

For Immediate Release

Transcontinental Inc.'s adjusted operating income increases for fourth consecutive quarter

Highlights

(in millions of dollars, except per share data)	Q3-13	Q3-12	%	YTD 2013	YTD 2012	%
Revenues	493.8	517.0	(4.5)%	1,543.8	1,527.0	1.1%
Adjusted operating income before amortization ⁽¹⁾ (Adjusted EBITDA)	81.6	78.6	3.8%	236.5	233.8	1.2%
Adjusted operating income ⁽¹⁾ (Adjusted EBIT)	55.1	49.9	10.4%	157.7	148.8	6.0%
Adjusted net income applicable to participating shares ⁽¹⁾	35.7	24.9	43.4%	99.0	87.5	13.1%
Per share	0.46	0.31	48.4%	1.27	1.08	17.6%
Net income applicable to participating shares	32.4	8.1	-	77.7	(131.4)	-
Per share	0.42	0.10	-	1.00	(1.62)	-

Note 1: Please refer to the table "Reconciliation of Non-IFRS financial measures" in this press release.

- Increase of 10.4% in adjusted operating income.
- Significant growth of 43.4% in adjusted net income applicable to participating shares, from \$24.9 million to \$35.7 million; on a per-share basis, it rose from \$0.31 to \$0.46.
- Revenues down 4.5%, mainly due to the end of the contract to print and distribute Zellers flyers, a change in the format and type of paper used by some of our major customers, and difficult market conditions which affected our magazine, book and catalogue printing business as well as our publications.
- TC Transcontinental Printing signed a five-year agreement to print the *Calgary Herald*, owned by Postmedia Network Inc.
- More than \$35 million to date in synergies from the acquisition of Quad/Graphics Canada, Inc.
- Maintained a solid financial position with a net indebtedness ratio of 1.02x.

Montreal, September 12, 2013 -Transcontinental Inc.'s (TSX: TCL.A, TCL.B, TCL.PR.D) third-quarter revenues decreased from \$517.0 million in 2012 to \$493.8 million in 2013, mainly due to the end of the contract to print and distribute Zellers flyers after its store closures. Other factors were the change in the format and type of paper used by some of our major customers, difficult market conditions affecting our magazine, book and catalogue printing business, and a soft advertising market which continued to impact our Media Sector, particularly with respect to local markets. The decrease was partially offset by new printing contracts, higher volume in educational book publishing and the acquisitions of Modulo and Redux Media, among others.

Third quarter adjusted operating income rose 10.4%, from \$49.9 million to \$55.1 million. This growth stems mainly from additional synergies from the integration of Quad/Graphics Canada, Inc. and higher volume in our educational book publishing business. It was partially offset by the above-noted soft advertising market and lower volume in our custom content creation business. Net income applicable to participating shares rose from \$8.1 million, or \$0.10 per share, to \$32.4 million, or \$0.42 per share. Excluding unusual items, adjusted net income applicable to participating shares rose 43.4%, from \$24.9 million to \$35.7 million. On a per-share basis, it rose from \$0.31 to \$0.46.

“Our third quarter results clearly outperformed in our industry,” said François Olivier, President and Chief Executive Officer. “The growth in adjusted operating income is due mainly to the excellent work by our Printing Sector in achieving synergies from the

acquisition of Quad/Graphics Canada, Inc., and our strategy to optimize our cost structure. Efforts to leverage our relationships with our major retail customers also continued to produce results. Despite the pressure we are facing with regards to the advertising market in our Media Sector, we have continued to roll out our digital offering and have launched several new products and services. For upcoming quarters, our solid financial position in conjunction with our capacity to generate significant cash flows, gives us the flexibility we need to continue to invest in our development and transform our operations in order to better meet the continually evolving needs of our customers.”

Quarter Highlights

- To date, TC Transcontinental has achieved more than \$35 million in synergies from the acquisition of Quad/Graphics Canada, Inc. The Corporation is on track to reach its initial objective of \$40 million in synergies by the end of fiscal 2013 and plans to generate additional synergies in fiscal 2014.
- TC Transcontinental Printing signed a five-year agreement with Postmedia Network Inc. to print the *Calgary Herald*, which is published Monday to Saturday and has a daily circulation of about 80,000 copies. The contract will start in November 2013 and will not require additional investments by TC Transcontinental Printing given its highly efficient and flexible hybrid printing platform.
- TC Media launched AutoGo.ca, a new website designed specifically for motorists looking for a new or used vehicle all across Canada. AutoGo.ca is the only automobile website that lets users search based on lifestyle. AutoGo.ca received more than 30,000 unique visitors in the first month after it was launched.
- TC Media announced the launch of the TC Media Incubator, a laboratory for the creation, development and incubation of new digital products in the company. The TC Media Incubator will be headed by Bruno Leclaire, appointed Chief Digital Officer of TC Media. The lab will get officially underway in November 2013.
- TC Transcontinental was again named one of the best 50 corporate citizens in Canada in the annual ranking by independent media company Corporate Knights. This recognition shows the relevance of the steps taken by the Corporation to meet its commitment to sustainability.

Highlights of the first nine months

For the first nine months of 2013, TC Transcontinental's revenues were up 1.1%, from \$1,527.0 million to \$1,543.8 million. The increase stems mainly from the acquisition of Quad/Graphics Canada, Inc. and acquisitions in the Media Sector. It was partially offset by the end of the contract to print and distribute Zellers flyers, by a difficult advertising environment and by the incentives granted for the early renewal of some contracts in 2012. Adjusted operating income grew 6.0%, from \$148.8 million to \$157.7 million, principally due to the synergies achieved from the acquisition of Quad/Graphics Canada, Inc. The increase was partially offset by the same factors as indicated above. Net income applicable to participating shares rose from a loss of \$131.4 million, or \$1.62 per share, to a profit of \$77.7 million, or \$1.00 per share. Excluding unusual items, adjusted net income applicable to participating shares rose 13.1%, from \$87.5 million, or \$1.08 per share, to \$99.0 million, or \$1.27 per share.

For more detailed financial information, please see *Management's Discussion and Analysis for the third quarter ended July 31st, 2013* as well as the financial statements in the “Investors” section of our website at www.tc.tc

Outlook

Further synergies from the second phase of the integration of the operations of Quad/Graphics Canada, Inc. will be generated in the fourth quarter of 2013, but to a lesser degree than in past quarters. Furthermore, the Printing Sector plans to begin the final phase of

the integration of these operations early in fiscal 2014, which should generate additional synergies. Since the start of fiscal 2013, we have signed new agreements to print flyers and marketing products worth about \$30 million on an annualized basis whose contribution should be noted more significantly in the fourth quarter of 2013. However, such contributions will be partially offset by the closing of Zellers stores and by lower volume in our magazine, book and catalogue printing business.

The difficult market conditions with respect to advertising spending in our local and national markets are likely to continue and also affect our newspaper and magazine publishing operations. As a result, we will continue to focus on efficiency gains in order to limit potential repercussions on our profit margin. We will also continue to invest in the development of new products and services to ensure further diversification of our services.

We expect an unfavourable variance in head office costs in the fourth quarter of 2013, versus 2012, as a result of favourable non-recurring items recorded in the fourth quarter of last year. The excess cash generated in upcoming quarters, in conjunction with our excellent financial position, should permit us to keep investing in internal projects and to make strategic acquisitions if opportunities arise.

Reconciliation of Non-IFRS Financial Measures

Financial data have been prepared in conformity with IFRS. However, certain measures used in this press release do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many readers analyze our results based on certain non-IFRS financial measures because such measures are more appropriate for evaluating the Corporation's operating performance. Internally, Management uses such non-IFRS financial information as an indicator of business performance, and evaluates management's effectiveness with specific reference to these indicators. 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.

Reconciliation of Non-IFRS financial measures
(unaudited)

(in millions of dollars, except per share amounts)	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Net income (loss) applicable to participating shares	\$ 32.4	\$ 8.1	\$ 77.7	\$ (131.4)
Dividends on preferred shares	1.7	1.7	5.1	5.1
Net loss (income) related to discontinued operations (after tax)	—	5.7	—	7.1
Non-controlling interests	—	(0.2)	0.1	—
Unusual adjustments to income taxes	—	—	—	42.0
Income tax expenses	10.1	10.8	25.6	6.5
Financial expenses related to unusual adjustments to income taxes	—	—	—	16.0
Financial expenses	6.2	9.0	19.8	22.7
Gain on business acquisition	—	—	—	(31.7)
Impairment of assets	1.9	—	4.7	180.8
Restructuring and other costs	2.8	14.8	24.7	31.7
Adjusted operating income	\$ 55.1	\$ 49.9	\$ 157.7	\$ 148.8
Amortization	26.5	28.7	78.8	85.0
Adjusted operating income before amortization	\$ 81.6	\$ 78.6	\$ 236.5	\$ 233.8
Net income (loss) applicable to participating shares	\$ 32.4	\$ 8.1	\$ 77.7	\$ (131.4)
Net loss (income) from discontinued operations (after tax)	—	5.7	—	7.1
Unusual adjustments to income taxes	—	—	—	42.0
Net financial expenses related to unusual adjustments to income taxes (after tax)	—	—	—	16.0
Gain on business acquisition (after tax)	—	—	—	(31.7)
Impairment of assets (after tax)	1.3	0	3.4	162.7
Restructuring and other costs (after tax)	2.0	11.1	17.9	22.8
Adjusted net income applicable to participating shares	\$ 35.7	\$ 24.9	\$ 99.0	\$ 87.5
Average number of participating shares outstanding	77.9	80.9	78.0	81.0
Adjusted net income applicable to participating shares per share	\$ 0.46	\$ 0.31	\$ 1.27	\$ 1.08

	As at July 31, 2013	As at October 31, 2012
Long-term debt	\$ 126.9	204.1
Current portion of long-term debt	285.5	283.5
Cash	45.9	16.8
Net indebtedness	\$ 366.5	470.8
Adjusted operating income before amortization (last 12 months)	\$ 360.3	\$ 357.6
Net indebtedness ratio	1.02	1.32

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Dividends

Dividend on Participating Shares

The Corporation's Board of Directors declared a quarterly dividend of \$0.145 per Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on October 25, 2013 to participating shareholders of record at the close of business on October 7, 2013.

Dividend on Preferred shares

The Board declared a quarterly dividend of \$0.4253 per share on cumulative 5-year rate reset first preferred shares, series D. This dividend is payable on October 15, 2013. On an annual basis, this represents a dividend of \$1.6875 per preferred share.

Additional Information

Conference Call

Upon releasing its third quarter 2013 results, the Corporation will hold a conference call for the financial community today at 4:15 p.m. The dial-in numbers are (514) 940-2795 or (1 416) 644-3414 or 1-800-814-4859 and the access code is: 4638287. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on the Corporation's Web site, which will then be archived for 30 days. For media requests for information or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at (514) 954-3581.

Profile

Largest printer and leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspaper, books and custom content, mass and personalized marketing, interactive and mobile applications, TV production and door-to-door distribution.

Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), known by the brands TC Transcontinental, TC Media and TC Transcontinental Printing, has approximately 9,500 employees in Canada and the United States, and reported revenues of C\$2.1 billion in 2012. Website www.tc.tc

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world and particularly in Canada and the United States, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, energy costs, competition, as well as the Corporation's capacity to engage in strategic transactions and integrate acquisitions into its activities. The main risks, uncertainties and factors that could influence actual results are described in *Management's Discussion and Analysis (MD&A) for the fiscal year ended on October 31st, 2012* and in the *2012 Annual Information Form* and have been updated in the *MD&A for the third quarter ended July 31st, 2013*.

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 September 12, 2013.

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

The forward-looking statements in this release are based on current expectations and information available as at September 12, 2013. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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For information:

Media

Nathalie St-Jean
Senior Advisor, Corporate
Communications
TC Transcontinental
Telephone : 514 954-3581
nathalie.st-jean@tc.tc
www.tc.tc

Financial Community

Jennifer F. McCaughey
Senior Director, Investor Relations
and External Corporate Communications
TC Transcontinental
Telephone : 514 954-2821
jennifer.mccaughey@tc.tc
www.tc.tc

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the quarter ended July 31, 2013

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

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS). The term "dollar," as well as the symbol "\$" designate Canadian dollars, unless otherwise indicated. In this Management's Discussion and Analysis we also use non-IFRS financial measures. Please refer to table 6 in the section of this report entitled "Reconciliation of Non-IFRS Financial Measures" for a complete description of these measures. This report should also be read in conjunction with the information presented in the condensed interim consolidated financial statements for the quarter ended July 31, 2013. Additional information about the Corporation, including its Annual Report and Annual Information Form for the fiscal year ended October 31, 2012, 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

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario). We may make such statements in this document, in other filings with Canadian regulators, in reports to shareholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term goals, our outlook and objectives, our strategies to achieve these objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "objective," the use of the conditional tense, and words and expressions of similar nature are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements, as a number of important factors could cause our actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: credit risks, data security and utilization, market dynamics, liquidity, financing and operational risks; the strength of the North American economies in which we conduct business; the impact of the movement of the Canadian dollar relative to other currencies, more particularly the U.S. dollar and the euro; the impact from raw material and energy prices; the seasonal and cyclical nature of certain businesses; the effects of changes in interest rates; the effects of competition in the markets in which we operate; the effects of new media and the corresponding shift of advertising revenues to new platforms; judicial judgments and legal proceedings; our ability to develop new opportunities through our strategy; our ability to hire and retain qualified personnel and maintain a good reputation; our ability to complete and integrate strategic transactions; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; infrastructure risks; the possible impact on our businesses from public health emergencies, international conflicts and other developments; and our success in anticipating and managing the foregoing risks; other factors may affect future results including, but not limited to, timely development and introduction of new products and services, changes in tax laws, changes in environmental regulations, changes in policies, technological changes and new regulations.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to TC Transcontinental, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Assumptions used to derive forward-looking information could vary materially one at a time or in conjunction. Variation in one assumption may also result in changes in another, which might magnify or counteract the effect on forward-looking information. Unless otherwise required by the securities authorities, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf. The forward-looking statements contained herein are based on current expectations and information available as of September 12, 2013.

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
Adjusted net income applicable to participating shares	Net income from continuing operations applicable to participating shares, before restructuring and other costs, asset impairment, gain on business acquisition as well as unusual adjustments to income taxes and related financial expenses
Adjusted operating income	Operating income from continuing operations before restructuring and other costs, asset impairment and gain on business acquisition
Adjusted operating income before amortization	Operating income from continuing operations before amortization, restructuring and other costs, asset impairment and gain on business acquisition
Net income from continuing operations applicable to participating shares	Net income from continuing operations minus dividends on preferred shares
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 income before amortization

PROFILE OF TC TRANSCONTINENTAL

Largest printer and leading provider of media and marketing activation solutions in Canada, TC Transcontinental creates products and services that allow businesses to attract, reach and retain their target customers. The Corporation specializes in print and digital media, the production of magazines, newspapers, books and custom content, mass and personalized marketing, interactive and mobile applications, TV production and door-to-door distribution.

Transcontinental Inc. (TSX: TCL.A, TCL.B, TCL.PR.D), known by the brands TC Transcontinental, TC Media and TC Transcontinental Printing, has approximately 9,500 employees in Canada and the United States, and reported revenues of C\$2.1 billion in 2012.

HIGHLIGHTS

- Third quarter revenues in 2012 were \$517.0 million compared to \$493.8 million in 2013, a decrease of \$23.2 million, or 4.5%.
- Adjusted operating income increased by \$5.2 million, from \$49.9 million in the third quarter of 2012 to \$55.1 million in 2013, up 10.4%.
- Adjusted net income applicable to participating shares increased by \$10.8 million, or 43.4%, from \$24.9 million in the third quarter of 2012 to \$35.7 million in 2013.
- Our net indebtedness ratio went from 1.05x at April 30, 2013 to 1.02x at July 31, 2013 (1.32x at October 31, 2012).

ANALYSIS OF CONSOLIDATED RESULTS – THIRD QUARTER OF 2013

(unaudited)

Table #1:

(in millions of dollars)	Revenues	%	Adjusted operating income	%	Net income (loss) applicable to participating shares
Third quarter of 2012	\$ 517.0		\$ 49.9		\$ 8.1
Acquisitions/Closures	3.7	0.7 %	1.2	2.4 %	0.7
Existing operations	(26.9)	(5.2) %	4.0	8.0 %	10.1
Discontinued operations					5.7
Restructuring and other costs					9.1
Impairment of assets					(1.3)
Third quarter of 2013	\$ 493.8	(4.5) %	\$ 55.1	10.4 %	\$ 32.4

Revenues

Revenues decreased by \$23.2 million, or 4.5%, from \$517.0 million in the third quarter of 2012 to \$493.8 million in the third quarter of 2013. This change is due to the following factors:

- Revenues from existing operations were down \$26.9 million, notably due to changes in the format and type of paper used by some of our major Printing Sector customers. Note that while these items affect revenues, they do not impact adjusted operating income. Excluding the paper effect, revenues from existing operations were down \$22.8 million, or 4.4%, mainly due to the loss of volume from the closing of Zellers stores, the decrease in our magazine, book and catalogue printing and the impact of difficult market conditions, particularly with respect to advertising spending, which continues to affect the Media Sector.
- The net effect of acquisitions and closures resulted in a \$3.7 million increase in revenues, mainly due to acquisitions in the Media Sector, notably Redux Media.

Adjusted operating income

Adjusted operating income rose \$5.2 million, or 10.4%, from \$49.9 million in the third quarter of 2012 to \$55.1 million in the third quarter of 2013. This change is due to the following factors:

- Adjusted operating income from existing operations was up \$4.0 million, due to synergies from the integration of Quad/Graphics Canada, Inc., partially offset by the impact of the closing of Zellers stores. The Media Sector was also affected by the soft local and national advertising market.
- The net effect of acquisitions and closures increased adjusted operating income by \$1.2 million, primarily due to the acquisitions in the Media Sector, notably Redux Media.

Restructuring and other costs

In the third quarter of 2013, an amount of \$2.8 million (\$2.0 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs, of which \$5.3 million related to the ongoing integration of the printing operations of Quad/Graphics Canada, Inc. and cost-saving measures in the Media Sector. These items were offset by a net positive impact of \$2.5 million, primarily related to the discharge of our obligation to lease a Quad/Graphics Canada, Inc. printing plant in Lasalle, Quebec.

In the third quarter of 2012, an amount of \$14.8 million before tax (\$11.1 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring and other costs, primarily related to integration of the printing operations of Quad/Graphics Canada, Inc. This charge consists of \$6.4 million from onerous contracts related to leases on unused facilities, \$5.5 million from workforce reductions and \$2.9 million from other costs.

Asset impairment

An asset impairment charge of \$1.9 million (\$1.3 million after tax) was recorded in the third quarter of 2013, principally in the Printing Sector. No asset impairment was recorded in the third quarter of 2012.

Net financial expenses

Net financial expenses were down \$2.8 million in the third quarter of 2013, from \$9.0 million in 2012 to \$6.2 million in 2013. The decrease stems mainly from a lower net indebtedness versus the third quarter of 2012 and an exchange loss of \$1.1 million recorded in 2012.

Income taxes

Income taxes decreased from \$10.8 million in the third quarter of 2012 to \$10.1 million in the third quarter of 2013. Excluding income taxes on restructuring, integration and acquisition costs and asset impairment, income taxes would have amounted to \$11.5 million in the third quarter of 2013, for a tax rate of 23.5%, compared to \$14.5 million, or 35.5%, in the third quarter of 2012. The decrease stems mainly from a favourable adjustment in 2013 combined with an unfavourable adjustment in 2012 related to the difference between the estimated accounting provision and the actual tax expense.

Net income applicable to participating shares

Net income applicable to participating shares rose from \$8.1 million in the third quarter of 2012 to \$32.4 million in the third quarter of 2013. The change stems mainly from higher operating income as well as a decrease in restructuring costs, a reduction in financial expenses and the unfavourable impact of discontinued operations in 2012. On a per-share basis, net income applicable to participating shares improved, rising from \$0.10 to \$0.42.

Adjusted net income applicable to participating shares rose \$10.8 million, or 43.4%, from \$24.9 million in the third quarter of 2012 to \$35.7 million in the third quarter of 2013. On a per-share basis, it rose from \$0.31 to \$0.46.

Discontinued operations

There were no discontinued operations in the third quarter of 2013. In the third quarter of 2012, the Corporation recorded a loss related to discontinued operations of \$5.7 million, net of related income taxes, in connection with the sale of our black and white book printing operations to Marquis Imprimeur inc.

ANALYSIS OF SECTOR RESULTS – THIRD QUARTER OF 2013

(unaudited)

Table #2:

(in millions of dollars)	Printing Sector	Media Sector	Inter-segment eliminations, other activities and head office	Consolidated Results
Revenues - Third quarter of 2012	\$ 363.5	\$ 173.6	\$ (20.1)	\$ 517.0
Acquisitions/Closures	—	3.7	—	3.7
Existing operations	(25.9)	(3.5)	2.5	(26.9)
Revenues - Third quarter of 2013	\$ 337.6	\$ 173.8	\$ (17.6)	\$ 493.8
Adjusted operating income (loss) - Third quarter of 2012	\$ 42.4	\$ 10.2	\$ (2.7)	\$ 49.9
Acquisitions/Closures	—	1.2	—	1.2
Existing operations	6.8	(2.8)	—	4.0
Adjusted operating income (loss) - Third quarter of 2013	\$ 49.2	\$ 8.6	\$ (2.7)	\$ 55.1

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

Printing Sector

Printing Sector revenues were down \$25.9 million, or 7.1%, from \$363.5 million in the third quarter of 2012 to \$337.6 million in the third quarter of 2013. However, excluding the impact of the change in the format and type of paper used by some of our major customers, revenues were down \$21.8 million or 6.0%. The decrease stems mainly from the loss of volume from the closing of Zellers stores and difficult market conditions which affected our magazine, book and catalogue printing operations. These factors were partially offset by the impact of new printing contracts signed in early fiscal 2013.

Adjusted operating income was up 16.0%, or \$6.8 million, from \$42.4 million in the third quarter of 2012 to \$49.2 million in the third quarter of 2013. The increase is largely due to the synergies from integrating the operations of Quad/Graphics Canada, Inc. However, these synergies were partially offset by the loss of volume following the closing of the Zellers stores and difficult market conditions which affected our magazine, book and catalogue printing operations. As a result, the adjusted operating income margin rose from 11.7% in the third quarter of 2012 to 14.6% in the third quarter of 2013.

Media Sector

Media Sector revenues were up \$0.2 million, or 0.1%, from \$173.6 million in the third quarter of 2012 to \$173.8 million in the third quarter of 2013. The increase is largely due to the contribution from the acquisitions of Redux Media and Groupe Modulo, as well as higher revenues from our educational book publishing operations in 2013 due to an increase in sales outside Quebec. However, the increase was almost completely offset by lower advertising spending in our local and national markets, the loss of volume related to the closing of Zellers stores which affected our distribution and premedia operations, and a reduction within our content-creation activities.

Adjusted operating income was down \$1.6 million, or 15.7%, from \$10.2 million in the third quarter of 2012 to \$8.6 million in the third quarter of 2013. The adjusted operating margin declined from 5.9% in the third quarter of 2012 to 4.9% in 2013. Within our existing operations, adjusted operating income was significantly affected by the lower revenues noted above. These results were partially offset by the positive impact on our operating results of the revenue growth in educational book publishing and the acquisition of Redux Media.

Inter-segment eliminations, other activities and head office

Eliminations of inter-segment revenues and other activities went from -\$20.1 million in the third quarter of 2012 to -\$17.6 million in the third quarter of 2013. Adjusted operating income was stable at -\$2.7 million. The share-price variance during the third quarter of 2013 was higher than in 2012, which increased the cost of stock-based compensation for officers and directors; however this was offset by lower head office costs.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

(unaudited)

Table #3:

(in millions of dollars)	Revenues	%	Adjusted operating income	%	Net income (loss) applicable to participating shares
Nine months ended July 31, 2012	\$ 1,527.0		\$ 148.8		\$ (131.4)
Acquisitions/Closures	85.9	5.6 %	14.6	9.8 %	10.7
Existing operations	(69.1)	(4.5) %	(5.7)	(3.8) %	0.8
Discontinued operations					7.1
Restructuring and other costs					4.9
Impairment of assets					159.3
Gain on business acquisition					(31.7)
Financial expenses related to unusual adjustments to income taxes					16.0
Unusual adjustments to income taxes					42.0
Nine months ended July 31, 2013	\$ 1,543.8	1.1 %	\$ 157.7	6.0 %	\$ 77.7

Revenues

Revenues were up 1.1%, from \$1,527.0 million in the first nine months of 2012 to \$1,543.8 million for the same period in 2013. This change is due to the following factors:

- The net effect of acquisitions and closures increased revenues by \$85.9 million, mainly due to the acquisition of Quad/Graphics Canada, Inc. and, to a lesser extent, acquisitions in the Media Sector.
- Revenues from existing operations were down \$69.1 million, or 4.5%, in the first nine months of 2013, primarily due to incentives granted for early renewal of several major long-term contracts in 2012, the volume decrease stemming from the closing of Zellers stores, and difficult market conditions with respect to advertising spending in our local and national markets which continue to particularly affect the Media Sector.

Adjusted Operating Income

Adjusted operating income was up 6.0%, from \$148.8 million in the first nine months of 2012 to \$157.7 million for the same period of 2013. This change is due to the following factors:

- The net effect of acquisitions and closures raised adjusted operating income by \$14.6 million, principally due to the contribution from the operations of Quad/Graphics Canada, Inc., acquired on March 1, 2012, in the first four months of fiscal 2013.
- With respect to existing operations, adjusted operating income was down \$5.7 million, or 3.8%, in the first nine months of 2013. This decrease stems mainly from the lower consolidated revenues noted above, partially offset by synergies from the integration of the operations of Quad/Graphics Canada, Inc. in the past five months, i.e., since March 1, 2013.

Restructuring, integration and acquisition costs

In the first nine months of 2013, an amount of \$24.7 million (\$17.9 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring, integration and acquisition costs, mainly due to the integration of the Quad/Graphics Canada, Inc. printing operations. Of that amount, \$14.9 million stems from workforce reductions and \$9.8 million from other restructuring costs, the majority of which related to onerous contracts with respect to leases for facilities no longer used by the Corporation.

In the first nine months of 2012, an amount of \$31.7 million (\$22.8 million after tax) was accounted for separately on the Consolidated Statement of Income as restructuring, integration and acquisition costs, mainly due to the integration of the Quad/Graphics Canada, Inc. printing operations. This charge is composed of \$23.6 million from workforce reductions, primarily in the Printing Sector, \$6.4 million from onerous contracts for leases for facilities no longer used by the Corporation, and \$1.7 million for other costs.

Asset impairment

In the first nine months of fiscal 2013, an asset impairment charge of \$4.7 million (\$3.4 million after tax) was recorded, primarily for impairment of assets in the Printing Sector.

In the first nine months of fiscal 2012, an impairment charge of \$180.8 million before tax (\$162.7 million after tax) was recorded, almost entirely related to loss of goodwill value in the Media Sector.

Gain on business acquisition

During the first nine months of 2012, we recorded a gain on business acquisition of \$31.7 million (\$31.7 million after tax), resulting from the initial accounting of the transaction for the acquisition of Quad/Graphics Canada, Inc. in March 2012.

Net financial expenses

Net financial expenses decreased by \$18.9 million in the first nine months of 2013, from \$38.7 million in 2012 to \$19.8 million in 2013. The decrease is principally due to an unusual adjustment of \$16.0 million in the first nine months of 2012, pertaining to notices of tax re-assessment.

In 2012, adjusted net financial expenses, excluding the above-mentioned unusual adjustment, amounted to \$22.7 million versus \$19.8 million in the first nine months of 2013, a decrease of \$2.9 million. The decrease is mainly due to lower indebtedness than in the first nine months of 2012, offset by an exchange loss of \$1.1 million in 2013.

Income taxes

Income taxes were down \$22.9 million, from \$48.5 million in the first nine months of 2012 to \$25.6 million in the first nine months of 2013. The decrease is mainly due to a \$42.0 million provision in the first quarter of 2012 pertaining to notices of tax re-assessment.

Excluding income taxes on restructuring and integration expenses, acquisition costs, asset impairment, the gain on business acquisition, and non-recurring items, income taxes would have amounted to \$33.7 million in the first nine months of 2013, for a tax rate of 24.4%, compared to \$33.5 million, or 26.6%, in the first nine months of 2012. The lower tax rate stems mainly from a favourable adjustment in 2013 combined with an unfavourable adjustment in 2012 related to the difference between the estimated accounting provision and the actual tax expense, and adjustments related to the tax treatment of certain expenses.

Net Income Applicable to Participating Shares

Net income applicable to participating shares rose from \$-131.4 million in the first nine months of 2012 to \$77.7 million in the first nine months of 2013. The increase is mainly due to an asset impairment of \$180.8 million (\$162.7 million after tax), a provision for \$58.0 million with respect to notices of tax re-assessment, and a gain on business acquisition of \$31.7 million, all recorded in the first nine months of 2012, combined with our higher operating income in 2013. On a per share basis, net income applicable to participating shares rose from \$-1.62 to \$1.00.

Adjusted net income applicable to participating shares increased by \$11.5 million, or 13.1%, from \$87.5 million in the first nine months of 2012 to \$99.0 million in the first nine months of 2013. On a per share basis, it increased from \$1.08 to \$1.27.

Discontinued operations

There were no discontinued operations in the first nine months of 2013, whereas a net loss of \$7.1 million was recorded in the first nine months of 2012. That loss was mainly related to our black and white book printing operations sold to Marquis Imprimeur inc., as well as an unfavourable adjustment related to a price adjustment clause based on working capital at the close of the sale of our print operations in Mexico, disposed of in the fourth quarter of 2011.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #4:

(in millions of dollars)	Printing Sector	Media Sector	Inter-segment eliminations, other activities and head office	Consolidated Results
Revenues - Nine months ended July 31, 2012	\$ 1,079.3	\$ 505.7	\$ (58.0)	\$ 1,527.0
Acquisitions/Closures	60.1	25.8	—	85.9
Existing operations	(53.0)	(16.4)	0.3	(69.1)
Revenues - Nine months ended July 31, 2013	\$ 1,086.4	\$ 515.1	\$ (57.7)	\$ 1,543.8
Adjusted operating income (loss) - Nine months ended July 31, 2012	\$ 135.4	\$ 23.8	\$ (10.4)	\$ 148.8
Acquisitions/Closures	10.1	4.5	—	14.6
Existing operations	5.5	(9.8)	(1.4)	(5.7)
Adjusted operating income (loss) - Nine months ended July 31, 2013	\$ 151.0	\$ 18.5	\$ (11.8)	\$ 157.7

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

Printing Sector

Printing Sector revenues rose 0.7%, or \$7.1 million, from \$1,079.3 million for the first nine months of 2012 to \$1,086.4 million for the same period in 2013. The increase stems from the acquisition of the operations of Quad/Graphics Canada, Inc. on March 1, 2012, which contributed \$60.1 million to sector revenues in the first four months of 2013. However, revenues from our existing operations were down \$53.0 million, or 4.9%, mainly due to incentives granted to major clients for the early renewal of long-term printing contracts in 2012 and the loss of volume related to the closing of Zellers stores.

Adjusted operating income was up \$15.6 million, or 11.5%, from \$135.4 million in the first nine months of 2012 to \$151.0 million for the same period in 2013. The adjusted operating margin was also up, from 12.5% in the first nine months of 2012 to 13.9% for the same period in 2013. These increases are mainly due to the integration of the volume acquired from Quad/Graphics Canada, Inc., combined with the synergies generated by the optimal use of our most productive equipment. These items were partially offset by the revenue decrease explained above.

Media Sector

Media Sector revenues grew 1.9%, or \$9.4 million, from \$505.7 million in the first nine months of 2012 to \$515.1 million for the same period in 2013. The increase is mainly due to the contribution from our acquisitions, notably Redux Media and, to a lesser extent, the purchase of all the shares of the *Métro* Montréal newspaper, the acquisition of Groupe Modulo and the acquisition of the premedia operations of Quad/Graphics Canada, Inc. This increase was partially offset by the lower volume of local and national advertising spending, which mainly affected our newspaper and magazine publishing operations, as well as the loss of volume related to the closing of Zellers stores, which affected our distribution and premedia operations.

In the first nine months of 2013, adjusted operating income was down \$5.3 million, or 22.3%, from \$23.8 million in the first nine months of 2012 to \$18.5 million for the same period in 2013, due to lower revenues from our existing operations, partially offset by the contribution from acquisitions. The sector's adjusted operating margin declined from 4.7% for the first nine months of 2012 to 3.6% for the same period in 2013.

Inter-segment eliminations, other activities and head office

Eliminations of inter-segment revenues and other activities were stable going from \$-58.0 million in the first nine months of 2012 to \$-57.7 million in the first nine months of 2013. Adjusted operating income decreased, from \$-10.4 million in the first nine months of 2012 to \$-11.8 million for the same period of 2013, primarily related to a higher share-price variance during the first nine months of 2013 which increased the cost of stock-based compensation for officers and directors.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5:

(in millions of dollars, except per share amounts)	2013			2012				2011
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$ 493.8	\$ 521.3	\$ 528.7	\$ 585.1	\$ 517.0	\$ 522.4	\$ 487.6	\$ 521.6
Adjusted operating income before amortization ⁽¹⁾	81.6	83.3	71.6	123.8	78.6	83.8	71.4	110.0
Adjusted operating income margin before amortization	16.5 %	16.0 %	13.5 %	21.2 %	15.2 %	16.0 %	14.6 %	21.1 %
Adjusted operating income ⁽¹⁾	55.1	56.9	45.7	96.4	49.9	55.9	43.0	80.0
Adjusted operating income margin	11.2 %	10.9 %	8.6 %	16.5 %	9.7 %	10.7 %	8.8 %	15.3 %
Net income (loss) applicable to participating shares	\$ 32.4	\$ 27.5	\$ 17.8	\$ (51.9)	\$ 8.1	\$ (106.2)	\$ (33.3)	\$ 30.8
Per share	0.42	0.35	0.23	(0.65)	0.10	(1.31)	(0.41)	0.38
Adjusted net income applicable to participating shares ⁽¹⁾	35.7	34.8	28.5	61.9	24.9	35.5	27.1	54.5
Per share	0.46	0.44	0.37	0.77	0.31	0.44	0.33	0.68
% of fiscal year	— %	— %	— %	41 %	17 %	24 %	18 %	35 %

⁽¹⁾ Please refer to the section "Reconciliation of non-IFRS Financial Measures" in table #6 of this Management's Discussion and Analysis.

The above table shows changes in our quarterly results for the past eight quarters. The acquisition of Quad/Graphics Canada, Inc. effective March 1, 2012, had a positive effect on our revenues and impacted our adjusted operating income as of the fourth quarter of 2012 due to the synergies generated from the integration of these operations with our more productive equipment. However, this acquisition was offset by incentives granted for early renewal of several major long-term contracts, by the volume decrease from the closing of the Zellers stores, and by difficult market conditions, particularly with respect to advertising spending in our local and national markets that mainly affected the Media Sector. Lastly, our volume of activity is cyclical, since it is mainly generated, directly or indirectly, by our customers' marketing spending, which is higher in the fall.

RECONCILIATION OF NON-IFRS 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 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 as an indicator of business performance, and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS. The following table reconciles IFRS financial measures to non-IFRS financial measures.

Table #6:

(in millions of dollars, except per share amounts)	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Net income (loss) applicable to participating shares	\$ 32.4	\$ 8.1	\$ 77.7	\$ (131.4)
Dividends on preferred shares	1.7	1.7	5.1	5.1
Net loss (income) related to discontinued operations (after tax)	—	5.7	—	7.1
Non-controlling interests	—	(0.2)	0.1	—
Unusual adjustments to income taxes	—	—	—	42.0
Income tax expenses	10.1	10.8	25.6	6.5
Financial expenses related to unusual adjustments to income taxes	—	—	—	16.0
Financial expenses	6.2	9.0	19.8	22.7
Gain on business acquisition	—	—	—	(31.7)
Impairment of assets	1.9	—	4.7	180.8
Restructuring and other costs	2.8	14.8	24.7	31.7
Adjusted operating income	\$ 55.1	\$ 49.9	\$ 157.7	\$ 148.8
Amortization	26.5	28.7	78.8	85.0
Adjusted operating income before amortization	\$ 81.6	\$ 78.6	\$ 236.5	\$ 233.8
Net income (loss) applicable to participating shares	\$ 32.4	\$ 8.1	\$ 77.7	\$ (131.4)
Net income related to discontinued operations (after tax)	—	5.7	—	7.1
Unusual adjustments to income taxes	—	—	—	42.0
Net financial expenses related to unusual adjustments to income taxes (after tax)	—	—	—	16.0
Gain on business acquisition (after tax)	—	—	—	(31.7)
Impairment of assets (after tax)	1.3	—	3.4	162.7
Restructuring and other costs (after tax)	2.0	11.1	17.9	22.8
Adjusted net income applicable to participating shares	\$ 35.7	\$ 24.9	\$ 99.0	\$ 87.5
Average number of participating shares outstanding	77.9	80.9	78.0	81.0
Adjusted net income applicable to participating shares per share	\$ 0.46	\$ 0.31	\$ 1.27	\$ 1.08

	As at July 31, 2013	As at October 31, 2012
Long-term debt	\$ 126.9	\$ 204.1
Current portion of long-term debt	285.5	283.5
Cash	45.9	16.8
Net indebtedness	\$ 366.5	\$ 470.8
Adjusted operating income before amortization (last 12 months)	\$ 360.3	\$ 357.6
Net indebtedness ratio	1.02 x	1.32 x

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES – THIRD QUARTERS ENDED JULY 31

(unaudited)

Table #7:

(in millions of dollars)	2013	2012
Operating activities		
Cash flow from continuing operations before changes in non-cash operating items and income tax paid	\$ 84.5	\$ 69.8
Changes in non-cash operating items	(35.6)	18.5
Income tax recovered (paid)	2.1	(46.0)
Cash flow related to operating activities of continuing operations	\$ 51.0	\$ 42.3
Investing activities		
Business acquisitions	\$ (0.3)	\$ (1.4)
Acquisitions of property, plant and equipment, net of disposals	(13.6)	(9.0)
Acquisitions of intangible assets	(8.2)	(7.3)
Cash flow related to investing activities of continuing operations	\$ (22.1)	\$ (17.7)
Financing activities		
Reimbursement of long-term debt	\$ (7.1)	\$ (8.2)
Net increase in revolving term credit facility	13.0	2.0
Financial expenses on long-term debt	(4.2)	(6.8)
Issuance of participating shares	—	0.2
Repurchase of participating shares	—	(4.4)
Dividends on participating shares	(11.3)	(11.7)
Dividends on preferred shares	(1.7)	(1.7)
Cash flow related to financing activities of continuing operations	\$ (11.3)	\$ (30.6)

Financial position	As at July 31, 2013	As at October 31, 2012
Net indebtedness ⁽¹⁾	\$ 366.5	\$ 470.8
Net indebtedness ratio ⁽¹⁾	1.02 x	1.32 x
Credit rating		
DBRS	BBB	BBB
Outlook	Negative	Negative
Standard and Poor's	BBB-	BBB
Outlook	Stable	Negative

Balance Sheet	As at July 31, 2013	As at October 31, 2012
Current Assets	\$ 510.9	\$ 602.7
Current Liabilities	580.9	725.4
Total Assets	1,978.8	2,136.2
Total Liabilities	1,085.0	1,234.8

⁽¹⁾ Please refer to table #6 in the section "Reconciliation of non-IFRS Financial Measures" of this Management's Discussion and Analysis.

Cash Flow Related to Continuing Operations

Cash flow from continuing operations before changes in non-cash operating items and income tax paid increased, from \$69.8 million in the third quarter of 2012 to \$84.5 million in the third quarter of 2013, primarily due to the increase in operating income before amortization. Furthermore, changes in non-cash operating items used \$35.6 million in the third quarter of 2013, compared to the third quarter of 2012 where these items generated \$18.5 million, mainly due to unfavourable variances related to our accounts receivable and our unearned revenues. With respect to income taxes, there was a positive net impact of \$48.1 million in the third quarter of 2013 versus the same period a year earlier due to payments made in 2012 pertaining to the notices of tax re-assessments, which are being contested. Consequently, cash flow from operating activities rose, leading to a cash inflow of \$51.0 million in the third quarter of 2013, compared to \$42.3 million in the third quarter of 2012.

Cash Flow Related to Investing Activities of Continuing Operations

Our business acquisitions and investments in tangible and intangible assets, net of disposals, went from \$17.7 million in the third quarter of 2012 to \$22.1 million in the third quarter of 2013.

Cash Flow Related to Financing Activities of Continuing Operations

In the third quarter of 2013, we paid \$11.3 million in dividends on participating shares and \$1.7 million on preferred shares, compared to \$11.7 million and \$1.7 million respectively in the third quarter of 2012. The lower dividend stems from the lower number of shares outstanding versus the third quarter of 2012, due to share repurchases in the past 12 months.

Debt Instruments

At July 31, 2013, our net indebtedness ratio stood at 1.02x (1.32x at October 31, 2012) and net indebtedness declined from \$470.8 million at October 31, 2012 to \$366.5 million at July 31, 2013. The cash flows generated, combined with the deposit of an amount of US\$200.0 million (\$197.0 million) under our renegotiated agreement with Hearst Corporation to print the *San Francisco Chronicle*, helped improve our net indebtedness ratio. The decrease in net debt was partially offset by the payment of a special dividend of \$77.9 million, or \$1.00 per participating share, at the end of the second quarter of 2013.

Share Capital

In the third quarter ended July 31, 2013, the Corporation did not repurchase any of its participating shares under its share repurchase program put in place in April 2013.

Table #8:

Shares Issued and Outstanding	At July 31, 2013	At August 31, 2013
Class A (Subordinate Voting Shares)	63,067,851	63,067,851
Class B (Multiple Voting Shares)	14,832,816	14,832,816
Series D Preferred (with rate reset)	4,000,000	4,000,000

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.

In the quarter ended July 31, 2013, 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.

OUTLOOK

Further synergies from the second phase of the integration of the operations of Quad/Graphics Canada, Inc. will be generated in the fourth quarter of 2013, but to a lesser degree than in past quarters. Furthermore, the Printing Sector plans to begin the final phase of the integration of these operations early in fiscal 2014, which should generate additional synergies. Since the start of fiscal 2013, we have signed new agreements to print flyers and marketing products worth about \$30 million on an annualized basis whose contribution should be noted more significantly in the fourth quarter of 2013. However, such contributions will be partially offset by the closing of Zellers stores and by lower volume in our magazine, book and catalogue printing business.

The difficult market conditions with respect to advertising spending in our local and national markets are likely to continue and also affect our newspaper and magazine publishing operations. As a result, we will continue to focus on efficiency gains in order to limit potential repercussions on our profit margin. We will also continue to invest in the development of new products and services to ensure further diversification of our services.

We expect an unfavourable variance in head office costs in the fourth quarter of 2013, versus 2012, as a result of favourable non-recurring items recorded last year. The excess cash generated in upcoming quarters, in conjunction with our excellent financial position, should permit us to keep investing in internal projects and to make strategic acquisitions if opportunities arise.

On behalf of Management,

(s) Nelson Gentiletti
Chief Financial and Development Officer

September 12, 2013

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Unaudited

(in millions of Canadian dollars, except per share data)	Notes	Three months ended July 31		Nine months ended July 31	
		2013	2012	2013	2012
Revenues		\$ 493.8	\$ 517.0	\$ 1,543.8	\$ 1,527.0
Operating expenses	3	412.2	438.4	1,307.3	1,293.2
Restructuring and other costs	10	2.8	14.8	24.7	31.7
Impairment of assets	4	1.9	—	4.7	180.8
Gain on business acquisition		—	—	—	(31.7)
Operating income before amortization		76.9	63.8	207.1	53.0
Amortization	5	26.5	28.7	78.8	85.0
Operating income (loss)		50.4	35.1	128.3	(32.0)
Net financial expenses	6	6.2	9.0	19.8	38.7
Income (loss) before income taxes		44.2	26.1	108.5	(70.7)
Income taxes	7	10.1	10.8	25.6	48.5
Net income (loss) from continuing operations		34.1	15.3	82.9	(119.2)
Net loss from discontinued operations	8	—	(5.7)	—	(7.1)
Net income (loss)		34.1	9.6	82.9	(126.3)
Non-controlling interests		—	(0.2)	0.1	—
Net income (loss) attributable to shareholders of the Corporation		34.1	9.8	82.8	(126.3)
Dividends on preferred shares, net of related taxes	12	1.7	1.7	5.1	5.1
Net income (loss) attributable to participating shares		\$ 32.4	\$ 8.1	\$ 77.7	\$ (131.4)
Net income (loss) per participating share - basic and diluted					
Continuing operations	13	\$ 0.42	\$ 0.17	\$ 1.00	\$ (1.53)
Discontinued operations		—	(0.07)	—	(0.09)
		\$ 0.42	\$ 0.10	\$ 1.00	\$ (1.62)
Weighted average number of participating shares - basic and diluted (in millions)	12	77.9	80.9	78.0	81.0

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended July 31		Nine months ended July 31	
		2013	2012	2013	2012
Net income (loss)		\$ 34.1	\$ 9.6	\$ 82.9	\$ (126.3)
Other comprehensive income (loss)					
Items that will be reclassified to net income (loss):					
Net change related to cash flow hedges					
Net change in the fair value of derivatives designated as cash flow hedges		0.6	(0.4)	1.6	(2.0)
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net income (loss) during the period		(1.2)	(0.5)	(1.3)	4.4
Related income taxes		0.1	(1.8)	0.4	1.0
		(0.7)	0.9	(0.1)	1.4
Cumulative translation differences					
Unrealized exchange net gains on the translation of the financial statements of foreign operations		0.2	0.8	0.5	0.7
Unrealized exchange losses on the translation of a debt designated as a hedge of a net investment in foreign operations	16	(0.2)	—	(0.8)	—
		—	0.8	(0.3)	0.7
Items that will not be reclassified to net income (loss):					
Changes in actuarial gains and losses in respect of defined benefit pension plans					
Actuarial gains (losses) in respect of defined benefit pension plans		55.9	(49.4)	53.3	(79.7)
Related income taxes		15.0	(13.3)	14.1	(22.1)
		40.9	(36.1)	39.2	(57.6)
Other comprehensive income (loss)	15	40.2	(34.4)	38.8	(55.5)
Comprehensive income (loss)		\$ 74.3	\$ (24.8)	\$ 121.7	\$ (181.8)
Attributable to:					
Shareholders of the Corporation		\$ 74.3	\$ (24.6)	\$ 121.6	\$ (181.8)
Non-controlling interests		—	(0.2)	0.1	—
		\$ 74.3	\$ (24.8)	\$ 121.7	\$ (181.8)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)

	Attributable to shareholders of the Corporation				Total	Non-controlling interests	Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss			
Balance as at November 1, 2012	\$ 467.7	\$ 2.5	\$ 514.2	\$ (84.4)	\$ 900.0	\$ 1.4	\$ 901.4
Net income	—	—	82.8	—	82.8	0.1	82.9
Other comprehensive income	—	—	—	38.8	38.8	—	38.8
Shareholders' contributions and distributions to shareholders							
Participating share repurchases (Note 12)	(6.4)	—	(5.2)	—	(11.6)	—	(11.6)
Dividends (Note 12)	—	—	(116.9)	—	(116.9)	(1.4)	(118.3)
Stock-option based compensation (Note 14)	—	0.6	—	—	0.6	—	0.6
Balance as at July 31, 2013	\$ 461.3	\$ 3.1	\$ 474.9	\$ (45.6)	\$ 893.7	\$ 0.1	\$ 893.8
Balance as at November 1, 2011	\$ 478.1	\$ 1.8	\$ 750.3	\$ (28.1)	\$ 1,202.1	\$ 0.8	\$ 1,202.9
Net loss	—	—	(126.3)	—	(126.3)	—	(126.3)
Other comprehensive loss	—	—	—	(55.5)	(55.5)	—	(55.5)
Shareholders' contributions and distributions to shareholders							
Participating share repurchases (Note 12)	(2.6)	—	(1.8)	—	(4.4)	—	(4.4)
Exercise of stock options (Note 14)	0.6	(0.1)	—	—	0.5	—	0.5
Dividends (Note 12)	—	—	(39.5)	—	(39.5)	—	(39.5)
Stock-option based compensation (Note 14)	—	0.6	—	—	0.6	—	0.6
Balance as at July 31, 2012	\$ 476.1	\$ 2.3	\$ 582.7	\$ (83.6)	\$ 977.5	\$ 0.8	\$ 978.3

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

		As at July 31, 2013	As at October 31, 2012
(in millions of Canadian dollars)	Notes		
Current assets			
Cash		\$ 45.9	\$ 16.8
Accounts receivable		356.8	449.8
Income taxes receivable		10.0	38.9
Inventories		77.8	82.5
Prepaid expenses and other current assets		20.4	14.7
		510.9	602.7
Property, plant and equipment		612.3	651.2
Intangible assets	17	183.7	171.5
Goodwill	17	500.3	487.0
Deferred income taxes		145.1	192.6
Other assets		26.5	31.2
		\$ 1,978.8	\$ 2,136.2
Current liabilities			
Accounts payable and accrued liabilities		\$ 224.9	\$ 336.8
Provisions	10	9.6	15.5
Income taxes payable		7.7	50.3
Deferred revenues and deposits	11	53.2	39.3
Current portion of long-term debt	9	285.5	283.5
		580.9	725.4
Long-term debt	9	126.9	204.1
Deferred income taxes		60.6	68.4
Provisions	10	43.8	45.3
Other liabilities	11	272.8	191.6
		1,085.0	1,234.8
Equity			
Share capital	12	461.3	467.7
Contributed surplus		3.1	2.5
Retained earnings		474.9	514.2
Accumulated other comprehensive loss	15	(45.6)	(84.4)
Attributable to shareholders of the Corporation		893.7	900.0
Non-controlling interests		0.1	1.4
		893.8	901.4
		\$ 1,978.8	\$ 2,136.2

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

		Three months ended		Nine months ended	
		July 31		July 31	
(in millions of Canadian dollars)	Notes	2013	2012	2013	2012
Operating activities					
Net income (loss)		\$ 34.1	\$ 9.6	\$ 82.9	\$ (126.3)
Less: Net loss from discontinued operations	8	—	(5.7)	—	(7.1)
Net income (loss) from continuing operations		34.1	15.3	82.9	(119.2)
Adjustments to reconcile net income (loss) and cash flows from operating activities:					
Amortization	5	33.1	31.7	97.6	99.0
Impairment of assets	4	1.9	—	4.7	180.8
Gain on business acquisition		—	—	—	(31.7)
Financial expenses on long-term debt	6	4.8	6.9	15.2	20.2
Interest on tax reassessment	6 & 7	—	—	—	16.0
Net losses (net gains) on disposal of assets		0.2	0.1	0.1	(0.2)
Income taxes	7	10.1	10.8	25.6	48.5
Stock-option based compensation	14	0.2	0.2	0.6	0.6
Other		0.1	4.8	1.8	(1.4)
Cash flows generated by operating activities before changes in non-cash operating items and income tax recovered (paid)		84.5	69.8	228.5	212.6
Changes in non-cash operating items	11	(35.6)	18.5	114.1	(25.4)
Income tax recovered (paid)		2.1	(46.0)	(12.1)	(50.4)
Cash flows from operations in continuing operations		51.0	42.3	330.5	136.8
Cash flows from operations in discontinued operations		—	0.8	—	1.2
		51.0	43.1	330.5	138.0
Investing activities					
Business combinations	17	(0.3)	(1.4)	(25.3)	(59.2)
Acquisitions of property, plant and equipment		(14.0)	(9.4)	(34.5)	(26.3)
Disposals of property, plant and equipment		0.4	0.4	2.6	0.9
Increase in intangible assets		(8.2)	(7.3)	(20.2)	(16.8)
Cash flows from investments in continuing operations		(22.1)	(17.7)	(77.4)	(101.4)
Cash flows from investments in discontinued operations		—	10.0	—	10.0
		(22.1)	(7.7)	(77.4)	(91.4)
Financing activities					
Reimbursement of long-term debt	9	(7.1)	(8.2)	(88.3)	(89.4)
Net increase in revolving term credit facility		13.0	2.0	10.5	57.8
Financial expenses on long-term debt		(4.2)	(6.8)	(15.6)	(19.4)
Dividends on participating shares	12	(11.3)	(11.7)	(111.8)	(34.4)
Dividends on preferred shares	12	(1.7)	(1.7)	(5.1)	(5.1)
Dividends on non-controlling interests		—	—	(1.4)	—
Issuance of participating shares	14	—	0.2	—	0.5
Participating share repurchases	12	—	(4.4)	(12.1)	(4.4)
Cash flows from the financing of continuing operations		(11.3)	(30.6)	(223.8)	(94.4)
Effect of exchange rate changes on cash denominated in foreign currencies		(0.2)	1.5	(0.2)	1.3
Net change in cash		17.4	6.3	29.1	(46.5)
Cash at beginning of period		28.5	22.2	16.8	75.0
Cash at end of period		\$ 45.9	\$ 28.5	\$ 45.9	\$ 28.5
Non-cash investing and financing activities					
Net change in capital asset acquisitions financed by accounts payable		\$ 1.3	\$ (0.8)	\$ (3.3)	\$ (3.0)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2013 and 2012

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

1 GENERAL INFORMATION

Transcontinental Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. Class A Subordinate Voting Shares, Class B Shares and Cumulative Rate Reset First Preferred Shares, Series D, 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 conducts business in Canada and the United States in two separate sectors: the Printing Sector and the Media Sector. The Printing Sector includes activities such as the printing of retail flyers, magazines, newspapers, color books and personalized and mass marketing products. The Media Sector includes the publishing of magazines, newspapers and books, a diversified digital platform and a door-to-door network for distributing advertising material that allows advertisers to reach consumers directly. The Media Sector also offers mass and personalized interactive marketing services and products that use new communication platforms supported by marketing strategy and planning services, database analytics, premedia, e-flyers, email marketing, custom communications and mobile solutions. Also, the Media Sector offers television content creation services that can be delivered on most of all communication platforms, from TV channels for general broadcasting to new media, Internet and mobile channels for on-demand delivery.

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 significantly influenced by the advertising market, which is stronger in the fourth quarter.

The Corporation's Board of Directors approved these interim condensed consolidated financial statements on September 12, 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements have been 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 have been 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 interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 31, 2012, including the significant accounting policies used by the Corporation.

The accounting methods adopted in these interim condensed consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at July 31, 2013. Any subsequent changes to IFRS, that are taking effect in the Corporation's annual consolidated financial statements for the year ending October 31, 2013 or after, could result in a retrospective restatement of these interim condensed consolidated financial statements.

Foreign currency translation and hedge accounting

In January 2013, the Corporation has designated certain debts denominated in U.S. dollars as a hedge of an equivalent portion of its net investment in its foreign operations, which have the U.S. dollar as their functional currency. As a result, the effective portion of unrealized exchange gains or losses on the translation of debts denominated in U.S. dollars designated as a hedge of a net investment in foreign operations is recognized in other comprehensive income and the ineffective portion is recognized in net income. Unrealized exchange gains or losses on the translation of debts denominated in U.S. dollars designated as a hedge of a net investment in foreign operations recognized in accumulated other comprehensive loss are reclassified to net income when the corresponding net investment is reduced.

3 OPERATING EXPENSES

Operating expenses by major heading are as follows:

	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Employee-related costs	\$ 163.2	\$ 175.9	\$ 511.8	\$ 520.5
Supply chain and logistics ⁽¹⁾	218.2	229.7	700.0	677.8
Other goods and services ⁽²⁾	30.8	32.8	95.5	94.9
	\$ 412.2	\$ 438.4	\$ 1,307.3	\$ 1,293.2

⁽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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2013 and 2012

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

4 IMPAIRMENT OF ASSETS

	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Property, plant and equipment	\$ 1.3	\$ —	\$ 4.1	\$ 0.8
Intangible assets	0.6	—	0.6	—
Goodwill	—	—	—	180.0
	\$ 1.9	\$ —	\$ 4.7	\$ 180.8

Goodwill

Goodwill is assessed for impairment annually, or more frequently if changes in circumstances indicate potential impairment. Until October 31, 2012, the Corporation performed the annual impairment test of goodwill during the second quarter of each fiscal year. Starting from fiscal 2013, the Corporation will now perform this test during the fourth quarter, period during which the management of the Corporation approves the three-year financial plan. Due to the change of period during which the Corporation performs the annual impairment test of goodwill, the Corporation conducted a test as at November 1, 2012. The Corporation has concluded that the recoverable amounts of the cash generating units ("CGU") groups subject to the test exceeded their carrying amounts. Accordingly, no goodwill impairment charge was recorded for the three-month period ended January 31, 2013. The next annual impairment test of goodwill will be performed during the fourth quarter of fiscal 2013.

The test consists of determining whether the recoverable amount of a CGU group exceeds its carrying amount, in which case no impairment charge is required. The recoverable amount of a 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, the time value of money and the risks specific to the 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 group.

During the nine-month period ended July 31, 2012, the Corporation recorded a \$180.0 million goodwill impairment charge in the Media Sector, due to lower profitability.

The key assumptions used by the Corporation to perform the impairment test as at November 1, 2012, are as follows:

Growth

For the purpose of calculating value in use, future cash flows are based on the three-year financial plan approved by management, with no growth factor having been applied after three years. In developing the forecasts, the Corporation considered past experience, certain economic trends and industry and market trends.

Discount rate

For the purpose of calculating value in use, the Corporation used pre-tax discount rates varying between 17.00% and 28.00%. The discount rate represents the weighted average cost of capital ("WACC") for comparable companies operating in similar industries as the applicable CGU group. 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 applicable CGU group.

Tax rate

For the purpose of calculating value in use, the Corporation used income tax rates varying between 26.10% and 27.50% based on the effective tax rates for the entities comprising the applicable CGU groups.

The Corporation performed a sensitivity analysis of the discount rate in its assessment of the recoverable amounts of the CGU groups tested for impairment. The results of the sensitivity analysis show that a 1% increase in the discount rate would not change the conclusions of the test.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2013 and 2012

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

5 AMORTIZATION

	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Property, plant and equipment	\$ 22.2	\$ 24.9	\$ 67.8	\$ 74.4
Intangible assets	4.3	3.8	11.0	10.6
	26.5	28.7	78.8	85.0
Intangible assets and other assets, recognized in revenues and operating expenses	6.6	3.0	18.8	14.0
	\$ 33.1	\$ 31.7	\$ 97.6	\$ 99.0

6 NET FINANCIAL EXPENSES

	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Financial expenses on long-term debt	\$ 4.8	\$ 6.9	\$ 15.2	\$ 20.2
Interest on tax reassessment (Note 7)	—	—	—	16.0
Other expenses	1.3	1.0	3.5	2.6
Foreign exchange net losses (net gains)	0.1	1.1	1.1	(0.1)
	\$ 6.2	\$ 9.0	\$ 19.8	\$ 38.7

7 INCOME TAXES

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

	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Income (loss) before income taxes	\$ 44.2	\$ 26.1	\$ 108.5	\$ (70.7)
Canadian statutory tax rate	26.90 %	27.15 %	26.90 %	27.15 %
Income taxes (recovered) at the statutory tax rate	11.9	7.1	29.2	(19.2)
Effect of reassessments related to previous years ⁽¹⁾	—	—	—	42.0
Effect of differences in tax rates in other jurisdictions	0.4	(1.1)	(1.6)	(3.6)
Income taxes on non-deductible expenses and non-taxable portion of capital gain	0.9	—	1.9	26.7
Recognition of tax losses or temporary differences not previously recognized	(0.3)	2.8	(0.5)	1.4
Other	(2.8)	2.0	(3.4)	1.2
Income taxes at effective tax rate	\$ 10.1	\$ 10.8	\$ 25.6	\$ 48.5

Income taxes include the following items:

Income taxes before the following items:	\$ 11.5	\$ 14.5	\$ 33.7	\$ 33.5
Effect of reassessments related to previous years ⁽¹⁾	—	—	—	42.0
Income taxes on restructuring and other costs	(0.8)	(3.7)	(6.8)	(8.9)
Income taxes on impairment of assets	(0.6)	—	(1.3)	(18.1)
Income taxes at effective tax rate	\$ 10.1	\$ 10.8	\$ 25.6	\$ 48.5

⁽¹⁾ During the fiscal year ended October 31, 2012, the Corporation received notices of reassessment from the federal and provincial tax authorities totalling \$58.0 million, including applicable interest and penalties for its fiscal years 2006 to 2010. The notices of reassessment relate to deductions on investments in capital assets made by the Corporation, as well as the interprovincial allocation of income. The Corporation recorded an expense of \$58.0 million with respect to these matters, of which \$16.0 million was included in financial expenses and \$42.0 million in income taxes, even though the Corporation contests these notices of reassessment. During the fiscal year ended October 31, 2012, the Corporation paid an amount of \$31.6 million with respect to the notices of reassessment received and an amount of \$11.3 million was absorbed by the use of tax attributes. During the nine-month period ended July 31, 2013, an amount of \$12.5 million has been paid and no amount has been paid during the three-month period ended July 31, 2013. Notices of objection have also been filed with the relevant tax authorities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2013 and 2012

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8 DISCONTINUED OPERATIONS

On July 16, 2012, the Corporation sold its black and white book printing assets for net proceeds of \$13.0 million, subject to a price adjustment clause based on working capital at the closing of the transaction. An amount of \$10.0 million has been received upon closing the transaction and an amount of \$3.0 million is receivable over the five years following the transaction. Revenues, expenses and cash flows related to these activities were reclassified separately in the Consolidated Statements of Income (Loss) and the Consolidated Statements of Cash Flows as discontinued operations for the three-month and nine-month periods ended July 31, 2012.

On July 12, 2011, the Corporation entered into a final agreement with Quad/Graphics, Inc. to sell its Mexican printing operations. During the nine-month period ended July 31, 2012, a \$1.3 million loss has been recorded as an adjustment to the gain related to the discontinued operations.

The following table presents the net loss from discontinued operations:

	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Revenues	\$ —	\$ 6.2	\$ —	\$ 21.5
Expenses	—	6.0	—	21.5
Income before income taxes	—	0.2	—	—
Income taxes	—	0.1	—	—
Income related to the operation of discontinued operations	—	0.1	—	—
Loss related to discontinuance of black and white book printing operations, net of related income taxes (recovery) of (\$2.1)	—	(5.8)	—	(5.8)
Adjustment to the gain related to discontinuance of Mexican printing operations (no tax effect)	—	—	—	(1.3)
Net loss from discontinued operations ⁽¹⁾	\$ —	\$ (5.7)	\$ —	\$ (7.1)

⁽¹⁾ The net loss related to the discontinued operations is fully attributable to the Corporation's shareholders.

9 LONG-TERM DEBT

On December 7, 2012, the Corporation has extended by one year the credit facility amounting to \$400.0 million or the U.S. dollar equivalent, which matured in February 2017, until February 2018. 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 banker's acceptance rate or LIBOR, plus 1.45%, or the Canadian or U.S. prime rate, plus 0.45%.

On December 17, 2012, the Corporation repaid its Senior Notes Series 2002 A - Tranche 1, amounting to US\$75.0 million (\$73.8 million). This financing was for a period of ten years at a rate of 5.62%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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10 PROVISIONS

The following table presents changes in provisions for the nine-month period ended July 31, 2013:

	Restructuring costs	Onerous real estate contracts	Multi-employer pension plans	Other ⁽¹⁾	Total
Balance as at November 1, 2012	\$ 9.3	\$ 16.7	\$ 32.6	\$ 2.2	\$ 60.8
Provisions recorded	15.7	7.9	—	0.4	24.0
Amounts used	(20.3)	(6.3)	—	(0.8)	(27.4)
Provisions reversed	(0.8)	(3.6)	—	(0.1)	(4.5)
Other	—	0.5	—	—	0.5
Balance as at July 31, 2013	\$ 3.9	\$ 15.2	\$ 32.6	\$ 1.7	\$ 53.4
Current portion	3.9	4.5	—	1.2	9.6
Non-current portion	—	10.7	32.6	0.5	43.8
	\$ 3.9	\$ 15.2	\$ 32.6	\$ 1.7	\$ 53.4

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

Restructuring costs

The Corporation is continuing rationalization measures in its operating segments. These measures will mainly address excess production capacity in some specialized plants of the Printing Sector following the integration of Quad/Graphics Canada, Inc., and major structural changes in the printing industry.

Restructuring and other costs by major heading are as follows:

	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Workforce reductions	\$ 3.1	\$ 5.5	\$ 14.9	\$ 23.6
Onerous real estate contracts	(2.5)	6.4	4.3	6.4
Net losses on disposal of assets	—	1.6	—	1.6
Business acquisition costs ⁽¹⁾	0.1	0.9	0.4	1.6
Loss (gain) on defined benefit plans curtailment related to workforce reductions	—	0.1	(0.7)	(3.4)
Impact of settlement on defined benefit plans related to workforce reductions	1.5	—	3.1	—
Other costs related to restructuring	0.6	0.3	2.7	1.9
	\$ 2.8	\$ 14.8	\$ 24.7	\$ 31.7

⁽¹⁾ Business acquisition costs include transaction costs, comprising legal and bank fees, and costs related to the integration of acquired businesses.

11 DEFERRED REVENUES

During the three-month period ended January 31, 2013, the Corporation renegotiated its agreement with Hearst Corporation to print the *San Francisco Chronicle*. Its subsidiary in the United States received an amount of US\$200.0 million (\$197.0 million) in consideration for price reductions on the remaining term of the contract. The amount received and recognized as deferred revenues will be transferred to revenues based on the remaining term of the contract, without effect on cash flows. For the three-month and nine-month periods ended July 31, 2013, amounts of \$6.7 million and \$15.7 million, respectively, were transferred to revenues. As at July 31, 2013, amounts of US\$26.2 million (\$26.9 million) and US\$158.5 million (\$162.8 million) are classified as deferred revenues and deposits and as other liabilities, respectively, in the Consolidated Statement of Financial Position. As part of the conversion of the financial statements of its subsidiary in the United States, the deferred revenues are translated at current exchange rate at the end of each period and exchange differences are recognized in other comprehensive income under "Cumulative translation differences".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2013 and 2012

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

12 SHARE CAPITAL

The share capital of the Corporation has changed as follows:

	Three months ended July 31			
	2013		2012	
	Number of shares	Amount	Number of shares	Amount
Participating shares				
Class A Subordinate Voting Shares				
Balance, beginning of period	63,053,751	\$ 344.4	66,001,932	\$ 361.2
Conversion of Class B Shares into Class A Subordinate Voting Shares	14,100	—	7,260	—
Exercise of stock options	—	—	20,700	0.3
Participating shares repurchased and cancelled	—	—	(471,500)	(2.6)
Balance, end of period	63,067,851	344.4	65,558,392	358.9
Class B Shares				
Balance, beginning of period	14,846,916	20.1	15,051,235	20.4
Conversion of Class B Shares into Class A Subordinate Voting Shares	(14,100)	—	(7,260)	—
Balance, end of period	14,832,816	20.1	15,043,975	20.4
	77,900,667	\$ 364.5	80,602,367	\$ 379.3

Preferred shares

Cumulative 5-Year Rate Reset First Preferred Shares, Series D

Balance, beginning and end of period	4,000,000	\$ 96.8	4,000,000	\$ 96.8
		\$ 461.3		\$ 476.1

	Nine months ended July 31			
	2013		2012	
	Number of shares	Amount	Number of shares	Amount
Participating shares				
Class A Subordinate Voting Shares				
Balance, beginning of period	64,056,651	\$ 350.6	65,873,182	\$ 360.8
Conversion of Class B Shares into Class A Subordinate Voting Shares	172,800	0.2	107,260	0.1
Exercise of stock options	—	—	49,450	0.6
Participating shares repurchased and cancelled	(1,161,600)	(6.4)	(471,500)	(2.6)
Balance, end of period	63,067,851	344.4	65,558,392	358.9
Class B Shares				
Balance, beginning of period	15,005,616	20.3	15,151,235	20.5
Conversion of Class B Shares into Class A Subordinate Voting Shares	(172,800)	(0.2)	(107,260)	(0.1)
Balance, end of period	14,832,816	20.1	15,043,975	20.4
	77,900,667	\$ 364.5	80,602,367	\$ 379.3

Preferred shares

Cumulative 5-Year Rate Reset First Preferred Shares, Series D

Balance, beginning and end of period	4,000,000	\$ 96.8	4,000,000	\$ 96.8
		\$ 461.3		\$ 476.1

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 31, 2013 and 2012

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

12 SHARE CAPITAL (CONTINUED)

Participating share repurchases

The Corporation was 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 were 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 Share issued and outstanding as at April 2, 2013. The repurchases are being made in the normal course of business at market prices through the Toronto Stock Exchange.

During the nine-month period ended July 31, 2013, the Corporation has 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. During the three-month period ended July 31, 2013, the Corporation did not repurchase any of its Class A Subordinate Voting Shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares as at July 31, 2013.

During the three-month and nine-month periods ended July 31, 2012, the Corporation has repurchased 471,500 of its Class A Subordinate Voting Shares at a weighted average price of \$9.27, for a total cash consideration of \$4.4 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of \$1.8 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares as at July 31, 2012.

For the three-month and nine-month periods ended July 31, 2013 and 2012, the Corporation did not repurchase any of its Class B shares and had no obligation as such as at July 31, 2013 and 2012.

Dividends

Quarterly dividends of \$0.145 per share were declared and paid to the holders of participating shares for the three-month periods ended July 31, 2013 and 2012. Dividends of \$0.4207 and \$0.4196 per share were declared and paid to the holders of preferred shares for the three-month periods ended July 31, 2013 and 2012, respectively.

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.

13 NET INCOME (LOSS) PER PARTICIPATING SHARE

The following table presents a reconciliation of the numerator used to calculate basic and diluted net income (loss) from continuing operations per participating share:

	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Net income (loss) from continuing operations	\$ 34.1	\$ 15.3	\$ 82.9	\$ (119.2)
Non-controlling interests	—	0.2	(0.1)	—
Dividends on preferred shares, net of related taxes	(1.7)	(1.7)	(5.1)	(5.1)
Net income (loss) from continuing operations, attributable to participating shares	\$ 32.4	\$ 13.8	\$ 77.7	\$ (124.3)

For the calculation of the diluted net income per share, 625,400 options were considered anti-dilutive as at July 31, 2013, since their exercise price was greater than the average share price of Class A Subordinate Voting Shares during the period. As at July 31, 2012, 1,551,095 stock options were considered anti-dilutive, being all options issued and outstanding at that date due to the loss position for the period. Therefore, these stock options were excluded from the calculation of diluted net income (loss) per share for these periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14 STOCK-BASED COMPENSATION

Stock option plan

The Corporation offers 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.

For the three-month and nine-month periods ended July 31, 2013, stock-based compensation expenses of \$0.2 million and \$0.6 million, respectively, were charged to the Consolidated Statements of Income, and increased contributed surplus included in shareholders' equity. For the three-month and nine-month periods ended July 31, 2012, expenses were also \$0.2 million and \$0.6 million, respectively.

The following tables present the changes in the plan's status:

	Three months ended July 31			
	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	1,492,576	\$ 14.14	1,698,791	\$ 16.18
Exercised	—	—	(20,700)	9.64
Cancelled	—	—	(123,396)	15.81
Expired	(17,400)	22.19	(3,600)	18.78
Options outstanding at end of period	1,475,176	\$ 14.05	1,551,095	\$ 16.29

	Nine months ended July 31			
	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	1,432,616	\$ 16.11	1,572,640	\$ 16.67
Granted	386,940	11.33	235,984	12.40
Exercised	—	—	(49,450)	10.01
Cancelled	—	—	(189,479)	16.56
Expired	(344,380)	19.57	(18,600)	12.61
Options outstanding at end of period	1,475,176	\$ 14.05	1,551,095	\$ 16.29
Options exercisable at end of period	840,674	\$ 15.48	1,127,419	\$ 17.58

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 and nine-month periods ended July 31, 2013 there was no exercise of stock options. For the three-month and nine-month periods ended July 31, 2012, the considerations received were \$0.2 million and \$0.5 million, respectively. No amount was transferred from contributed surplus to share capital during the three-month and nine-month periods ended July 31, 2013. During the three-month and nine-month periods ended July 31, 2012, an amount of \$0.1 million was transferred from contributed surplus to share capital.

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14 STOCK-BASED COMPENSATION (CONTINUED)

The following table summarizes the weighted average assumptions used to calculate, using the Black-Scholes option pricing model, the fair value on the grant date of the options granted during the nine-month period ended July 31:

	2013	2012
Share price of Class A Subordinate Voting Shares on the stock option grant date	\$ 11.33	\$ 12.40
Weighted average fair value of the stock options	\$ 2.42	\$ 3.01
Assumptions:		
Expected dividend yield	5.35 %	4.42 %
Expected volatility	39.31 %	40.54 %
Risk-free interest rate	1.53 %	1.36 %
Expected remaining life	5 years	5 years

The expected dividend yield is based on the actual average dividend rate of the Corporation's participating shares. The expected volatility is based on the historical volatility of the price of the Corporation's Class A Subordinate Voting Shares over a period equal to the expected life of the options. The risk-free rate is the rate of return on Government of Canada bonds over a period equal to the expected life of the options. The expected remaining life of the options represents the period of time during which the options granted are expected to be outstanding.

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 tables present the changes in the plan's status:

Number of units	Three months ended July 31			
	2013	2012	2013	2012
	DSU		RSU	
Balance, beginning of period	221,032	200,093	731,371	690,424
Units cancelled	—	—	—	(68,242)
Units paid	(488)	(25,735)	—	—
Dividends paid in units	2,518	2,241	—	—
Balance, end of period	223,062	176,599	731,371	622,182

Number of units	Nine months ended July 31			
	2013	2012	2013	2012
	DSU		RSU	
Balance, beginning of period	178,907	201,981	606,597	679,884
Units granted	—	—	321,725	309,097
Units cancelled	—	—	(26,737)	(209,337)
Units paid	(944)	(49,777)	(148,874)	(139,506)
Units converted	21,340	17,956	(21,340)	(17,956)
Dividends paid in units	23,759	6,439	—	—
Balance, end of period	223,062	176,599	731,371	622,182

As at July 31, 2013, the liability related to the share unit plan for certain officers and senior executives was \$6.7 million (\$4.9 million as at October 31, 2012). The expense (reversal) recorded in the Consolidated Statements of Income for the three-month periods ended July 31, 2013 and 2012 were \$0.8 million and (\$0.6) million, respectively. The expenses recorded in the Consolidated Statements of Income (Loss) for the nine-month periods ended July 31, 2013 and 2012 were \$3.3 million and \$0.5 million, respectively. A negligible amount was paid under this plan for the three-month period ended July 31, 2013. An amount of \$1.5 million was paid under this plan for the nine-month period ended July 31, 2013. Amounts of \$0.3 million and \$2.1 million were paid under this plan for the three-month and nine-month periods ended July 31, 2012, respectively.

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14 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 July 31		Nine months ended July 31	
Number of units	2013	2012	2013	2012
Balance, beginning of period	296,052	210,510	247,505	201,257
Directors' compensation	8,088	12,602	29,146	35,863
Units paid	—	—	—	(18,573)
Dividends paid in units	3,375	3,160	30,864	7,725
Balance, end of period	307,515	226,272	307,515	226,272

As at July 31, 2013, the liability related to the share unit plan for directors was \$3.8 million (\$2.4 million as at October 31, 2012). The expense recorded in the Consolidated Statements of Income for the three-month period ended July 31, 2013 was negligible. The reversal recorded in the Consolidated Statements of Income for the three-month period ended July 31, 2012 was \$0.3 million. The expenses recorded in the Consolidated Statements of Income (Loss) for the nine-month periods ended July 31, 2013 and 2012, were \$1.4 million and \$0.1 million, respectively. No amount was paid under this plan for the three-month and nine-month periods ended July 31, 2013, as well as for the three-month period ended July 31, 2012. An amount of \$0.3 million was paid under this plan for the nine-month period ended July 31, 2012.

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15 ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive loss
Balance as at November 1, 2012	\$ (3.9)	\$ (1.2)	\$ (79.3)	\$ (84.4)
Net change in gains (losses), net of income taxes	(0.1)	(0.3)	39.2	38.8
Balance as at July 31, 2013	\$ (4.0)	\$ (1.5)	\$ (40.1)	\$ (45.6)
Balance as at November 1, 2011	\$ (6.3)	\$ (1.9)	\$ (19.9)	\$ (28.1)
Net change in gains (losses), net of income taxes	1.4	0.7	(57.6)	(55.5)
Balance as at July 31, 2012	\$ (4.9)	\$ (1.2)	\$ (77.5)	\$ (83.6)

As at July 31, 2013, the amounts expected to be reclassified to net income are as follows:

	2013	2014	2015	2016	2017 and thereafter	Total
Losses on derivatives designated as cash flow hedges	\$ (0.1)	\$ (1.5)	\$ (0.9)	\$ (0.8)	\$ (1.7)	\$ (5.0)
Income taxes recovered	—	(0.2)	(0.2)	(0.2)	(0.4)	(1.0)
	\$ (0.1)	\$ (1.3)	\$ (0.7)	\$ (0.6)	\$ (1.3)	\$ (4.0)

16 FINANCIAL INSTRUMENTS

In January 2013, the Corporation has designated certain debts denominated in U.S. dollars as a hedge of an equivalent portion of its net investment in its foreign operations, which have the U.S. dollar as their functional currency. For the month of January 2013, the Corporation has designated as a hedge of the net investment in foreign operations US\$25.0 million of a debt denominated in U.S. dollars. For the three-month periods ended April 30 and July 31, 2013, the Corporation has designated as a hedge of the net investment in foreign operations US\$20.0 million and US\$23.0 million, respectively, of a debt denominated in U.S. dollars. The effective portion of unrealized exchange losses on the translation of a debt designated as a hedge of a net investment in foreign operations represents amounts of \$0.2 million and \$0.8 million for the three-month and nine-month periods ended July 31, 2013, and are recorded in other comprehensive income.

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17 BUSINESS COMBINATIONS

Media Sector

On January 31, 2013, the Corporation acquired 100% of the shares of Groupe Modulo Inc., publisher of French-language educational resources and materials in Canada. This transaction allows the Media Sector to strengthen its position in higher education market in Quebec and to increase its presence in the education market in French communities in Canada.

On February 25, 2013, the Corporation acquired 100% of the shares of Lusio Films Inc., which produces fiction and documentary content for film, television and multiplatform use. This transaction allows the Media Sector to further developing its TV production offering and multiplatform delivery.

Given the short period between the dates of acquisition and the reporting date, management was unable to obtain all the information necessary to complete the initial accounting for these business combinations, and, therefore, these are preliminary and subject to change following a final assessment of the fair value of the assets acquired and liabilities assumed. The excess of the purchase price over the estimated fair value of the assets acquired and liabilities assumed of these acquisitions was attributed to goodwill. The Corporation expects to finalize initial recognition of these business combinations in fiscal 2013.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed, as well as adjustments to prior period acquisitions, made during the nine-month period ended July 31, 2013:

Assets acquired	
Current assets	\$ 3.5
Property, plant and equipment	0.5
Intangible assets	10.7
Goodwill (no tax value)	13.3
	\$ 28.0
Liabilities assumed	
Current liabilities	\$ 1.6
Deferred income taxes	2.1
Long-term debt	(0.5)
	3.2
	\$ 24.8
Consideration	
Cash paid	\$ 21.9
Cash of the acquired businesses	(0.1)
Short-term liabilities	1.0
	22.8
Revaluation of previously held interest in <i>Métro</i> (Montréal)	2.0
	\$ 24.8

During the nine-month period ended July 31, 2013, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed for *Courrier Frontenac*, *Redux Media* and *Métro* (Montréal). The above table comprises these adjustments. The fair value of the 40% of shares already held in *Métro* (Montréal) immediately before the acquisition of the additional 60% of the shares was \$2.2 million. This revaluation to fair value resulted in the recognition of a gain of \$2.0 million in reduction of operating expenses, which was partially offset by the recognition of an expense of \$1.7 million as a result of the revaluation of a contingent consideration on a business combination concluded during the previous fiscal year.

The Corporation's Interim Condensed Consolidated Financial Statements for the nine-month period ended July 31, 2013 include the operating results of the acquired businesses since the acquisition date, additional revenues of \$3.2 million, operating income before amortization of \$0.8 million and transactional costs of \$0.1 million. The fair value of the receivables acquired of \$1.6 million, of which no receivable 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, 2012, its operating results would have been as follows: additional revenues of \$5.2 million and operating income before amortization of \$0.8 million.

During the nine-month period ended July 31, 2013, the Corporation paid an amount of \$3.5 million related to business combinations entered into during the previous fiscal year.

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18 SEGMENT REPORTING

The operating segments are defined in terms of the types of products and services offered by the Corporation. The Printing Sector includes activities such as the printing of retail flyers, magazines, newspapers, color books and personalized and mass marketing products. The Media Sector generates revenues through the publishing of magazines, newspapers and books, a diversified digital platform and a door-to-door network for distributing advertising material that allows advertisers to reach consumers directly. The Media Sector also offers mass and personalized interactive marketing services and products that use new communication platforms supported by marketing strategy and planning services, database analytics, premedia, e-flyers, email marketing, custom communications and mobile solutions. Also, the Media Sector offers television content creation services that can be delivered on most of all communication platforms, from TV channels for general broadcasting to new media, Internet and mobile channels for on-demand delivery. Inter-segment sales of the Corporation are recognized at the fair value. Transactions other than sales are recognized at the carrying amount.

The Consolidated Statements of Income (Loss) include the following components (by segment):

	Three months ended July 31		Nine months ended July 31	
Operating segments	2013	2012	2013	2012
Revenues				
Printing Sector	\$ 337.6	\$ 363.5	\$ 1,086.4	\$ 1,079.3
Media Sector	173.8	173.6	515.1	505.7
Other activities	2.3	2.1	6.6	6.4
Inter-segment eliminations	(19.9)	(22.2)	(64.3)	(64.4)
	\$ 493.8	\$ 517.0	\$ 1,543.8	\$ 1,527.0
Operating income (loss) before amortization				
Printing Sector	\$ 66.7	\$ 51.3	\$ 189.0	\$ 203.8
Media Sector	11.2	13.8	26.5	(144.8)
Head office and inter-segments eliminations ⁽¹⁾	(1.0)	(1.3)	(8.4)	(6.0)
	\$ 76.9	\$ 63.8	\$ 207.1	\$ 53.0
Operating income (loss)				
Printing Sector	\$ 47.2	\$ 29.4	\$ 129.8	\$ 139.7
Media Sector	5.5	8.4	11.0	(161.3)
Head office and inter-segments eliminations ⁽¹⁾	(2.3)	(2.7)	(12.5)	(10.4)
	\$ 50.4	\$ 35.1	\$ 128.3	\$ (32.0)
Acquisitions of non-current assets ⁽²⁾				
Printing Sector	\$ 16.5	\$ 13.2	\$ 32.2	\$ 29.9
Media Sector	6.1	15.2	19.8	33.3
Head office and inter-segments eliminations ⁽¹⁾	4.1	0.6	7.6	2.5
	\$ 26.7	\$ 29.0	\$ 59.6	\$ 65.7
Amortization of property, plant and equipment and intangible assets				
Printing Sector	\$ 19.5	\$ 21.9	\$ 59.2	\$ 64.1
Media Sector	5.7	5.4	15.5	16.5
Head office and inter-segments eliminations ⁽¹⁾	1.3	1.4	4.1	4.4
	\$ 26.5	\$ 28.7	\$ 78.8	\$ 85.0
Impairment of assets				
Printing Sector	\$ 1.3	\$ —	\$ 3.6	\$ 0.8
Media Sector	0.6	—	0.6	180.0
Head office and inter-segments eliminations ⁽¹⁾	—	—	0.5	—
	\$ 1.9	\$ —	\$ 4.7	\$ 180.8

⁽¹⁾ This heading includes negligible amounts related to other activities.

⁽²⁾ These amounts include acquisitions of tangible assets, intangible assets and other non current assets, excluding those acquired in the context of business combinations, whether they were paid or not.

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18 SEGMENT REPORTING (CONTINUED)

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

	Three months ended July 31		Nine months ended July 31	
	2013	2012	2013	2012
Main products and services				
Printed products	\$ 317.9	\$ 342.1	\$ 1,023.4	\$ 1,015.7
Publishing products	106.5	103.6	305.0	303.9
Digital and interactive products	34.0	36.0	111.8	102.9
Other products and services	35.4	35.3	103.6	104.5
	\$ 493.8	\$ 517.0	\$ 1,543.8	\$ 1,527.0

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

	As at July 31, 2013	As at October 31, 2012
Operating segments		
Assets		
Printing Sector	\$ 1,086.5	\$ 1,237.2
Media Sector	753.3	773.0
Head office and inter-segments eliminations ⁽¹⁾	139.0	126.0
	\$ 1,978.8	\$ 2,136.2

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