8	2.1	**15.4**	(15.0)
Other comprehensive income (loss)	16	**(37.0)**	15.6	**(13.9)**	(5.4)
Comprehensive income (loss)		**$ 12.0**	$ 61.5	**$ 124.2**	$ 83.2

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)	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance as at October 31, 2016		**$ 361.9**	**$ 3.2**	**$ 700.9**	**$ 2.7**	**$ 1,068.7**
Net earnings		**—**	**—**	**138.1**	**—**	**138.1**
Other comprehensive loss		**—**	**—**	**—**	**(13.9)**	**(13.9)**
Shareholders' contributions and distributions to shareholders						
Exercise of stock options	13	**6.7**	**(1.3)**	**—**	**—**	**5.4**
Dividends	13	**—**	**—**	**(45.3)**	**—**	**(45.3)**
Balance as at July 30, 2017		**$ 368.6**	**$ 1.9**	**$ 793.7**	**$ (11.2)**	**$ 1,153.0**
Balance as at October 31, 2015		$ 368.2	$ 3.2	$ 625.5	$ 19.4	$ 1,016.3
Net earnings		—	—	88.6	—	88.6
Other comprehensive loss		—	—	—	(5.4)	(5.4)
Shareholders' contributions and distributions to shareholders						
Share redemptions	13	(4.8)	—	(10.5)	—	(15.3)
Exercise of stock options	13	0.5	(0.1)	—	—	0.4
Dividends	13	—	—	(41.9)	—	(41.9)
Balance as at July 31, 2016		$ 363.9	$ 3.1	$ 661.7	$ 14.0	$ 1,042.7

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 July 30, 2017	As at October 31, 2016 (1)
Current assets			
Cash		**$ 152.8**	$ 16.7
Accounts receivable		**327.6**	401.9
Income taxes receivable		**10.3**	5.8
Inventories		**115.9**	119.6
Prepaid expenses and other current assets		**21.9**	15.9
		628.5	559.9
Property, plant and equipment		**507.5**	566.0
Intangible assets		**178.3**	217.0
Goodwill		**499.8**	509.7
Investments in joint ventures		**2.7**	2.9
Deferred taxes		**143.5**	171.3
Other assets		**41.8**	35.4
		$ 2,002.1	$ 2,062.2
Current liabilities			
Accounts payable and accrued liabilities		**$ 239.8**	$ 316.0
Provisions	12	**4.9**	9.8
Income taxes payable		**3.9**	3.5
Deferred revenues and deposits		**50.0**	55.4
Current portion of long-term debt		**—**	0.2
		298.6	384.9
Long-term debt		**348.2**	347.9
Deferred taxes		**44.2**	43.4
Provisions	12	**1.5**	2.9
Other liabilities		**156.6**	214.4
		849.1	993.5
Equity			
Share capital	13	**368.6**	361.9
Contributed surplus		**1.9**	3.2
Retained earnings		**793.7**	700.9
Accumulated other comprehensive income (loss)	16	**(11.2)**	2.7
		1,153.0	1,068.7
		$ 2,002.1	$ 2,062.2

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended July 30, 2017	Three months ended July 31, 2016 [2]	Nine months ended July 30, 2017	Nine months ended July 31, 2016 [2]
Operating activities					
Net earnings		**$ 49.0**	$ 45.9	**$ 138.1**	$ 88.6
Adjustments to reconcile net earnings and cash flows from operating activities:					
Impairment of assets	7	**—**	0.1	**2.5**	30.4
Depreciation and amortization	8	**31.1**	32.9	**96.6**	100.7
Financial expenses on long-term debt	9	**4.4**	4.4	**13.1**	13.4
Net losses (gains) on disposal of assets		**0.5**	0.3	**(2.3)**	1.0
Income taxes	10	**15.3**	15.3	**46.9**	31.3
Net foreign exchange differences and other		**(1.7)**	(6.3)	**(10.3)**	(5.0)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**98.6**	92.6	**284.6**	260.4
Changes in non-cash operating items [1]		**(17.0)**	7.7	**(31.5)**	11.1
Income taxes paid		**(8.6)**	(14.4)	**(40.4)**	(59.0)
Cash flows from operating activities		**73.0**	85.9	**212.7**	212.5
Investing activities					
Business combinations	4	**0.1**	(36.4)	**(15.9)**	(46.3)
Business disposals	4	**(0.8)**	2.1	**24.4**	2.6
Acquisitions of property, plant and equipment		**(7.7)**	(19.1)	**(24.5)**	(46.9)
Disposals of property, plant and equipment		**—**	6.6	**7.0**	6.8
Increase in intangible assets		**(3.7)**	(4.9)	**(13.9)**	(15.8)
Cash flows from investing activities		**(12.1)**	(51.7)	**(22.9)**	(99.6)
Financing activities					
Reimbursement of long-term debt		**—**	(16.2)	**(0.2)**	(29.8)
Net decrease in credit facility		**—**	(2.0)	**—**	(24.0)
Financial expenses on long-term debt		**(5.2)**	(5.2)	**(13.4)**	(13.4)
Interest received related to previous tax reassessments		**—**	—	**—**	7.9
Exercise of stock options	13	**—**	—	**5.4**	0.4
Dividends	13	**(15.5)**	(14.3)	**(45.3)**	(41.9)
Share redemptions	13	**—**	(5.9)	**—**	(15.3)
Cash flows from financing activities		**(20.7)**	(43.6)	**(53.5)**	(116.1)
Effect of exchange rate changes on cash denominated in foreign currencies		**(0.8)**	1.5	**(0.2)**	(0.4)
Net change in cash		**39.4**	(7.9)	**136.1**	(3.6)
Cash at beginning of period		**113.4**	42.9	**16.7**	38.6
Cash at end of period		**$ 152.8**	$ 35.0	**$ 152.8**	$ 35.0
Non-cash investing activities					
Net change in capital asset acquisitions financed by accounts payable		**$ 1.2**	$ (1.4)	**$ (0.2)**	$ 1.8

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

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

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

1 GENERAL INFORMATION

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

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

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

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on September 7, 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at July 30, 2017. Any subsequent changes to the accounting policies, that will take effect in the Corporation's annual consolidated financial statements for the year ending October 29, 2017 or after, could result in a retrospective restatement of these condensed interim consolidated financial statements.

New or amended accounting standards adopted

Clarification of acceptable methods of depreciation and amortization
In May 2014, the IASB issued modifications to IAS 16 "Property, Plant and Equipment" and to IAS 38 "Intangible Assets". The amendments to IAS 16 explicitly mention that depreciation method based on revenues cannot be used for property and equipment. The reason being that the depreciation method reflects factors other than the consumption of the economic benefits of the asset. Amendments to IAS 38 introduces a refutable presumption that the use of amortization methods based on revenues is inappropriate in the case of intangible assets. This presumption may be refuted only when products and consumption of economic benefits of the intangible assets have a "high correlation" or when the intangible asset is expressed as a measure of revenues. The Corporation adopted these amendments on November 1, 2016. The adoption of these modifications had no significant impact on the consolidated financial statements of the Corporation.

New or amended accounting standards not yet adopted

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

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 will be applicable to the Corporation for the annual period beginning on November 1,2018, with earlier application permitted.

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

At this time, the Corporation is performing a detailed impact assessment that this standard and its amendments will have on its consolidated financial statements.

3 SEGMENTED INFORMATION

During the year ended October 31, 2016 the Corporation revised its organizational structure to combine its services offered to retailers within the printing division. As a result, door-to-door distribution and premedia services have been transferred under the responsibility of the Printing & Packaging Sector. Accordingly, the comparative data for our operating sectors have been restated to reflect these changes.

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

(in millions of Canadian dollars, unless otherwise indicated and per share data)

3 SEGMENTED INFORMATION (CONTINUED)

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

For the three-month period ended July 30, 2017	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 430.3**	**$ 56.1**	**$ (8.7)**	**$ 477.7**
Operating expenses	**334.5**	**48.8**	**(1.0)**	**382.3**
Adjusted operating earnings before depreciation and amortization (1)	**95.8**	**7.3**	**(7.7)**	**95.4**
Restructuring and other costs (revenues)	**—**	**0.3**	**1.4**	**1.7**
Impairment of assets	**—**	**—**	**—**	**—**
Operating earnings before depreciation and amortization	**95.8**	**7.0**	**(9.1)**	**93.7**
Depreciation and amortization	**22.2**	**1.6**	**1.7**	**25.5**
Operating earnings	**$ 73.6**	**$ 5.4**	**$ (10.8)**	**$ 68.2**
Adjusted operating earnings (1)	**$ 73.6**	**$ 5.7**	**$ (9.4)**	**$ 69.9**
Acquisitions of non-current assets (2)	**$ 8.4**	**$ 3.3**	**$ 0.9**	**$ 12.6**

For the three-month period ended July 31, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 403.7	$ 74.9	$ (10.8)	$ 467.8
Operating expenses	317.0	68.2	(6.6)	378.6
Adjusted operating earnings before depreciation and amortization (1)	86.7	6.7	(4.2)	89.2
Restructuring and other costs (revenues)	(3.0)	2.8	(0.8)	(1.0)
Impairment of assets	0.1	—	—	0.1
Operating earnings before depreciation and amortization	89.6	3.9	(3.4)	90.1
Depreciation and amortization	21.9	2.7	1.9	26.5
Operating earnings	$ 67.7	$ 1.2	$ (5.3)	$ 63.6
Adjusted operating earnings (1)	$ 64.8	$ 4.0	$ (6.1)	$ 62.7
Acquisitions of non-current assets (2) (3)	$ 18.6	$ 3.6	$ 0.4	$ 22.6

(in millions of Canadian dollars, unless otherwise indicated and per share data)

3 SEGMENTED INFORMATION (CONTINUED)

For the nine-month period ended July 30, 2017	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	**$ 1,329.9**	**$ 178.2**	**$ (28.1)**	**$ 1,480.0**
Operating expenses	**1,042.1**	**169.5**	**(5.0)**	**1,206.6**
Adjusted operating earnings before depreciation and amortization (1)	**287.8**	**8.7**	**(23.1)**	**273.4**
Restructuring and other costs (revenues)	**2.8**	**(8.1)**	**(0.7)**	**(6.0)**
Impairment of assets	**0.1**	**2.4**	**—**	**2.5**
Operating earnings before depreciation and amortization	**284.9**	**14.4**	**(22.4)**	**276.9**
Depreciation and amortization	**67.5**	**5.7**	**5.3**	**78.5**
Operating earnings	**$ 217.4**	**$ 8.7**	**$ (27.7)**	**$ 198.4**
Adjusted operating earnings (1)	**$ 220.3**	**$ 3.0**	**$ (28.4)**	**$ 194.9**
Acquisitions of non-current assets (2)	**$ 24.8**	**$ 9.9**	**$ 3.5**	**$ 38.2**

For the nine-month period ended July 31, 2016	Printing and Packaging Sector	Media Sector	Head office and inter-segment eliminations	Consolidated Results
Revenues	$ 1,270.0	$ 230.2	$ (36.3)	$ 1,463.9
Operating expenses	1,003.4	226.9	(22.6)	1,207.7
Adjusted operating earnings before depreciation and amortization (1)	266.6	3.3	(13.7)	256.2
Restructuring and other costs (revenues)	3.1	11.6	(0.6)	14.1
Impairment of assets	0.3	29.7	0.4	30.4
Operating earnings before depreciation and amortization	263.2	(38.0)	(13.5)	211.7
Depreciation and amortization	65.8	8.7	5.7	80.2
Operating earnings	$ 197.4	$ (46.7)	$ (19.2)	$ 131.5
Adjusted operating earnings (1)	$ 200.8	$ (5.4)	$ (19.4)	$ 176.0
Acquisitions of non-current assets (2) (3)	$ 46.0	$ 15.8	$ 2.7	$ 64.5

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

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

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

(in millions of Canadian dollars, unless otherwise indicated and per share data)

3 SEGMENTED INFORMATION (CONTINUED)

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

	Three months ended		Nine months ended	
	July 30, 2017	July 31, 2016	**July 30, 2017**	July 31, 2016
Printing and packaging products	**$ 370.4**	$ 342.8	**$ 1,150.9**	$ 1,083.3
Publishing and content products	**70.0**	85.1	**220.3**	254.8
Other products and services	**37.3**	39.9	**108.8**	125.8
	$ 477.7	$ 467.8	**$ 1,480.0**	$ 1,463.9

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

	As at July 30, 2017	As at October 31, 2016
Printing and Packaging Sector	**$ 1,624.9**	$ 1,775.9
Media Sector	**174.7**	209.9
Head office and inter-segment eliminations (1)	**202.5**	76.4
	$ 2,002.1	$ 2,062.2

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

4 BUSINESS COMBINATIONS AND DISPOSITIONS

Business combination

On December 1, 2016, the Corporation acquired of all B2B brands of the Advisor and Financial Services Groups from Rogers Media Inc. for a total consideration of $3.9 million paid in cash. During the nine-month period ended July 30, 2017, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed related to this combination. The assets acquired are mainly comprised of intangible assets of $3.7 million and goodwill of $0.7 million, partially offset by a negligible amount of liabilities assumed. This acquisition is in line with the Corporation strategy to grow specialized products and services offering in the Media sector, reinforcing actual B2B brands portfolio.

During the nine-month period ended July 30, 2017, amounts of $7.8 million and $4.6 million were paid for contingent considerations related to acquisitions realized in 2016 and 2015, respectively, and an amount of $0.4 million was received related to an acquisition realized in 2016.

During the nine-month period ended July 30, 2017, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of Flexstar Packaging Inc., acquired on October 14, 2016. Changes in the fair value of assets acquired and liabilities assumed are negligible.

Business disposition

On April 12, 2017 the Corporation sold its Atlantic media assets for a cash consideration and an amount receivable. The transaction includes 28 brands and web-related properties, four printing plants operated within the Media Sector, commercial printing activities in the province of Newfoundland and Labrador, and distribution activities in Atlantic Canada. During the nine-month period ended July 30, 2017, the Corporation paid the final amount of the working capital adjustment.

During the three-month period ended July 30, 2017, the Corporation disposed of 2 groups of local newpapers in the context of the process of the sale of its local and regional newspapers in Quebec and Ontario as announced on April 18, 2017.

(in millions of Canadian dollars, unless otherwise indicated and per share data)

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended		Nine months ended	
	July 30, 2017	July 31, 2016	**July 30, 2017**	July 31, 2016
Employee-related costs	**$ 141.8**	$ 149.0	**$ 451.6**	$ 474.5
Supply chain and logistics [1]	**208.4**	202.6	**657.3**	648.4
Other goods and services [2]	**32.1**	27.0	**97.7**	84.8
	$ 382.3	$ 378.6	**$ 1,206.6**	$ 1,207.7

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

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

6 RESTRUCTURING AND OTHER COSTS (REVENUES)

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

	Three months ended		Nine months ended	
	July 30, 2017	July 31, 2016	**July 30, 2017**	July 31, 2016
Workforce reductions	**$ 3.4**	$ 5.8	**$ 8.3**	$ 19.8
Other costs (revenues) related to the sale of certain activities in the Media Sector	**(0.8)**	(0.7)	**(10.8)**	0.8
Net gains on sale of buildings	**—**	(1.4)	**(3.8)**	(1.4)
Onerous contracts	**(0.1)**	0.2	**0.6**	(0.4)
Business acquisition costs [1]	**—**	0.2	**0.5**	0.4
Other revenues [2]	**(0.8)**	(5.1)	**(0.8)**	(5.1)
	$ 1.7	$ (1.0)	**$ (6.0)**	$ 14.1

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

[2] Other revenues represent the effect on revaluation of contingents considerations payable as part of a business combinations.

(in millions of Canadian dollars, unless otherwise indicated and per share data)

7 IMPAIRMENT OF ASSETS

Impairment of assets by major headings is as follows:

	Three months ended		Nine months ended	
	July 30, 2017	July 31, 2016	**July 30, 2017**	July 31, 2016
Property, plant and equipment	**$ —**	$ 0.1	**$ 1.2**	$ 0.8
Intangible assets	**—**	—	**1.3**	29.6
	$ —	$ 0.1	**$ 2.5**	$ 30.4

2017 Impairment test

The sale of Atlantic Canada media assets and the announcement of a process for the sale of newspaper in Quebec and Ontario conducted the Corporation to perform an impairment test on all the assets in the Media Sector's Local Solutions Group during the nine-month period ended July 30, 2017, The Corporation concluded that there was no impairment on the residual net assets.

During the nine-month period ended July 30, 2017, the Corporation recorded a $1.3 million impairment charge, mainly due to costs relating to technology projects in the Media Sector for the portion attributable to the Atlantic Canada media sold assets. This impairment charge had no effect on the Corporation's activities, on cash or on meeting the requirements of debt covenants.

2016 Impairment test

Due to financial results of certain daily and weekly newspapers outside of Quebec that were lower than the forecasts for the nine-month period ended July 31, 2016, the Corporation performed an interim impairment test on certain intangible assets with an indefinite useful life. These intangible assets with an indefinite useful life consist of trade names acquired in business combinations for newspaper publishing activities. The Corporation has concluded that the recoverable values of certain cash generating units ("CGU") in the Media Sector's Local Solutions Group, determined on the basis of value in use, were less than their carrying amounts due to a decline in profitability, as a result of a decrease in advertising revenues. Therefore, the Corporation recorded a $28.7 million impairment charge during the nine-month period ended July 31, 2016. The Corporation also recorded an impairment charge of $0.9 million during the nine-month period ended July 31, 2016, mainly due to costs relating to technology projects in the Media Sector. These impairment charges had no effect on the Corporation's activities, on cash or on meeting the requirements of debt covenants.

The Corporation also performed an interim impairment test on goodwill with respect to the Local Solutions Group CGU's and concluded that there was no impairment on the residual net assets.

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows:

	Three months ended		Nine months ended	
	July 30, 2017	July 31, 2016	**July 30, 2017**	July 31, 2016
Property, plant and equipment	**$ 19.1**	$ 19.9	**$ 58.4**	$ 60.0
Intangible assets	**6.4**	6.6	**20.1**	20.2
	25.5	26.5	**78.5**	80.2
Intangible assets and other assets, recognized in revenues and operating expenses	**5.6**	6.4	**18.1**	20.5
	$ 31.1	$ 32.9	**$ 96.6**	$ 100.7

(in millions of Canadian dollars, unless otherwise indicated and per share data)

9 NET FINANCIAL EXPENSES

Net financial expenses by major headings are as follows:

	Three months ended		Nine months ended	
	July 30, 2017	July 31, 2016	**July 30, 2017**	July 31, 2016
Financial expenses on long-term debt	**$ 4.4**	$ 4.4	**$ 13.1**	$ 13.4
Net interest on defined benefit plans asset and liability	**0.5**	0.2	**1.5**	0.5
Other revenues	**(0.4)**	—	**(0.3)**	(0.6)
Net foreign exchange gains	**(0.6)**	(2.1)	**(0.9)**	(1.3)
	$ 3.9	$ 2.5	**$ 13.4**	$ 12.0

10 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		Nine months ended	
	July 30, 2017	July 31, 2016	**July 30, 2017**	July 31, 2016
Earnings before share of net earnings in interests in joint ventures and income taxes	**$ 64.3**	$ 61.1	**$ 185.0**	$ 119.5
Canadian statutory tax rate (1)	**26.82 %**	26.90 %	**26.82 %**	26.90 %
Income taxes at the statutory tax rate	**17.2**	16.4	**49.6**	32.1
Effect of differences in tax rates in other jurisdictions	**0.4**	(0.6)	**1.3**	(0.2)
Income taxes on non-deductible expenses and non-taxable portion of capital gains	**(1.9)**	(0.5)	**(3.0)**	0.1
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**—**	—	**(0.3)**	—
Other	**(0.4)**	—	**(0.7)**	(0.7)
Income taxes at effective tax rate	**$ 15.3**	$ 15.3	**$ 46.9**	$ 31.3
Income taxes before the following items:	**$ 15.9**	$ 16.2	**$ 47.6**	$ 44.7
Income taxes on restructuring and other costs (revenues)	**(0.6)**	(1.3)	**—**	(5.4)
Income taxes on impairment of assets	**—**	0.4	**(0.7)**	(8.0)
Income taxes at effective tax rate	**$ 15.3**	$ 15.3	**$ 46.9**	$ 31.3

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

11 LONG-TERM DEBT

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

(in millions of Canadian dollars, unless otherwise indicated and per share data)

12 PROVISIONS

The following table presents changes in provisions for the nine-month period ended July 30, 2017:

	Restructuring costs	Onerous contracts	Other (1)	Total
Balance as at October 31, 2016	$ 6.2	$ 5.5	$ 1.0	$ 12.7
Provisions recorded	8.9	1.1	—	10.0
Amounts used	(11.9)	(2.9)	(0.4)	(15.2)
Provisions reversed	(0.6)	(0.5)	—	(1.1)
Balance as at July 30, 2017	$ 2.6	$ 3.2	$ 0.6	$ 6.4
Current portion	$ 2.6	$ 2.0	$ 0.3	$ 4.9
Non-current portion	—	1.2	0.3	1.5
	$ 2.6	$ 3.2	$ 0.6	$ 6.4

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

13 SHARE CAPITAL

The following table presents changes in the Corporation's share capital for the nine-month period ended July 30, 2017:

	Number of shares	Amount
Class A Subordinate Voting Shares		
Balance as at October 31, 2016	62,886,445	$ 342.8
Conversion of Class B Shares into Class A Subordinate Voting Shares	66,600	0.1
Shares redeemed and cancelled	(2,663)	—
Exercise of stock options	430,154	6.7
Balance as at July 30, 2017	63,380,536	349.6
Class B Shares		
Balance as at October 31, 2016	14,074,626	19.1
Conversion of Class B Shares into Class A Subordinate Voting Shares	(66,600)	(0.1)
Balance as at July 30, 2017	14,008,026	19.0
	77,388,562	$ 368.6

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 17, 2017 and April 16, 2018, or at an earlier date if the Corporation concludes or cancels the offer, up to 2,000,000 of its Class A Subordinate Voting Shares and up to 442,349 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

The Corporation had been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between April 15, 2016 and April 14, 2017, or at an earlier date if the Corporation concludes or cancels the offer, up to 2,000,000 of its Class A Subordinate Voting Shares and up to 226,344 of its Class B Shares. The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange.

During the nine-month period ended July 30, 2017, the Corporation repurchased and cancelled 2,663 of its Class A Subordinate Voting Shares at a weighted average price of $17.48, for a negligible total cash consideration. The excess of the total consideration paid over the carrying amount of the shares was negligible and was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at July 30, 2017.

13 SHARE CAPITAL (CONTINUED)

During the nine-month period ended July 31, 2016, the Corporation repurchased and cancelled 883,864 of its Class A Subordinate Voting Shares at a weighted average price of $17.33, for a total cash consideration of $15.3 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of $10.5 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at July 31, 2016.

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 nine-month period ended July 30, 2017, the consideration received was $5.4 million and an amount of $1.3 million was transferred from contributed surplus to share capital. For the nine-month period ended July 31, 2016, the consideration received was $0.4 million and an amount of $0.1 million was transferred from contributed surplus to share capital.

Dividends
Dividends of $0.20 and $0.185 per share were declared and paid to holders of shares for the three-month periods ended July 30, 2017 and July 31, 2016, respectively. Dividends of $0.585 and $0.54 per share were declared and paid to holders of shares for the nine-month periods ended July 30, 2017 and July 31, 2016, respectively.

14 NET EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	July 30, 2017	July 31, 2016	**July 30, 2017**	July 31, 2016
Numerator				
Net earnings	**$ 49.0**	$ 45.9	**$ 138.1**	$ 88.6
Denominator (in millions)				
Weighted average number of shares outstanding - basic	**77.4**	77.5	**77.3**	77.7
Dilutive effect of stock options	**0.2**	0.3	**0.2**	0.3
Weighted average number of shares - diluted	**77.6**	77.8	**77.5**	78.0

As at July 30, 2017 and July 31, 2016, all the stock options are included in the calculation of the diluted net earnings per share due to their potential dilutive effect.

15 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 ceased granting stock options during the year ended October 31, 2014.

For the three-month and nine-month periods ended July 30, 2017, as well as for the three-month and nine-month periods ended July 31, 2016, negligible amounts of stock-based compensation expenses 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 nine-month period ended July 30, 2017:

	Number of options	Weighted average exercise price
Options outstanding as at October 31, 2016	729,502	$ 12.60
Exercised	(430,154)	12.34
Options outstanding as at July 30, 2017	299,348	$ 12.97
Options exercisable as at July 30, 2017	299,348	$ 12.97

(in millions of Canadian dollars, unless otherwise indicated and per share data)

15 STOCK-BASED COMPENSATION (CONTINUED)

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 nine-month period ended July 30, 2017:

	Number of units	
	DSU	RSU
Balance as at October 31, 2016	274,168	1,069,860
Units granted	13,545	248,371
Units cancelled	—	(6,198)
Units paid	(6,907)	(382,726)
Dividends paid in units	6,817	20,856
Balance as at July 30, 2017	287,623	950,163

As at July 30, 2017, the liability related to the share unit plan for certain officers and senior executives was $21.1 million ($16.5 million as at October 31, 2016). The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 30, 2017 were $4.0 million and $12.6 million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2016 were $1.0 million and $3.0 million, respectively. Amounts of $0.2 million and $8.0 million were paid under this plan for the three-month and nine-month periods ended July 30, 2017, respectively. No amount was paid under this plan for the three-month period ended July 31, 2016. An amount of $5.5 million was paid under this plan for the three-month period ended July 31, 2016.

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 nine-month period ended July 30, 2017:

	Number of units
Balance as at October 31, 2016	377,901
Directors' compensation	18,197
Units paid	(101,200)
Dividends paid in units	7,785
Balance as at July 30, 2017	302,683

As at July 30, 2017, the liability related to the share unit plan for directors was $8.0 million ($6.8 million as at October 31, 2016). The expense recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 30, 2017 were $1.0 million and $3.6 million, respectively. The expense (the reversal) recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 31, 2016 were $(0.1) million and $0.1 million, respectively. Amounts of $0.9 million and $2.4 million were paid under this plan for the three-month and nine-month periods ended July 30, 2017. No amount were paid under this plan for the three-month and nine-month periods ended July 31, 2016.

(in millions of Canadian dollars, unless otherwise indicated and per share data)

16 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, 2016	**$ (1.6)**	**$ 38.7**	**$ (34.4)**	**$ 2.7**
Net change in gains (losses), net of income taxes	**4.0**	**(33.3)**	**15.4**	**(13.9)**
Balance as at July 30, 2017	**$ 2.4**	**$ 5.4**	**$ (19.0)**	**$ (11.2)**
Balance as at October 31, 2015	$ (7.0)	$ 24.3	$ 2.1	$ 19.4
Net change in gains (losses), net of income taxes	6.5	3.1	(15.0)	(5.4)
Balance as at July 31, 2016	$ (0.5)	$ 27.4	$ (12.9)	$ 14.0

As at July 30, 2017, the amounts expected to be reclassified to net earnings in future years are as follows:

	2017	2018	2019	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ 0.4	$ 1.9	$ 1.0	$ 3.3
Income taxes	0.1	0.5	0.3	0.9
	$ 0.3	$ 1.4	$ 0.7	$ 2.4

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

	Three months ended		Nine months ended	
	July 30, 2017	July 31, 2016	**July 30, 2017**	July 31, 2016
Actuarial gains (losses) on obligation - change in discount rate	**$ 31.2**	$ (42.8)	**$ 66.9**	$ (105.0)
Actuarial gains (losses) on plan assets - excluding interest income	**(28.1)**	46.0	**(40.8)**	80.5
Effect of the asset ceiling	**(0.7)**	(0.3)	**(5.1)**	4.1
	$ 2.4	$ 2.9	**$ 21.0**	$ (20.4)

Actuarial gains on obligation recognized in Statements of Comprehensive Income for the three-month and nine-month periods ended July 30, 2017 are explained by the change in the discount rate, which changed from 3.3% as at October 31, 2016, to 3.9% as at January 29, 2017, to 3,6% as at April 30, 2017 and to 3,9% as at July 30, 2017. Actuarial losses on plan assets are due to actual rates of return on assets that was lower than expected return for the three-month and nine-month periods ended July 30, 2017.

Actuarial losses on obligation recognized in Statements of Comprehensive Income for the three-month and nine-month periods ended July 31, 2016 are explained by the change in the discount rate, which decreased from 4.4% as at October 31, 2015, to 4.0% as at January 31, 2016, to 3.7% as at April 30, 2016 and to 3.2% as at July 31, 2016. Actuarial gains on plan assets are due to actual rate of return on assets that was greater than expected return for three-month and nine-month periods ended July 31, 2016.

(in millions of Canadian dollars, unless otherwise indicated and per share data)

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

	As at July 30, 2017		As at October 31, 2016	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 9.4**	**$ 9.4**	$ 2.5	$ 2.5
Contingent considerations	**(1.4)**	**(1.4)**	(15.0)	(15.0)
Long-term debt	**(361.1)**	**(348.2)**	(366.1)	(348.1)
Foreign exchange forward contracts in liabilities	**—**	**—**	(2.3)	(2.3)

These financial instruments are classified in Level 2 of the fair value hierarchy, with the exception of contingent considerations payable with respect to the business combinations which are classified in Level 3. For the nine-month period ended July 30, 2017, no financial instruments were transferred between levels 1, 2 and 3.

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

	July 30, 2017
Balance, beginning of period	**$ (15.0)**
Amount paid	**12.5**
Change included in net earnings	**0.8**
Exchange rate change	**0.3**
Balance, end of period	**$ (1.4)**

Sensitivity analysis of the Level 3 financial instruments
On July 30, 2017, all other things being equal, a 10 % increase of pre-established financial performance thresholds of acquired businesses would have resulted in a decrease of $3.1 million in net earnings. A 10 % decrease of pre-established financial performance thresholds would have resulted in an increase of 1.2 million in net earnings.