tc • TRANSCONTINENTAL

Press Release

For Immediate Release

Transcontinental Inc. announces its results for the second quarter of fiscal 2020

Highlights

- Deployed the crisis management plan rapidly and effectively in response to the COVID-19 pandemic, including putting in place strict measures to protect employee health and safety as well as financial support programs for employees who were temporarily laid off or on reduced work schedules.
- Revenues of $625.1 million; operating earnings of $44.1 million; and net earnings attributable to shareholders of the Corporation of $25.7 million ($0.30 per share).
- Adjusted operating earnings before depreciation and amortization(1) of $104.3 million; adjusted operating earnings(1) of $68.5 million; and adjusted net earnings attributable to shareholders of the Corporation(1) of $43.6 million ($0.50 per share).
- Maintained solid financial health with liquidities of $104.6 million and access to unused lines of credit of $435.3 million.
- Repaid Canadian dollar term loans of $300.0 million and U.S. dollar term loans of US$50.0 million ($66.4 million) in February 2020.
- Controlled costs and liquidities by temporarily laying off employees, mainly in the Printing Sector, reducing salaries throughout the sectors, at head office and for members of senior management, and deferring certain investment expenditures.

(1) Please refer to the section entitled "Non-IFRS Financial Measures" in this press release for a definition of these measures.

Montréal, June 10, 2020 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the second quarter of fiscal 2020, which ended April 26, 2020.

"I am very proud of the role we have played since the beginning of the COVID-19 crisis in ensuring the pursuit of our operations to support essential services to the population, in particular food packaging and printing services for newspapers and retailers, said François Olivier, President and Chief Executive Officer of TC Transcontinental. I am also very proud of the leadership and commitment of our teams, which successfully protected the health and safety of our employees and their families, thereby ensuring the continuity of our essential operations. I would especially like to thank our approximately 1,600 colleagues who were unfortunately temporarily laid off in the Printing Sector for their patience and understanding, and am glad that about 600 of them are already back to work.

"Our strength and resilience throughout this crisis, despite the suspension of a large portion of our printing activities, eloquently demonstrate our operational excellence and the relevance of our transformation into flexible packaging. In addition, the discipline, speed and effectiveness of our actions enabled us to maintain our financial health.

"In our Packaging Sector, we had a very solid quarter thanks to our agility in responding to the increased demand by our customers for packaging for food and everyday consumer products. This higher level of activity, combined with the continued realization of our synergies and efficiency gains, allowed us to generate improved profitability for the quarter.

"In the Printing Sector, our rapid cost reduction measures, combined with the various cost reduction initiatives implemented early in the fiscal year, allowed us to adjust to the volume decrease caused by the crisis and effectively protect the sector. In addition, our in-store marketing products printing team created innovative pandemic-related products, such as signage for physical distancing and plexiglass panels for several large Canadian retailers to protect their customers and employees. In addition, we manufactured protective visors for our employees and for local community organizations.

"To conclude, I am grateful for the exceptional commitment of our managers and employees in unprecedented circumstances, and very satisfied with the measures we implemented to manage the situation. We took great care of the health and safety of our employees while generating good profitability and significant cash flows. Although there is uncertainty in the immediate future, we are strongly positioned to take advantage of future opportunities."

Financial Highlights

(in millions of dollars, except per share amounts)	Q2 - 2020	Q2 - 2019	Variation in %	SIX MONTHS 2020	SIX MONTHS 2019	Variation in %
Revenues	**$625.1**	**$767.4**	**(18.5) %**	**$1,330.9**	**$1,519.0**	**(12.4) %**
Operating earnings before depreciation and amortization (2)	**97.3**	**93.7**	**3.8**	**193.0**	**197.4**	**(2.2)**
Adjusted operating earnings before depreciation and amortization (1) (2)	**104.3**	**115.7**	**(9.9)**	**213.3**	**223.8**	**(4.7)**
Operating earnings (2)	**44.1**	**43.1**	**2.3**	**84.9**	**96.7**	**(12.2)**
Adjusted operating earnings (1) (2)	**68.5**	**83.6**	**(18.1)**	**140.6**	**160.3**	**(12.3)**
Net earnings attributable to shareholders of the Corporation (2)	**25.7**	**22.3**	**15.2**	**32.1**	**50.4**	**(36.3)**
Net earnings attributable to shareholders of the Corporation per share (2)	**0.30**	**0.26**	**15.4**	**0.37**	**0.58**	**(36.2)**
Adjusted net earnings attributable to shareholders of the Corporation (1) (2)	**43.6**	**52.6**	**(17.1)**	**86.4**	**98.1**	**(11.9)**
Adjusted net earnings per share attributable to shareholders of the Corporation (1) (2)	**0.50**	**0.60**	**(16.7)**	**0.99**	**1.12**	**(11.6)**

(1) Please refer to the section entitled "Reconciliation of Non-IFRS Financial Measures" in this press release for adjusted data presented above.
(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the unaudited condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 in the Management's Discussion and Analysis.

2020 Second Quarter Results

Revenues decreased by $142.3 million, or 18.5%, from $767.4 million in the second quarter of 2019 to $625.1 million in the corresponding period of 2020. This decrease is largely due to the impact of the disposal of our paper packaging operations ($70.8 million), which were sold at the end of the first quarter of 2020, and a decrease in volume in the Printing Sector, mostly due to the impact of the COVID-19 pandemic in April 2020. The sale of the specialty media assets and event planning activities also contributed to this decrease. The organic decline in the Packaging Sector of $7.0 million, or 1.7%, is mainly due to the decrease in raw material costs.

Operating earnings increased by $1.0 million, or 2.3%, from $43.1 million in the second quarter of 2019 to $44.1 in the second quarter of 2020 following a decrease in restructuring and other costs. Adjusted operating earnings decreased by $15.1 million, or 18.1 %, from $83.6 million in the second quarter of 2019 to $68.5 million in the second quarter of 2020. This decrease is mostly attributable to lower revenues in the Printing Sector. In addition to cost reduction measures related to COVID-19, the operational efficiency initiatives introduced early in the fiscal year helped to mitigate this decline. In addition, the Corporation benefited from a government subsidy that contributed in particular to maintaining jobs related to delivering essential services and putting in place programs to support financially employees who were temporarily laid off or on reduced work schedules. The Printing Sector's adjusted operating earnings margin decreased from 16.6% in the second quarter of 2019 to 14.9% in the second quarter of 2020.

In the Packaging Sector, despite the impact of the disposal of the paper packaging segment, adjusted operating earnings increased by $4.1 million, from $34.1 million in the second quarter of 2019 to $38.2 million in the second quarter of 2020. This increase is attributable to the realization of synergies and operational efficiency initiatives in the sector and the significant volume increase in the operations supporting the supply chain for food retailers. The sector's adjusted operating earnings margin increased from 8.1% in the second quarter of 2019 to 10.8% in the second quarter of 2020.

Net earnings attributable to shareholders of the Corporation increased by $3.4 million, or 15.2%, from $22.3 million in the second quarter of 2019 to $25.7 million in the second quarter of 2020. This increase is mainly attributable to the stability of operating earnings combined with the decrease in net financial expenses resulting from a reduction in net indebtedness during the year. On a per share basis, net earnings attributable to shareholders of the Corporation went from $0.26 in the second quarter of 2019 to $0.30 in the second quarter of 2020.

Adjusted net earnings attributable to shareholders of the Corporation decreased by $9.0 million, or 17.1%, from $52.6 million in the second quarter of 2019 to $43.6 million in the second quarter of 2020. This decrease is mostly due to lower adjusted operating earnings, partially offset by the decrease in financial expenses and adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from $0.60 in the second quarter of 2019 to $0.50 in the second quarter of 2020.

2020 First Six Months Results

Revenues decreased by $188.1 million, or 12.4%, from $1,519.0 million in the first six months of 2019 to $1,330.9 million in the corresponding period in 2020. This decrease is largely due to lower volume in the Printing Sector, which was severely affected by the COVID-19 pandemic in April 2020. The sale of our paper packaging operations as well as the sale of the specialty media assets and event planning activities also contributed to the decrease. As for the organic decline in the Packaging Sector, it is attributable to the decrease in raw material costs and the organic decline of the paper packaging operations before their disposal in January 2020.

Operating earnings decreased by $11.8 million, or 12.2%, from $96.7 million in the first six months of 2019 to $84.9 million in the corresponding period of 2020. Adjusted operating earnings decreased by $19.7 million, or 12.3%, from $160.3 million to $140.6 million. These decreases are mainly due to lower revenues in the Printing Sector, partially mitigated by cost reductions measures related to COVID-19 and operational efficiency initiatives implemented early in the fiscal year in the Printing Sector, and by an increase in operating earnings in the Packaging Sector attributable to the realization of synergies and operational efficiency initiatives. In addition, lower restructuring and other costs had a positive impact on operating earnings.

Net earnings attributable to shareholders of the Corporation decreased by $18.3 million, or 36.3%, from $50.4 million in the first six months of 2019 to $32.1 million in the corresponding period in 2020. This decrease is mainly due to the previously explained lower operating earnings as well as the increase in income taxes, partially offset by the decrease in net financial expenses resulting from a reduction in net indebtedness during the year. On a per share basis, net earnings attributable to shareholders of the Corporation went from $0.58 in the first six months of 2019 to $0.37 in the corresponding period of 2020 due to the previously mentioned items.

Adjusted net earnings attributable to shareholders of the Corporation decreased by $11.7 million, or 11.9%, from $98.1 million in the first six months of 2019 to $86.4 million in the corresponding period in 2020. This decrease is mostly due to lower adjusted operating earnings, partially offset by the decrease in financial expenses resulting from a reduction in net indebtedness during the year. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from $1.12 in the first six months of 2019 to $0.99 in the corresponding period of 2020.

For more detailed financial information, please see the *Management's Discussion and Analysis* for the second quarter ended April 26, 2020 as well as the financial statements in the "Investors" section of our website at www.tc.tc.

Outlook

In the Packaging Sector, the vast majority of our operations support the supply chain for food retailers, who are experiencing an increase in volume due to the COVID-19 pandemic. After normalizing the impact of the sale of our paper packaging operations and the price of resin, we expect a slight organic growth in revenues for the remainder of the fiscal year. We also continue to expect an increase in our profit margins over last fiscal year as a result of our synergies, operational efficiency initiatives and organic growth anticipated in the second half of the fiscal year.

In the Printing Sector, we expect that the organic decline will continue to affect the majority of our verticals, and that it will be amplified by the impact of the COVID-19 pandemic, which continues to impact several of our customers. In recent weeks, we are however seeing a gradual recovery in some of our printing volumes which allowed us to recall approximately 600 of the 1600 temporarily laid-off employees. Operational efficiency and cost reduction initiatives taken since the beginning of the fiscal year will help mitigate the impact of volume declines on our operating earnings. The Company will continue to adjust its capacity to continue generating significant cash flows and solid operating margins.

To conclude, despite the fact that the impacts of the COVID-19 pandemic in the coming months remain unpredictable, we expect to continue generating significant cash flows from all our operating activities. This will enable us to reduce our net indebtedness, while providing us with the desired flexibility to continue our transformation through strategic and targeted acquisitions.

Non-IFRS Financial Measures

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS) and the term "dollar", as well as the symbol "$" designate Canadian dollars.

In addition, in this press release, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3, "Segmented Information", to the interim condensed consolidated financial statements for the second quarter ended April 26, 2020.

Terms Used	Definitions
Adjusted revenues	Revenues before the accelerated recognition of deferred revenues (1)
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as the accelerated recognition of deferred revenues (1), restructuring and other costs (gains), impairment of assets and the reversal of the fair value adjustment of inventory sold arising from business combinations
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by adjusted revenues
Adjusted operating earnings	Operating earnings before the accelerated recognition of deferred revenues (1), restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets arising from business combinations and reversal of the fair value adjustment of inventory sold arising from business combinations
Adjusted operating earnings margin	Adjusted operating earnings divided by adjusted revenues
Adjusted income taxes	Income taxes before income taxes on the accelerated recognition of deferred revenues (1), restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations and reversal of the fair value adjustment of inventory sold arising from business combinations as well as the retroactive application of a new directive as part of the U.S. tax reform
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before the accelerated recognition of deferred revenues (1), restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations and reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes as well as the retroactive application of a new directive as part of the U.S. tax reform
Net indebtedness	Total of long-term debt, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization

(1) Related to the agreements signed with The Hearst Corporation. Please refer to Note 31 to the annual consolidated financial statements for the year ended October 27, 2019.

Reconciliation of Non-IFRS Financial Measures

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted revenues, adjusted operating earnings before depreciation and amortization, adjusted operating earnings, adjusted operating earnings margin, adjusted income taxes, adjusted net earnings attributable to shareholders of the Corporation, adjusted net earnings attributable to shareholders of the Corporation per share, net indebtedness and net indebtedness ratio, for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many of our readers analyze the financial performance of the Corporation's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

We also believe that adjusted revenues, adjusted operating earnings before depreciation and amortization, adjusted operating earnings and adjusted net earnings attributable to shareholders of the Corporation are useful indicators of the performance of our operations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

Regarding net indebtedness and net indebtedness ratio, we believe that these indicators are useful to measure the Corporation's financial leverage and ability to meet its financial obligations.

Reconciliation of operating earnings - Second quarter and cumulative

	Three months ended		Six months ended	
(in millions of dollars)	**April 26, 2020**	April 28, 2019	**April 26, 2020**	April 28, 2019
Operating earnings	**$44.1**	$43.1	**$84.9**	$96.7
Restructuring and other costs	**7.0**	21.5	**20.3**	25.9
Amortization of intangible assets arising from business combinations (1)	**17.4**	18.5	**35.4**	37.2
Impairment of assets	**—**	0.5	**—**	0.5
Adjusted operating earnings	**$68.5**	$83.6	**$140.6**	$160.3
Depreciation and amortization (2)	**35.8**	32.1	**72.7**	63.5
Adjusted operating earnings before depreciation and amortization	**$104.3**	$115.7	**$213.3**	$223.8

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

Reconciliation of net earnings attributable to shareholders of the Corporation - Second quarter

	Three months ended			
	April 26, 2020		April 28, 2019	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings attributable to shareholders of the Corporation	**$25.7**	**$0.30**	$22.3	$0.26
Restructuring and other costs, net of related income taxes	**4.8**	**0.06**	16.0	0.18
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**13.1**	**0.14**	13.9	0.16
Impairment of assets, net of related income taxes	**—**	**—**	0.4	—
Adjusted net earnings attributable to shareholders of the Corporation	**$43.6**	**$0.50**	$52.6	$0.60

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.

Reconciliation of net earnings attributable to shareholders of the Corporation - Cumulative

	Six months ended			
	April 26, 2020		April 28, 2019	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings attributable to shareholders of the Corporation	**$32.1**	**$0.37**	$50.4	$0.58
Restructuring and other costs, net of related income taxes	**27.6**	**0.32**	19.3	0.22
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**26.7**	**0.30**	28.0	0.32
Impairment of assets, net of related income taxes	**—**	**—**	0.4	—
Adjusted net earnings attributable to shareholders of the Corporation	**$86.4**	**$0.99**	$98.1	$1.12

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	**As at April 26, 2020**	As at October 27, 2019
Long-term debt	**$999.1**	$1,381.9
Current portion of long-term debt	**88.8**	1.2
Lease liabilities (1)	**116.4**	—
Current portion of lease liabilities (1)	**21.7**	—
Cash	**(104.6)**	(213.7)
Net indebtedness (1)	**$1,121.4**	$1,169.4
Adjusted operating earnings before depreciation and amortization (last 12 months) (1)	**$465.3**	$475.8
Net indebtedness ratio (1)	**2.4 x**	2.5 x

(1) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the unaudited condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 of the *Management's Discussion and Analysis* for the second quarter ended April 26, 2020.

Dividend

The Corporation's Board of Directors declared a quarterly dividend of $0.225 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on July 22, 2020 to shareholders of record at the close of business on July 3, 2020.

Normal Course Issuer Bid

In February 2020, the Corporation received approval from the Toronto Stock Exchange to amend its normal course issuer bid ("NCIB") in order to increase the maximum number of Class A Subordinate Voting Shares that may be repurchased from 1,000,000 Class A Subordinate Voting Shares, representing approximately 1.36% of the 73,360,754 issued and outstanding Class A Subordinate Voting Shares as of September 18, 2019 (the "reference date"), to 2,000,000 Class A Subordinate Voting Shares, representing approximately 2.73% of the 73,360,754 issued and outstanding Class A Subordinate Voting Shares on the reference date. No other terms of the NCIB have been amended.

Purchases under the NCIB, which began on October 1, 2019 and will end no later than September 30, 2020, will be made through the facilities of the Toronto Stock Exchange and/or alternative Canadian trading systems in accordance with its requirements. Under its current NCIB, as of May 29, 2020, the Corporation had repurchased 450,450 of its Class A Subordinate Voting Shares at a weighted-average price of $15.70 per share, for a total cash consideration of $7.1 million (no change since February 14, 2020).

Additional information

Conference Call

Upon releasing its 2020 second quarter results, the Corporation will hold a conference call for the financial community today at 4:15 p.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at 514 954-3581.

Profile

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also positioned as the leading Canadian French-language educational publishing group. For over 40 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

Respect, teamwork, performance and innovation are the strong values held by the Corporation and its employees. TC Transcontinental's commitment to its stakeholders is to pursue its business activities in a responsible manner.

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has approximately 8,500 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C$3.0 billion for the fiscal year ended October 27, 2019. For more information, visit TC Transcontinental's website at 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, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital at a reasonable rate, bad debts from certain customers, import and export controls, raw materials and transportation costs, competition, the Corporation's ability to generate organic growth in its Packaging Sector, the Corporation's ability to identify and engage in strategic transactions and effectively integrate acquisitions into its activities without affecting its growth and its profitability, while achieving the expected synergies, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment or door-to-door distribution, changes in consumption habits related, in particular, to issues involving sustainable development and the use of certain products or services such as door-to-door distribution, the impact of digital product development and adoption on the demand for retailer-related services and other printed products, change in consumption habits or loss of a major customer, the impact of customer consolidation, the safety and quality of its packaging products used in the food industry, innovation of its offering, the protection of its intellectual property rights, concentration of its sales in certain segments, cybersecurity and data protection, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, recruiting and retaining qualified personnel in certain geographic areas and industry sectors, taxation, interest rates, indebtedness level and the impact of the COVID-19 pandemic on its operations, facilities and financial results, change in consumption habits from consumers and changes in the operations and financial position of the Corporation's customers due to the pandemic and the effectiveness of plans and measures implemented in response thereto. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis* for the year ended October 27, 2019, updated in the *Management's Discussion and Analysis* for the quarter ended April 26, 2020, and in the latest *Annual Information Form*.

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 disposals, business combinations, mergers or acquisitions which may be announced or entered into after the date of June 10, 2020. 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 June 10, 2020. 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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MANAGEMENT’S DISCUSSION AND ANALYSIS

For the second quarter ended April 26, 2020

The purpose of this *Management's Discussion and Analysis* is to help the reader better understand the business, development strategy and future outlook of Transcontinental Inc., how we manage risk, as well as to analyze the Corporation's results and financial position for the second quarter ended April 26, 2020. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and *Annual Information Form*, may also be obtained on SEDAR at www.sedar.com.

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards (IFRS) and the term "dollar", as well as the symbol "$" designate Canadian dollars.

In addition, in this *Management’s Discussion and Analysis*, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the unaudited condensed interim consolidated financial statements for the second quarter ended April 26, 2020. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

Terms Used	Definitions
Adjusted revenues	Revenues before the accelerated recognition of deferred revenues (1)
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as the accelerated recognition of deferred revenues (1), restructuring and other costs (gains), impairment of assets and the reversal of the fair value adjustment of inventory sold arising from business combinations
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by adjusted revenues
Adjusted operating earnings	Operating earnings before the accelerated recognition of deferred revenues (1), restructuring and other costs (gains), impairment of assets, as well as amortization of intangible assets arising from business combinations and reversal of the fair value adjustment of inventory sold arising from business combinations
Adjusted operating earnings margin	Adjusted operating earnings divided by adjusted revenues
Adjusted income taxes	Income taxes before income taxes on the accelerated recognition of deferred revenues (1), restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations and reversal of the fair value adjustment of inventory sold arising from business combinations as well as the retroactive application of a new directive as part of the U.S. tax reform
Adjusted net earnings attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation before the accelerated recognition of deferred revenues (1), restructuring and other costs (gains), impairment of assets, amortization of intangible assets arising from business combinations and reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes as well as the retroactive application of a new directive as part of the U.S. tax reform
Net indebtedness	Total of long-term debt, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months’ adjusted operating earnings before depreciation and amortization

(1) Related to the agreements signed with The Hearst Corporation. Please refer to Note 31 to the annual consolidated financial statements for the year ended October 27, 2019.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often contain oral or written forward-looking statements which are based on the expectations of Management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond its will or control. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis* for the year ended October 27, 2019 and in the latest *Annual Information Form* and have been updated in the *Management's Discussion and Analysis* for the second quarter ended April 26, 2020.

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 disposals, business combinations, mergers or acquisitions which may be announced or concluded after the date of June 10, 2020.

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

The forward-looking statements in this *Management's Discussion and Analysis* are based on current expectations and information available as at June 10, 2020. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

PROFILE OF TC TRANSCONTINENTAL

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also positioned as the leading Canadian French-language educational publishing group. For over 40 years, TC Transcontinental's mission has been to create quality products and services that allow businesses to attract, reach and retain their target customers.

Respect, teamwork, performance and innovation are the strong values held by the Corporation and its employees. TC Transcontinental's commitment to its stakeholders is to pursue its business activities in a responsible manner.

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has approximately 8,500 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C$3.0 billion for the fiscal year ended October 27, 2019. For more information, visit TC Transcontinental's website at www.tc.tc.

HIGHLIGHTS - SECOND QUARTER

Table #1:

(in millions of dollars, except per share amounts)	**Q2 - 2020**	Q2 - 2019	Variation in $	Variation in %
Revenues	**$625.1**	$767.4	($142.3)	(18.5) %
Operating earnings before depreciation and amortization (2)	**97.3**	93.7	3.6	3.8
Adjusted operating earnings before depreciation and amortization (1) (2)	**104.3**	115.7	(11.4)	(9.9)
Operating earnings (2)	**44.1**	43.1	1.0	2.3
Adjusted operating earnings (1) (2)	**68.5**	83.6	(15.1)	(18.1)
Net earnings attributable to shareholders of the Corporation (2)	**25.7**	22.3	3.4	15.2
Net earnings attributable to shareholders of the Corporation per share (2)	**0.30**	0.26	0.04	15.4
Adjusted net earnings attributable to shareholders of the Corporation (1) (2)	**43.6**	52.6	(9.0)	(17.1)
Adjusted net earnings attributable to shareholders of the Corporation per share (1) (2)	**0.50**	0.60	(0.10)	(16.7)

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the unaudited condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 of this report.

- Deployed the crisis management plan rapidly and effectively in response to the COVID-19 pandemic, including putting in place strict measures to protect employee health and safety as well as financial support programs for employees who were temporarily laid off or on reduced work schedules.
- Revenues of $625.1 million; operating earnings of $44.1 million; and net earnings attributable to shareholders of the Corporation of $25.7 million ($0.30 per share).
- Adjusted operating earnings before depreciation and amortization of $104.3 million; adjusted operating earnings of $68.5 million; and adjusted net earnings attributable to shareholders of the Corporation of $43.6 million ($0.50 per share).
- Maintained solid financial health with liquidities of $104.6 million and access to unused lines of credit of $435.3 million.
- Repaid Canadian dollar term loans of $300.0 million and U.S. dollar term loans of US$50.0 million ($66.4 million) in February 2020.
- Controlled costs and liquidities by temporarily laying off employees, mainly in the Printing Sector, reducing salaries throughout the sectors, at head office and for members of senior management, and deferring certain investment expenditures.

PREAMBLE - IMPACT OF COVID-19

The COVID-19 pandemic is disrupting many sectors of the global economy. It affects supply chains and consumer behaviour across the world. The Corporation has rapidly implemented many measures to contribute responsibly to the global effort to halt the pandemic, protect the health of our employees and their families, and ensure the continuity of our operations to serve the needs of our customers.

In the Packaging Sector, which represents approximately half of our revenues, the vast majority of our operations support the supply chain for food retailers, a sector considered as essential by governments. While some of our other verticals are experiencing a decrease in volume due to government restrictions or the economic slowdown, the verticals supporting the supply chain for food retailers are experiencing a higher demand.

In the Printing Sector, confinement measures announced by the various governments in Canada with respect to non-essential services resulted in a significant temporary reduction in printing activities and approximately 1,600 temporary layoffs. During this period, TC Transcontinental continued, at the request of the governments, to serve its customers that are operating and delivering services identified as essential. The economic disruptions caused by the COVID-19 pandemic and their impact on some of our customers also contributed to a significant reduction in printing activities.

As early as the beginning of March, the Corporation deployed its company-wide crisis management and communication plan. Since then, senior management has reviewed daily the development of the COVID-19 pandemic, undertaken new preventive actions and updated safety guidelines as needed. The Corporation is monitoring closely the developments of the COVID-19 pandemic and is acting quickly in response to government recommendations by adapting security measures as required.

IMPACT OF NEW ACCOUNTING STANDARD - IFRS 16 "LEASES"

As at October 28, 2019, the Corporation adopted IFRS 16 "Leases" ("IFRS 16"), which replaces IAS 17 "Leases" ("IAS 17") and IFRIC 4 "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"). This new standard brings most leases in the Statement of Financial Position while eliminating the previous classifications of finance leases and operating leases. Adopting IFRS 16 therefore gave rise to the gross-up of the Statement of Financial Position resulting from the recognition of right-of-use assets and liabilities representing the obligation to make lease payments.

The Corporation elected to adopt IFRS 16 using the modified retrospective transition method, whereby the cumulative impact of initial application is reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, corresponding figures for fiscal 2019 will continue to be reported under IAS 17 and the related IFRIC 4 interpretations.

Please refer to Note 2 of the unaudited condensed interim consolidated financial statements for more information and to the following tables to quantify the impact of the adoption of this standard.

Table #2:

Application of IFRS 16 - Impact of the transition to IFRS 16 on the Consolidated Statement of Financial Position

(in millions of dollars)	**As at October 27, 2019** (1)	Impact of the transition to IFRS 16	**Opening balance as at October 28, 2019**
	As reported		**Adjusted**
Current assets			
Prepaid expenses and other current assets	$20.0	($0.1)	$19.9
Property, plant and equipment	820.1	(4.8)	815.3
Right-of-use assets	—	113.8	113.8
	$840.1	**$108.9**	**$949.0**
Current liabilities			
Provisions	$14.1	($0.5)	$13.6
Current portion of lease liabilities	—	19.8	19.8
Long-term debt	1,381.9	(4.8)	1,377.1
Lease liabilities	—	115.4	115.4
Deferred taxes	120.2	(4.3)	115.9
Provisions	1.9	(1.3)	0.6
Other liabilities	129.2	(2.2)	127.0
	$1,647.3	**$122.1**	**$1,769.4**
Equity			
Retained earnings	$1,069.9	($13.2)	$1,056.7
	$1,069.9	**($13.2)**	**$1,056.7**

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

Application of IFRS 16 - Impact of the transition on the Consolidated Statements of Earnings

(in millions of dollars)	Three months ended April 26, 2020	Six months ended April 26, 2020
Increase in adjusted operating earnings before depreciation and amortization		
Printing	$2.7	$5.1
Packaging	2.3	4.4
Other	0.7	1.8
Consolidated	**$5.7**	**$11.3**
Increase in net financial expenses	**$0.9**	**$1.7**
Increase in depreciation	**$5.1**	**$9.8**

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted revenues, adjusted operating earnings before depreciation and amortization, adjusted operating earnings margin before depreciation and amortization, adjusted operating earnings, adjusted operating earnings margin, adjusted income taxes, adjusted net earnings attributable to shareholders of the Corporation, adjusted net earnings attributable to shareholders of the Corporation per share, net indebtedness and net indebtedness ratio, for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. We believe that many of our readers analyze the financial performance of the Corporation's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

We also believe that adjusted revenues, adjusted operating earnings before depreciation and amortization, adjusted operating earnings and adjusted net earnings attributable to shareholders of the Corporation are useful indicators of the performance of our operations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

Regarding net indebtedness and the net indebtedness ratio, we believe that these indicators are useful to measure the Corporation's financial leverage and ability to meet its financial obligations.

Table #3:

Reconciliation of operating earnings - Second quarter and cumulative

	Three months ended		Six months ended	
(in millions of dollars)	**April 26, 2020**	April 28, 2019	**April 26, 2020**	April 28, 2019
Operating earnings	**$44.1**	$43.1	**$84.9**	$96.7
Restructuring and other costs	**7.0**	21.5	**20.3**	25.9
Amortization of intangible assets arising from business combinations (1)	**17.4**	18.5	**35.4**	37.2
Impairment of assets	**—**	0.5	**—**	0.5
Adjusted operating earnings	**$68.5**	$83.6	**$140.6**	$160.3
Depreciation and amortization (2)	**35.8**	32.1	**72.7**	63.5
Adjusted operating earnings before depreciation and amortization	**$104.3**	$115.7	**$213.3**	$223.8

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.
(2) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

Reconciliation of net earnings attributable to shareholders of the Corporation - Second quarter

	Three months ended			
	April 26, 2020		April 28, 2019	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings attributable to shareholders of the Corporation	**$25.7**	**$0.30**	$22.3	$0.26
Restructuring and other costs, net of related income taxes	**4.8**	**0.06**	16.0	0.18
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**13.1**	**0.14**	13.9	0.16
Impairment of assets, net of related income taxes	**—**	**—**	0.4	—
Adjusted net earnings attributable to shareholders of the Corporation	**$43.6**	**$0.50**	$52.6	$0.60

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.

Reconciliation of net earnings attributable to shareholders of the Corporation - Cumulative

	Six months ended			
	April 26, 2020		April 28, 2019	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings attributable to shareholders of the Corporation	**$32.1**	**$0.37**	$50.4	$0.58
Restructuring and other costs, net of related income taxes	**27.6**	**0.32**	19.3	0.22
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**26.7**	**0.30**	28.0	0.32
Impairment of assets, net of related income taxes	**—**	**—**	0.4	—
Adjusted net earnings attributable to shareholders of the Corporation	**$86.4**	**$0.99**	$98.1	$1.12

(1) Intangible assets arising from business combinations include our customer relationships, trademarks and non-compete agreements.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at April 26, 2020	As at October 27, 2019
Long-term debt	**$999.1**	$1,381.9
Current portion of long-term debt	**88.8**	1.2
Lease liabilities (1)	**116.4**	—
Current portion of lease liabilities (1)	**21.7**	—
Cash	**(104.6)**	(213.7)
Net indebtedness (1)	**$1,121.4**	$1,169.4
Adjusted operating earnings before depreciation and amortization (last 12 months) (1)	**$465.3**	$475.8
Net indebtedness ratio (1)	**2.4 x**	2.5 x

(1) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the unaudited condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 of this report.

ANALYSIS OF CONSOLIDATED RESULTS - SECOND QUARTER

Revenues

Revenues decreased by $142.3 million, or 18.5%, from $767.4 million in the second quarter of 2019 to $625.1 million in the corresponding period in 2020. This decline is largely due to a decrease in volume in the Printing Sector, which is mostly caused by the impact of the COVID-19 pandemic in April 2020. The disposal of the paper packaging operations, which occurred at the end of the first quarter of 2020, as well as the sale of the specialty media assets and event planning activities also contributed to this decrease. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - Second Quarter".

Operating and Other Expenses

Operating expenses decreased by $130.9 million, or 20.1%, in the second quarter of 2020 compared to the corresponding period in 2019. This decline results from the previously explained decrease in revenues combined with the measures taken by the Corporation to reduce costs and improve its operational efficiency. In addition, the adoption of IFRS 16 had a favourable impact of $5.7 million.

Restructuring and other costs decreased by $14.5 million, from an expense of $21.5 million in the second quarter of 2019 to an expense of $7.0 million in the second quarter of 2020. The variation is mainly explained by higher workforce reduction costs in the second quarter of 2019, mostly in the Printing Sector, as a result of the gradual reduction of printing operations at Transcontinental Brampton, in Ontario.

Depreciation and amortization increased by $2.6 million, from $50.6 million in the second quarter of 2019 to $53.2 million in the second quarter of 2020. This increase is mostly due to the adoption of IFRS 16, which had a $5.1 million impact in the second quarter of 2020, partially mitigated by the impact of the disposal of the paper packaging operations.

Operating Earnings

Operating earnings increased by $1.0 million, or 2.3%, from $43.1 million in the second quarter of 2019 to $44.1 million in the second quarter of 2020. The stability of operating earnings results from lower revenues, mitigated by a decrease in operating expenses and restructuring and other costs.

Adjusted operating earnings decreased by $15.1 million, or 18.1%, from $83.6 million to $68.5 million. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - Second Quarter".

Net Financial Expenses

Net financial expenses decreased by $4.5 million, from $16.2 million in the second quarter of 2019 to $11.7 million in the second quarter of 2020. This decrease is attributable to a reduction in net indebtedness during the year and a lower weighted average interest rate, partially offset by an increase of $0.9 million related to the adoption of IFRS 16.

Income Taxes

Income taxes increased by $2.0 million, from $4.6 million in the second quarter of 2019 to $6.6 million in the second quarter of 2020.

Adjusted income taxes decreased by $1.7 million, from $14.8 million in the second quarter of 2019, for an effective tax rate of 22.0%, to $13.1 million in the second quarter of 2020, for an effective tax rate of 23.1%. This increase in tax rate is mostly attributable to the geographic distribution of earnings before income taxes.

Net Earnings Attributable To Shareholders Of The Corporation

Net earnings attributable to shareholders of the Corporation increased by $3.4 million, or 15.2%, from $22.3 million in the second quarter of 2019 to $25.7 million in the second quarter of 2020. This increase is mainly attributable to the stability of operating earnings combined with the decrease in net financial expenses. On a per share basis, net earnings attributable to shareholders of the Corporation went from $0.26 to $0.30 respectively.

Adjusted net earnings attributable to shareholders of the Corporation decreased by $9.0 million, or 17.1%, from $52.6 million in the second quarter of 2019 to $43.6 million in the second quarter of 2020. This decrease is mostly due to lower adjusted operating earnings, partially mitigated by the decrease in financial expenses and adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from $0.60 to $0.50 respectively.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

Revenues

Revenues decreased by $188.1 million, or 12.4%, from $1,519.0 million in the first six months of 2019 to $1,330.9 million in the corresponding period in 2020. This decline is largely due to a decrease in volume in the Printing Sector, which was severely affected by the COVID-19 pandemic in April 2020. The disposal of our paper packaging operations, which occurred at the end of the first quarter of 2020, as well as the sale of the specialty media assets and event planning activities also contributed to this decrease. A more detailed analysis of revenues is presented in the "Analysis of Sector Results - Cumulative" section.

Operating and Other Expenses

Operating expenses decreased by $177.6 million in the first six months of 2020, or 13.7%, compared to the corresponding period in 2019. This decrease results from the previously explained decrease in revenues combined with the measures taken by the Corporation to reduce costs and improve its operational efficiency. The adoption of IFRS 16 had a favourable impact of $11.3 million.

Restructuring and other costs decreased by $5.6 million, from an expense of $25.9 million in the first six months of 2019 to an expense of $20.3 million in the corresponding period in 2020. The variation is mainly explained by higher workforce reduction costs in the first six months of 2019, mostly in the Printing Sector, as a result of the closure of Transcontinental Brampton, in Ontario, partially mitigated by costs related to the sale of the paper packaging operations in the first quarter of 2020.

Depreciation and amortization increased by $7.4 million, from $100.7 million in the first six months of 2019 to $108.1 million in the corresponding period in 2020. This increase is mostly due to the adoption of IFRS 16, which had a $9.8 million impact in the first six months of 2020, partially mitigated by the impact of the disposal of the paper packaging operations.

Operating Earnings

Operating earnings decreased by $11.8 million, or 12.2%, from $96.7 million in the first six months of 2019 to $84.9 million in the corresponding period in 2020. This decline results from the previously explained decrease in revenues, partially mitigated by the decrease in operating expenses.

Adjusted operating earnings decreased by $19.7 million, or 12.3%, from $160.3 million in the first six months of 2019 to $140.6 million in the corresponding period in 2020. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Cumulative" section.

Net Financial Expenses

Net financial expenses decreased by $8.2 million, from $33.9 million in the first six months of 2019 to $25.7 million in the corresponding period in 2020. This decrease is attributable to a reduction in net indebtedness during the year and a lower weighted average interest rate, partially offset by an increase of $1.7 million related to the adoption of IFRS 16.

Income Taxes

Income taxes increased by $14.5 million, from $12.4 million in the first six months of 2019 to $26.9 million in the corresponding period in 2020. This increase is mainly due to the income tax expense recorded on the taxable income (on a tax basis) generated by the sale of the paper packaging operations in January 2020 for an amount of $11.7 million.

Adjusted income taxes remained stable at $28.3 million in the first six months of the year, for an effective tax rate of 22.4% in 2019, compared to an effective tax rate of 24.7% in 2020. The increase in tax rate is mostly attributable to the geographic distribution of earnings before taxes.

Net Earnings Attributable To Shareholders Of The Corporation

Net earnings attributable to shareholders of the Corporation decreased by $18.3 million, or 36.3%, from $50.4 million in the first six months of 2019 to $32.1 million in the corresponding period in 2020. This decline is mainly due to the previously explained decrease in operating earnings as well as the increase in income taxes, partially mitigated by a decrease in financial expenses. On a per share basis, net earnings went from $0.58 to $0.37 respectively, due to the above-mentioned items.

Adjusted net earnings attributable to shareholders of the Corporation decreased by $11.7 million, or 11.9%, from $98.1 million in the first six months of 2019 to $86.4 million in the corresponding period in 2020. This decrease is mostly due to lower adjusted operating earnings, partially mitigated by the decrease in financial expenses. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from $1.12 to $0.99 respectively.

ANALYSIS OF SECTOR RESULTS - SECOND QUARTER

(unaudited)

Table #4:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - Second quarter of 2019	**$419.1**	**$333.5**	**$14.8**	**$767.4**
Acquisitions/disposals and closures	(65.0)	14.5	(9.4)	(59.9)
Existing operations				
Exchange rate effect	7.2	0.1	—	7.3
Organic growth (decline)	(7.0)	(83.1)	0.4	(89.7)
Revenues - Second quarter of 2020	**$354.3**	**$265.0**	**$5.8**	**$625.1**
Adjusted operating earnings (1) - Second quarter of 2019	**$34.1**	**$55.3**	**($5.8)**	**$83.6**
Acquisitions/disposals and closures	(2.3)	(0.6)	(1.9)	(4.8)
Existing operations				
IFRS 16	0.2	0.3	0.1	0.6
Exchange rate effect	1.2	0.1	—	1.3
Stock-based compensation	—	—	(4.6)	(4.6)
Organic growth (decline)	5.0	(15.7)	3.1	(7.6)
Adjusted operating earnings (1) - Second quarter of 2020	**$38.2**	**$39.4**	**($9.1)**	**$68.5**

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

Packaging Sector

Packaging Sector revenues decreased by $64.8 million, or 15.5%, from $419.1 million in the second quarter of 2019 to $354.3 million in the second quarter of 2020. This decrease is mostly due to the sale of the paper packaging operations in the first quarter of 2020, which had an unfavourable effect of $70.8 million, while the acquisition of Trilex contributed additional revenues of $5.8 million. The organic decline of $7.0 million, or 1.7%, is mainly due to the decrease in raw material costs, which has little impact on adjusted operating earnings. In addition, as a result of the COVID-19 pandemic, some packaging verticals experienced a decrease in volume, but this decrease was mitigated by the operations supporting the supply chain for food retailers. Lastly, the favourable exchange rate effect had a positive impact on revenues.

Adjusted operating earnings increased by $4.1 million, from $34.1 million in the second quarter of 2019 to $38.2 million in the second quarter of 2020. This increase is attributable to the strong demand of packaging products for food and everyday consumer goods. In addition, the realization of synergies and operational efficiency initiatives in the sector contributed to the growth in the adjusted operating earnings margin. These elements were partially offset by the disposal of the paper packaging segment. As a result of the above-mentioned factors, the Sector's adjusted operating earnings margin went from 8.1% in the second quarter of 2019 to 10.8% in the second quarter of 2020.

Printing Sector

Printing Sector revenues decreased by $68.5 million, or 20.5%, from $333.5 million in the second quarter of 2019 to $265.0 million in the second quarter of 2020. The organic decline of $83.1 million is mostly explained by the decrease in volume caused by the COVID-19 pandemic and the government measures put in place for non-essential services. These measures resulted in a material temporary reduction in printing activities in most of the segments during a month that is historically strong. The acquisitions of Holland & Crosby Limited and Artisan Complete Limited contributed positively to revenues.

Adjusted operating earnings decreased by $15.9 million, or 28.8%, from $55.3 million in the second quarter of 2019 to $39.4 million in the second quarter of 2020. The decline is mostly due to the previously explained decrease in revenues. In addition to the cost reduction measures related to the COVID-19 pandemic, the operational efficiency initiatives undertaken at the beginning of the year mitigated this decline. Furthermore, the Corporation benefited from a government subsidy that contributed in particular to maintaining jobs relating to the production of essential services and implementing financial support programs for employees temporarily laid off or with a reduced work schedule. The Sector's adjusted operating earnings margin went from 16.6% in the second quarter of 2019 to 14.9% in the second quarter of 2020.

Other

Revenues decreased by $9.0 million, from $14.8 million in the second quarter of 2019 to $5.8 million in the second quarter of 2020. This decrease is mostly due to the sale of the specialty media assets and event planning activities.

Adjusted operating earnings decreased by $3.3 million, from $(5.8) million in the second quarter of 2019 to $(9.1) million in the second quarter of 2020, mainly due to the stock-based compensation expense and the sale of the specialty media assets and event planning activities. With respect to the stock-based compensation, in the second quarter of 2020, the Corporation entered into a total return swap to hedge the market risk related to the variation in share price and its impact on stock-based compensation. Consequently, the Corporation did not benefit from the positive impact of the decrease in the share price in the second quarter of 2020, while it had benefited from such impact in the second quarter of 2019. The unfavorable change is therefore due to a gain in the second quarter of 2019 resulting from the decrease in the share price. These elements were partially mitigated by the performance of the educational book publishing segment and cost reduction initiatives at head office.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #5:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - Six months ended April 28, 2019	**$814.1**	**$670.3**	**$34.6**	**$1,519.0**
Acquisitions/disposals and closures	(66.6)	20.6	(17.8)	(63.8)
Existing operations				
Exchange rate effect	4.3	0.2	—	4.5
Organic growth (decline)	(26.0)	(100.3)	(2.5)	(128.8)
Revenues - Six months ended April 26, 2020	**$725.8**	**$590.8**	**$14.3**	**$1,330.9**
Adjusted operating earnings (1) - Six months ended April 28, 2019	**$63.3**	**$106.1**	**($9.1)**	**$160.3**
Acquisitions/disposals and closures	(2.1)	(0.5)	(3.2)	(5.8)
Existing operations				
IFRS 16	0.2	0.7	0.6	1.5
Exchange rate effect	0.9	0.2	—	1.1
Stock-based compensation	—	—	(4.1)	(4.1)
Organic growth (decline)	3.5	(15.3)	(0.6)	(12.4)
Adjusted operating earnings (1) - Six months ended April 26, 2020	**$65.8**	**$91.2**	**($16.4)**	**$140.6**

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

Packaging Sector

Packaging Sector revenues decreased by $88.3 million, from $814.1 million in the first six months of 2019 to $725.8 million in the corresponding period in 2020. This decrease is mostly due to the sale of the paper packaging operations in mid-January 2020, which were partially mitigated by the acquisition of Trilex and the favourable exchange rate effect. The organic decline is explained by the decrease in raw material costs, which has little impact on adjusted operating earnings, and the organic decline of the paper packaging operations before their disposal in January 2020.

Adjusted operating earnings increased by $2.5 million, from $63.3 million in the first six months of 2019 to $65.8 million in the corresponding period in 2020. This increase is attributable to the realization of synergies and operational efficiency initiatives within the Sector. This improvement in adjusted operating earnings was partially offset by the disposal of the paper packaging operations. As a result, the Sector's adjusted operating earnings margin increased from 7.8% in the first six months of 2019 to 9.1% in the corresponding period in 2020.

Printing Sector

Printing Sector revenues decreased by $79.5 million, from $670.3 million in the first six months of 2019 to $590.8 million in the corresponding period in 2020. The organic decline of $100.3 million is mostly explained by a decrease in volume in April 2020 as a result of the COVID-19 pandemic. In April 2020, the government measures, combined with the economic disruptions caused by the COVID-19 pandemic, resulted in a material temporary reduction in printing activities in most of the segments. For the period before April 2020, the segments were experiencing a decrease in volume that was less significant than the trends observed in 2019. The acquisitions of Holland & Crosby Limited and Artisan Complete Limited partially mitigated this significant decrease.

Adjusted operating earnings decreased by $14.9 million, from $106.1 million in the first six months of 2019 to $91.2 million in the corresponding period in 2020. This decline is mostly due to the previously explained decrease in revenues. The operational efficiency initiatives undertaken at the beginning of the fiscal year kept adjusted operating earnings stable for the first five months. However, the decline in adjusted operating earnings was more significant in April 2020, historically one of the strongest months of the year, despite new cost reduction initiatives related to the COVID-19 pandemic and a government subsidy that allowed the sector to maintain certain essential services. The Sector's adjusted operating earnings margin went from 15.8% in first six months of 2019 to 15.4% in the corresponding period in 2020.

Other

Revenues decreased by $20.3 million, from $34.6 million in the first six months of 2019 to $14.3 million in the corresponding period in 2020. This decrease is mostly due to the impact of the sale of the specialty media assets and event planning activities.

Adjusted operating earnings decreased by $7.3 million, from $(9.1) million in the first six months of 2019 to $(16.4) million in the corresponding period in 2020, mainly as a result of the stock-based compensation expense and the sale of the specialty media assets and event planning activities.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #6 summarizes selected consolidated financial information derived from the Corporation's unaudited condensed interim consolidated financial statements and some non-IFRS financial measures for each of the last eight quarters.

Table #6:

	2020		2019				2018	
(in millions of dollars, except per share amounts)	**Q2**	Q1	Q4	Q3	**Q2**	Q1	Q4	Q3
Revenues	**$625.1**	$705.8	$790.9	$728.9	**$767.4**	$751.6	$829.2	$757.9
Adjusted revenues (1)	**625.1**	705.8	779.2	728.9	**767.4**	751.6	829.2	757.9
Operating earnings before depreciation and amortization (2)	**97.3**	95.7	206.9	107.2	**93.7**	103.7	153.6	89.7
Adjusted operating earnings before depreciation and amortization (1) (2)	**104.3**	109.0	139.1	112.9	**115.7**	108.1	162.2	116.4
Adjusted operating earnings margin before depreciation and amortization (1) (2)	**16.7 %**	15.4 %	17.9 %	15.5 %	**15.1 %**	14.4 %	19.6 %	15.4 %
Operating earnings (2)	**$44.1**	$40.8	$156.2	$56.6	**$43.1**	$53.6	$105.5	$39.6
Adjusted operating earnings (1) (2)	**68.5**	72.1	106.8	80.9	**83.6**	76.7	131.6	84.6
Adjusted operating earnings margin (1) (2)	**11.0 %**	10.2 %	13.7 %	11.1 %	**10.9 %**	10.2 %	15.9 %	11.2 %
Net earnings attributable to shareholders of the Corporation (2)	**$25.7**	$6.4	$112.3	$3.4	**$22.3**	$28.1	$67.0	$19.3
Net earnings attributable to shareholders of the Corporation per share (2)	**0.30**	0.07	1.28	0.04	**0.26**	0.32	0.76	0.22
Adjusted net earnings attributable to shareholders of the Corporation (1) (2)	**43.6**	42.8	69.9	52.2	**52.6**	45.5	87.0	52.1
Adjusted net earnings attributable to shareholders of the Corporation per share (1) (2)	**0.50**	0.49	0.80	0.60	**0.60**	0.52	0.99	0.59
% of fiscal year	**— %**	— %	31 %	24 %	**24 %**	21 %	35 %	20 %

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the unaudited condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 of this report.

The variability of financial information for interim periods is influenced by many factors, such as:

- The impact of acquisitions, disposals and closures completed in line with our transformation;
- The exchange rate effect;
- The interest rates;
- The impact of the change in the share price on the stock-based compensation expense;
- The impact of adjusting items presented in Table #3, "Reconciliation of Non-IFRS Financial Measures".

Excluding the impact of the above-mentioned items, we can note a decrease in revenues, which is mainly due to a decline in volume within the Printing Sector and lower Packaging Sector revenues, mostly caused by the sale of the paper packaging operations.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #7:

	Three months ended	
(in millions of dollars)	**April 26, 2020**	April 28, 2019
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$105.9**	$100.9
Changes in non-cash operating items	**20.3**	19.3
Income taxes paid	**(11.5)**	(20.7)
Cash flows from operating activities	**$114.7**	$99.5
Investing activities		
Acquisitions of property, plant and equipment	**($27.1)**	($17.6)
Disposals of property, plant and equipment	**0.1**	—
Increase in intangible assets	**(4.9)**	(6.1)
Cash flows from investing activities	**($31.9)**	($23.7)
Financing activities		
Reimbursement of long-term debt	**($366.9)**	$—
Net decrease in credit facility	**—**	(40.1)
Financial expenses on long-term debt	**(11.0)**	(14.4)
Repayment of principal on lease liabilities	**(5.4)**	—
Interest on lease liabilities	**(0.8)**	—
Dividends	**(19.5)**	(19.3)
Cash flows from financing activities	**($403.6)**	($73.8)
Effect of exchange rate changes on cash denominated in foreign currencies	**$0.8**	($0.3)
Net change in cash	**($320.0)**	$1.7

Financial position	**As at April 26, 2020**	As at October 27, 2019
Net indebtedness (1) (2)	**$1,121.4**	$1,169.4
Net indebtedness ratio (1) (2)	**2.4 x**	2.5 x
Credit rating		
DBRS	**BBB (low)**	BBB (low)
Outlook	**Stable**	Stable
Standard and Poor's	**BBB-**	BBB-
Outlook	**Negative**	Negative

Consolidated Statements of Financial Position	**As at April 26, 2020**	As at October 27, 2019 (3)
Current assets (2)	**$875.2**	$1,068.8
Current liabilities (2)	**529.2**	457.4
Total assets (2)	**3,623.2**	3,781.8
Total liabilities (2)	**1,893.4**	2,090.6

(1) Please refer to Table #3 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.
(2) The results for the current period reflect the impact of the adoption of the new IFRS 16 accounting standard, which applies to the Corporation for its fiscal year beginning October 28, 2019. The Corporation adopted the new standard using the modified retrospective transition method, whereby the cumulative impact of initial application has been reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, data might not be comparable. Please refer to Note 2 to the condensed interim consolidated financial statements for more information on the adoption of the new standard and Table #2 of this report.
(3) Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

Cash Flows from Operating Activities

Cash flows from operating activities increased by $15.2 million, from $99.5 million in the second quarter of 2019 to $114.7 million in the second quarter of 2020. This increase is partially attributable to the deferral of the payment of tax installments in Canada as a result of the COVID-19 pandemic. With respect to the other variations, the decline in adjusted operating earnings was mitigated by a strong performance of receivables.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $23.7 million in the second quarter of 2019 to a cash outflow of $31.9 million in the second quarter of 2020. This variation is mostly explained by the acquisitions of property, plant and equipment in the Packaging Sector.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $73.8 million in the second quarter of 2019 to a cash outflow of $403.6 million in the second quarter of 2020. This variation is mostly explained by the repayment of US$50.0 million ($66.4 million) on the tranche A of the U.S. dollar term loans and the repayment in full of tranches G and H of the Canadian dollar term loans, each amounting to $150.0 million.

Debt Instruments

On February 3, 2020, the Corporation repaid US$50.0 million ($66.4 million) on tranche A of the U.S. dollar term loans. On February 18, 2020, the Corporation repaid in full tranches G and H of Canadian dollar terms loans, each amounting to $150.0 million. As at April 26, 2020, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was $435.3 million.

Net indebtedness went from $1,169.4 million as at October 27, 2019 to $1,121.4 million as at April 26, 2020. This decrease is mostly explained by cash flows from operating activities and the sale of the paper packaging operations, which were partially offset by lease liabilities of $138.1 million due to the adoption of IFRS 16 and a $74.1 million impact of the revaluation of the U.S. dollar debt. In addition, acquisitions of property, plant and equipment, dividend payments and financial expenses on long-term debt also offset the reduction of net indebtedness. Consequently, our net indebtedness ratio stood at 2.4x as at April 26, 2020 compared to 2.5x as at October 27, 2019. After normalizing for the effect of IFRS 16, the net indebtedness ratio is 2.2x as at April 26, 2020.

Share Capital

Table #8:

Shares Issued and Outstanding	As at April 26, 2020	As at May 29, 2020
Class A (Subordinate Voting Shares)	**73,049,344**	**73,049,344**
Class B (Multiple Voting Shares)	**13,975,826**	**13,975,826**
Total Class A and Class B	**87,025,170**	**87,025,170**

The Corporation had been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2019 and September 30, 2020, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 190,560 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

On February 27, 2020, the Corporation was authorized to modify its share repurchase program in order to increase the maximum number of Class A Subordinate Voting Shares it is allowed to repurchase from 1,000,000 Class A Subordinate Shares to 2,000,000 Class A Subordinate Voting Shares. All other terms and conditions of the repurchase program remain unchanged.

During the six-month period ended April 26, 2020, the Corporation redeemed and cancelled 450,450 of its Class A Subordinate Voting Shares at a weighted average price of $15.70, for a total cash consideration of $7.1 million. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at April 26, 2020.

CHANGES IN ACCOUNTING STANDARDS

New accounting standards adopted during the period ended January 26, 2020

As at October 28, 2019, the Corporation adopted IFRS 16 "Leases", which replaces IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease". Adopting this new standard gave rise to a material gross-up of the Statement of Financial Position resulting from the recognition of right-of-use assets and offsetting liabilities representing the obligation to make lease payments.

At the opening of the period, as at October 28, 2019, the Corporation also adopted the amendments to IAS 19 "Employee Benefits" and IFRIC 23 "Uncertainty over Income Tax Treatments", which had no material impact on the unaudited condensed interim consolidated financial statements for the six-month period ended April 26, 2020.

For more information, please refer to Note 2 to the unaudited condensed interim consolidated financial statements and the most recent annual consolidated financial statements.

RISK AND UNCERTAINTIES

Managing the risks to which the Corporation is exposed in the normal course of operations plays an important role in the decisions taken by management with regards to acquisitions, capital investments, asset divestitures, plant consolidation and efforts to create synergies among operating sectors or other operating activities. This also guides decisions regarding cost reduction measures, product diversification, new market penetration and certain cash movements.

In addition to periodically re-examining current risks and the effectiveness of control and preventive measures already in place, Management assesses new risk factors. It determines the likelihood that these will occur and their potential effect, and implements strategies and processes to proactively manage these new risks. A report on the risk management program is regularly presented to the Audit Committee and Board of Directors.

As the COVID-19 pandemic is disrupting many sectors of the economy and is having an impact on the normal course of the Corporation's business, the Corporation performed a comprehensive review of the risks to which it is exposed. Except for the update that follows, there were no significant changes in the risks to which the Corporation is exposed. The Corporation's main risks and uncertainties are described in the most recent annual report for the fiscal year ended October 27, 2019.

Strategic Risks

Printed Flyers - Impact of digital product development and adoption on the demand for retailer-related services

Over the past few years, certain Canadian retailers have experimented with interactive flyers, digital campaigns and loyalty programs. A major change in consumer habits or in our customers' marketing strategy, including the use of e-commerce, could result in a significant decrease in the number of pages or frequency for the flyers printed by the Corporation. The COVID-19 pandemic could change the behaviour of customers or the strategy of retailers, which could accelerate the impact of digital product development and adoption. Such decrease could have an adverse impact on our financial results earlier than anticipated. To mitigate this risk, we remain alert to consumer trends and investments in e-commerce platform development planned by retailers. In addition, we continue to develop and enhance our offering to retailers and continuously strive to improve operational efficiency, in particular by maximizing the utilization of our most productive equipment.

Digital Advertising - Impact of digital product development and adoption on the demand for our other printed products

Digital platforms have become an essential means to reach consumers, and advertisers have a more diverse selection of media channels in which to spend their advertising dollars. A decline in the share of printed products in aggregate advertising spending and in the number of readers of printed products towards digital products could result in a decrease in the demand for printed products. The COVID-19 pandemic could change the behaviour of customers, which could accelerate the impact of digital platform development and adoption. This lower demand could have an adverse impact on the financial results of our newspaper, magazine, educational books and commercial product printing activities. To mitigate this risk, we continuously aim to optimize our platform based on the rate of decrease in printing volume. In addition, in the Media Sector, the Corporation continues to invest in digital educational content.

Operational Risks

Operational Disruption - An operational disruption could affect our ability to meet deadlines

The Corporation increasingly concentrates the production of certain products in its most productive plants and, in the event of a disaster at one of these facilities, it could miss production deadlines. Our ability to meet deadlines could also be affected by major equipment failure, human error, labour disputes, transportation problems and supply difficulties. The COVID-19 pandemic adds the risk that a region or plant might be severely affected, which in turn would force its closure for a prolonged period. The magnitude of the impact of these risks on our results will depend on certain factors, including the nature of the disruption, its duration and the plant affected by the disrupting event. However, the Corporation has implemented contingency plans for facilities that deliver products daily and holds insurance policies that could indemnify it against a portion of the costs related to certain disasters.

Financial Risks

Credit - Bad debts from certain customers

Certain factors, such as economic conditions and changes within certain industries, could expose the Corporation to credit risk with respect to receivables from certain of its customers, thereby affecting its ability to collect in accordance with the established terms of payment. The COVID-19 pandemic is disrupting many sectors of the global economy and, consequently, many of our customers. To limit this risk, the Corporation has strengthened its strict controls on credit, including a tighter monitoring the industries that are severely affected by the pandemic. Senior management regularly analyzes and examines the financial position of customers and applies rigorous evaluation procedures to all new customers. The Corporation establishes a specific credit limit for each customer and periodically reviews the limits for major customers or customers that are considered at risk. As well, the Corporation believes that it is protected against any concentration of credit through its products, customer base and geographic diversity. The Corporation also has a credit insurance policy covering certain customers, for a maximum amount of $25.0 million in aggregate losses per year. The policy contains the usual clauses and limits regarding the amounts that can be claimed by event and year of coverage.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As at April 26, 2020, the Corporation's Management excluded Artisan Complete Limited from its evaluation of internal control over financial reporting, this exclusion is accepted by the Autorité des marchés financiers ("AMF") during the first year after the acquisition of a business, to give a corporation time to integrate the acquisition.

Artisan Complete Limited is a company specialized in the creation of engaging retail environments, point-of-purchase displays and large format printing that had 187 employees at the date of acquisition. Acquired on January 13, 2020, Artisan generated revenues of $10.3 million in the first six months of 2020, or 0.77 % of the Corporation's consolidated results.

Additional information about this acquisition is presented in Table #9.

Table #9:
(unaudited)

(in millions of dollars)	Artisan Complete Limited
Statement of financial position	**As at April 26, 2020**
Current assets	11.5
Non-current assets	14.0
Current liabilities	6.8
Non-current liabilities	10.8
Statement of earnings	**Six months ended April 26, 2020**
Revenues	10.3
Operating earnings before depreciation and amortization	0.2
Operating earnings	(0.5)

During the second quarter ended April 26, 2020, except for the information provided above, no change that has materially affected or is reasonably likely to affect the ICFR was brought to the attention of Management, including the President and Chief Executive Officer and the Chief Financial Officer of the Corporation.

OUTLOOK

In the Packaging Sector, the vast majority of our operations support the supply chain for food retailers, who are experiencing an increase in volume due to the COVID-19 pandemic. After normalizing the impact of the sale of our paper packaging operations and the price of resin, we expect a slight organic growth in revenues for the remainder of the fiscal year. We also continue to expect an increase in our profit margins over last fiscal year as a result of our synergies, operational efficiency initiatives and organic growth anticipated in the second half of the fiscal year.

In the Printing Sector, we expect that the organic decline will continue to affect the majority of our verticals, and that it will be amplified by the impact of the COVID-19 pandemic, which continues to impact several of our customers. In recent weeks, we are however seeing a gradual recovery in some of our printing volumes which allowed us to recall approximately 600 of the 1600 temporarily laid-off employees. Operational efficiency and cost reduction initiatives taken since the beginning of the fiscal year will help mitigate the impact of volume declines on our operating earnings. The Company will continue to adjust its capacity to continue generating significant cash flows and solid operating margins.

To conclude, despite the fact that the impacts of the COVID-19 pandemic in the coming months remain unpredictable, we expect to continue generating significant cash flows from all our operating activities. This will enable us to reduce our net indebtedness, while providing us with the desired flexibility to continue our transformation through strategic and targeted acquisitions.

On behalf of Management,

(s) Donald LeCavalier
Chief Financial Officer

June 10, 2020

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, unless otherwise indicated and per share data)	Notes	Three months ended April 26, 2020	Three months ended April 28, 2019	Six months ended April 26, 2020	Six months ended April 28, 2019
Revenues	3	**$ 625.1**	$ 767.4	**$ 1,330.9**	$ 1,519.0
Operating expenses	5	**520.8**	651.7	**1,117.6**	1,295.2
Restructuring and other costs	6	**7.0**	21.5	**20.3**	25.9
Impairment of assets	7	**—**	0.5	**—**	0.5
Operating earnings before depreciation and amortization		**97.3**	93.7	**193.0**	197.4
Depreciation and amortization	8	**53.2**	50.6	**108.1**	100.7
Operating earnings		**44.1**	43.1	**84.9**	96.7
Net financial expenses	9	**11.7**	16.2	**25.7**	33.9
Earnings before income taxes		**32.4**	26.9	**59.2**	62.8
Income taxes	10	**6.6**	4.6	**26.9**	12.4
Net earnings		**25.8**	22.3	**32.3**	50.4
Non-controlling interest		**0.1**	—	**0.2**	—
Net earnings attributable to the shareholders of the Corporation		**$ 25.7**	$ 22.3	**$ 32.1**	$ 50.4
Net earnings per share - basic		**$ 0.30**	$ 0.26	**$ 0.37**	$ 0.58
Net earnings per share - diluted		**$ 0.30**	$ 0.26	**$ 0.37**	$ 0.58
Weighted average number of shares outstanding - basic (in millions)	14	**87.0**	87.3	**87.2**	87.3
Weighted average number of shares - diluted (in millions)	14	**87.0**	87.4	**87.2**	87.4

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended April 26, 2020	Three months ended April 28, 2019	Six months ended April 26, 2020	Six months ended April 28, 2019
Net earnings		**$ 25.8**	$ 22.3	**$ 32.3**	$ 50.4
Other comprehensive income					
Items that will be reclassified to net earnings					
Net change related to cash flow hedges					
Net change in the fair value of designated derivatives - Foreign exchange risk	16	**(10.6)**	(2.3)	**(11.1)**	(2.7)
Net change in the fair value of designated derivatives - Interest rate risk	11	**(15.8)**	(4.6)	**(15.6)**	(4.6)
Reclassification of the net change in the fair value of designated derivatives recognized in net earnings during the period		**1.0**	(0.1)	**1.8**	0.1
Related income taxes		**(6.8)**	(0.6)	**(6.6)**	(0.7)
		(18.6)	(6.4)	**(18.3)**	(6.5)
Cumulative translation differences					
Net unrealized exchange gains on the translation of the financial statements of foreign operations		**127.5**	20.6	**135.1**	32.9
Net losses on hedge of the net investment in foreign operations	11	**(67.0)**	(0.4)	**(66.3)**	(1.0)
Related income taxes		**(1.9)**	—	**(1.7)**	(0.2)
		62.4	20.2	**70.5**	32.1
Items that will not be reclassified to net earnings					
Changes related to defined benefit plans					
Actuarial gains (losses) on defined benefit plans	16	**11.5**	(4.6)	**15.5**	(7.7)
Related income taxes		**3.1**	(1.4)	**4.1**	(2.2)
		8.4	(3.2)	**11.4**	(5.5)
Other comprehensive income	16	**52.2**	10.6	**63.6**	20.1
Comprehensive income		**$ 78.0**	$ 32.9	**$ 95.9**	$ 70.5

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interest	Total equity
Balance as at October 27, 2019		**$ 641.9**	**$ 1.1**	**$ 1,069.9**	**$ (25.9)**	**$ 1,687.0**	**$ 4.2**	**$ 1,691.2**
Impact of the transition to IFRS 16	2	**—**	**—**	**(13.2)**	**—**	**(13.2)**	**—**	**(13.2)**
Balance as at October 27, 2019 - adjusted		**641.9**	**1.1**	**1,056.7**	**(25.9)**	**1,673.8**	**4.2**	**1,678.0**
Net earnings		**—**	**—**	**32.1**	**—**	**32.1**	**0.2**	**32.3**
Other comprehensive income		**—**	**—**	**—**	**63.6**	**63.6**	**—**	**63.6**
Shareholders' contributions and distributions to shareholders								
Share redemptions	13	**(3.8)**	**—**	**(3.3)**	**—**	**(7.1)**	**—**	**(7.1)**
Exercise of stock options	13	**1.9**	**(0.2)**	**—**	**—**	**1.7**	**—**	**1.7**
Dividends	13	**—**	**—**	**(38.7)**	**—**	**(38.7)**	**—**	**(38.7)**
Balance as at April 26, 2020		**$ 640.0**	**$ 0.9**	**$ 1,046.8**	**$ 37.7**	**$ 1,725.4**	**$ 4.4**	**$ 1,729.8**
Balance as at October 28, 2018		$ 642.4	$ 1.1	$ 979.8	$ 10.8	$ 1,634.1	$ —	$ 1,634.1
Net earnings		—	—	50.4	—	50.4	—	50.4
Other comprehensive income		—	—	—	20.1	20.1	—	20.1
Shareholders' contributions and distributions to shareholders								
Dividends	13	—	—	(37.6)	—	(37.6)	—	(37.6)
Income taxes on share issuance costs	13	(0.3)	—	—	—	(0.3)	—	(0.3)
Balance as at April 28, 2019		$ 642.1	$ 1.1	$ 992.6	$ 30.9	$ 1,666.7	$ —	$ 1,666.7

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at April 26, 2020	As at October 27, 2019 [1]
Current assets			
Cash		**$ 104.6**	$ 213.7
Accounts receivable		**448.4**	520.7
Income taxes receivable		**12.4**	10.2
Inventories		**290.3**	304.2
Prepaid expenses and other current assets		**19.5**	20.0
		875.2	1,068.8
Property, plant, equipment		**768.7**	820.1
Right-of-use assets	2	**116.9**	—
Intangible assets		**639.8**	686.2
Goodwill	7	**1,152.7**	1,145.3
Deferred taxes		**31.5**	27.2
Other assets		**38.4**	34.2
		$ 3,623.2	$ 3,781.8
Current liabilities			
Accounts payable and accrued liabilities		**$ 384.6**	$ 420.0
Provisions		**7.1**	14.1
Income taxes payable		**16.1**	12.8
Deferred revenues and deposits		**10.9**	9.3
Current portion of long-term debt	11	**88.8**	1.2
Current portion of lease liabilities	2	**21.7**	—
		529.2	457.4
Long-term debt	11	**999.1**	1,381.9
Lease liabilities	2	**116.4**	—
Deferred taxes		**121.3**	120.2
Provisions		**0.5**	1.9
Other liabilities	12	**126.9**	129.2
		1,893.4	2,090.6
Equity			
Share capital	13	**640.0**	641.9
Contributed surplus		**0.9**	1.1
Retained earnings		**1,046.8**	1,069.9
Accumulated other comprehensive income (loss)	16	**37.7**	(25.9)
Attributable to the shareholders of the Corporation		**1,725.4**	1,687.0
Non-controlling interests		**4.4**	4.2
		1,729.8	1,691.2
		$ 3,623.2	$ 3,781.8

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended April 26, 2020	Three months ended April 28, 2019	Six months ended April 26, 2020	Six months ended April 28, 2019
Operating activities					
Net earnings		**$ 25.8**	$ 22.3	**$ 32.3**	$ 50.4
Adjustments to reconcile net earnings and cash flows from operating activities:					
Impairment of assets	7	**—**	0.5	**—**	0.5
Depreciation and amortization	8	**58.5**	56.0	**118.8**	111.4
Financial expenses on long-term debt and lease liabilities	9	**12.3**	15.6	**26.7**	31.8
Net losses on disposal of assets		**0.4**	0.1	**1.9**	0.3
Net losses on business disposals	6	**0.1**	—	**4.4**	—
Income taxes	10	**6.6**	4.6	**26.9**	12.4
Net foreign exchange differences and other		**2.2**	1.8	**3.5**	1.5
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**105.9**	100.9	**214.5**	208.3
Changes in non-cash operating items		**20.3**	19.3	**(8.3)**	16.2
Income taxes paid		**(11.5)**	(20.7)	**(27.8)**	(41.2)
Cash flows from operating activities		**114.7**	99.5	**178.4**	183.3
Investing activities					
Business combinations, net of acquired cash	4	**—**	—	**(7.7)**	—
Business disposals	4	**—**	—	**232.1**	—
Acquisitions of property, plant and equipment		**(27.1)**	(17.6)	**(50.2)**	(53.3)
Disposals of property, plant and equipment		**0.1**	—	**0.2**	—
Increase in intangible assets		**(4.9)**	(6.1)	**(9.3)**	(11.2)
Cash flows from investing activities		**(31.9)**	(23.7)	**165.1**	(64.5)
Financing activities					
Reimbursement of long-term debt	11	**(366.9)**	—	**(375.2)**	—
Net decrease in credit facility	11	**—**	(40.1)	**—**	(35.8)
Financial expenses on long-term debt	9 & 11	**(11.0)**	(14.4)	**(24.2)**	(31.6)
Repayment of principal on lease liabilities		**(5.4)**	—	**(10.6)**	—
Interest on lease liabilities		**(0.8)**	—	**(1.4)**	—
Exercise of stock options	13	**—**	—	**1.7**	—
Dividends	13	**(19.5)**	(19.3)	**(38.7)**	(37.6)
Share redemptions	13	**—**	—	**(7.1)**	—
Cash flows from financing activities		**(403.6)**	(73.8)	**(455.5)**	(105.0)
Effect of exchange rate changes on cash denominated in foreign currencies		**0.8**	(0.3)	**2.9**	1.1
Net change in cash		**(320.0)**	1.7	**(109.1)**	14.9
Cash at beginning of period		**424.6**	53.7	**213.7**	40.5
Cash at end of period		**$ 104.6**	$ 55.4	**$ 104.6**	$ 55.4
Non-cash investing activities					
Net change in capital asset acquisitions financed by accounts payable		**$ —**	$ 1.3	**$ (0.8)**	$ 3.8

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

1 GENERAL INFORMATION

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

The Corporation is a leader in flexible packaging in North America and Canada's largest printer. The Corporation mainly conducts business in Canada, the United States, Latin America, the United Kingdom, Australia and New Zealand in three separate sectors: the Packaging Sector, the Printing Sector and the Media Sector. The Corporation's main activities are described in Note 3 "Segmented Information".

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on June 10, 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 27, 2019, which include the significant accounting policies used by the Corporation, except for the new standards and accounting policies disclosed below.

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at April 26, 2020. Any subsequent changes to the accounting policies that will take effect in the Corporation's annual consolidated financial statements for the year ending October 25, 2020 or after could result in a restatement of these condensed interim consolidated financial statements.

New or amended accounting standards

- **IFRS 16 "Leases"**

  As at October 28, 2019, the Corporation adopted IFRS 16 "Leases" ("IFRS 16"), which replaces IAS 17 "Leases" ("IAS 17") and IFRIC 4 "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"). This new standard brings most leases in the Statement of Financial Position while eliminating the previous classifications of finance leases and operating leases. Adopting IFRS 16 therefore gave rise to the gross-up of the Statement of Financial Position resulting from the recognition of right-of-use assets and liabilities representing the obligation to make lease payments.

  The Corporation elected to adopt IFRS 16 using the modified retrospective transition method, whereby the cumulative impact of initial application is reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, corresponding figures for fiscal 2019 will continue to be reported under IAS 17 and the related IFRIC 4 interpretations.

  Upon transition, the Corporation applied the following optional practical expedients permitted by IFRS 16 on adoption:
  - Maintaining the definition of leases under IAS 17 and IFRIC 4 to identify contracts entered into or modified prior to October 28, 2019;
  - Applying onerous lease provisions against the value of right-of-use assets as an alternative to performing the required impairment test on the right-of-use assets as at the date of transition;
  - Applying the exemptions for leases having a term of less than 12 months and leases for which the underlying asset is of low value;
  - Excluding initial direct costs from the measurement of right-of-use assets at the date of transition;
  - Applying a single discount rate to a portfolio of leases with similar characteristics;
  - Using hindsight to determine the lease term at the date of initial application.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (continued)

- **IFRS 16 "Leases" (continued)**
  Impact of the adoption of the new standard on the Corporation's interim financial statements:

The following table summarizes the impact of the transition to IFRS 16 on the Consolidated Statement of Financial Position as at October 28, 2019.

	As at October 27, 2019 [1]	Impact of the transition to IFRS 16	As at October 28, 2019
	As reported		Adjusted
Current assets			
Prepaid expenses and other current assets	$ 20.0	$ (0.1)	**$ 19.9**
Property, plant and equipment	820.1	(4.8)	**815.3**
Right-of-use assets	—	113.8	**113.8**
	$ 840.1	**$ 108.9**	**$ 949.0**
Current liabilities			
Provisions	$ 14.1	$ (0.5)	**$ 13.6**
Current portion of lease liabilities	—	19.8	**19.8**
Long-term debt	1,381.9	(4.8)	**1,377.1**
Lease liabilities	—	115.4	**115.4**
Deferred taxes	120.2	(4.3)	**115.9**
Provisions	1.9	(1.3)	**0.6**
Other liabilities	129.2	(2.2)	**127.0**
	$ 1,647.3	**$ 122.1**	**$ 1,769.4**
Equity			
Retained earnings	$ 1,069.9	$ (13.2)	**$ 1,056.7**
	$ 1,069.9	**$ (13.2)**	**$ 1,056.7**

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

On transition, right-of-use assets were measured at the amount of the corresponding lease liabilities, adjusted for the amount of prepaid lease payments, liabilities for leases with unfavorable terms and onerous lease provisions. For certain specific contracts related to real estate properties, the Corporation elected to measure right-of-use assets as if the new standard had been applied since the commencement of these leases, using the incremental borrowing rate at the date of transition. The retroactive impact of these adjustments in the Consolidated Statement of Earnings were reflected in the period's opening retained earnings as at October 28, 2019.

Right-of-use assets recognized at opening as at October 28, 2019 relate to the following classes of underlying assets:

	As at October 28, 2019
Real estate properties	**$ 111.1**
Other	**2.7**
Right-of-use assets	**$ 113.8**

At transition date, leases liabilities were measured at the present value of the remaining lease payments using the Corporation's incremental borrowing rate as at October 28, 2019 and taking into account the probability of exercise of renewal options, based on the Corporation's best estimates. The weighed average incremental borrowing rate applied to lease liabilities upon adoption was 2.89%.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (continued)

- **IFRS 16 "Leases" (continued)**

The following table reconciles lease commitments as at October 27, 2019 to lease liabilities recognized under IFRS 16, which was adopted on October 28, 2019:

	As at October 28, 2019
Lease commitments (as at October 27, 2019)	**$ 94.0**
Impact of including lease payments for extension options reasonably certain to be exercized	59.4
Impact of non-lease components recognized as expenses when incurred	(17.1)
Finance lease obligations	4.8
Commitments not reported as at October 27, 2019	8.3
Initial impact of discounting commitments using the Corporation incremental borrowing rate	(14.9)
Other	0.7
Lease liabilities	**$ 135.2**

Impact of the adoption of the new standard on accounting policies related to leases:

At inception of a contract entered into or modified on or after October 28, 2019, the Corporation must assess whether the contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of a lease, the Corporation must recognize a right-of-use asset and a lease obligation.

The right-of-use asset is initially measured at the cost of the corresponding lease liability, adjusted by any lease payments made at or before the commencement date, less any lease incentives received, plus if applicable, any initial direct costs incurred. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses, if applicable. The right-of-use asset is depreciated on a straight-line basis over the lesser of the lease term and the useful life of the underlying assets.

As a replacement to the requirements of recognizing a provision for onerous contracts and in accordance with IAS 36 "Impairment of assets", right-of-use assets are subject to an impairment test at each reporting date if there is any indication that they may be impaired.

The lease liability is initially measured at the present value of future lease payments using the Corporation's incremental borrowing rate at the inception date, except when it is possible to determine the interest rate implicit in the lease.

The main payments included in the initial measurement of the lease liability are fixed payments, less lease incentives receivable, and variable lease payments that depend on an index or a rate. The lease liability is subsequently measured at amortized cost using the effective rate method, which results in an increase in the carrying amount of the lease obligation to reflect interest and a reduction of the carrying amount to reflect the lease payments made.

The lease liability is remeasured, with a corresponding adjustment to the right-of-use asset, in the following cases:

- There is a change in the lease term and/or the assessment of the exercise of a purchase, extension or termination option, in which case the Corporation remeasures the lease liability by discounting the new future lease payments using a revised discount rate;
- A change is expected in future lease payments as a result of a change in an index or a rate used to determine variable payments, in which case the Corporation remeasures the lease liability by discounting the new future lease payments using the discount rate used for the initial measurement; and
- Any other modification that does not lead to the recognition of a separate lease, in which case the Corporation remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate, and that the Corporation elected to exclude from the definition of lease components under IRS 16, are not taken into account in the initial measurement of neither the right-of-use asset nor the lease liability. These non-lease components continue to be recognized as expenses in the Consolidated Statement of Earnings, under "Operating expenses", when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (continued)

- **IFRS 16 "Leases" (continued)**
  As permitted by IFRS 16, the Corporation also elected to not recognize a right-of-use asset and a lease liability to all new short-term leases (defined as having a lease term of less than 12 months) or for new leases for which the underlying asset is of low value. These leases are recognized on a straight-line basis over the lease term with the corresponding expense reported in the Consolidated Statement of Earnings under "Operating expenses" when incurred.

  In the Consolidated Statement of Cash Flows, cash outflows related to the interest expense on the lease liability and those related to the principal of the lease liability are presented in financing activities. Lease payments for short-term leases, leases for which the underlying asset is of low value and non-lease components are presented in operating activities.

  Impact of the adoption on critical estimates and judgments

  The adoption of IFRS 16 requires the Corporation to make judgments, estimates and assumptions, in particular in determining the lease term. To do so, the Corporation considers all relevant facts and circumstances that create an economic incentive to exercise an extension option (or not exercise a termination option). If it is assessed that it is reasonably certain that the Corporation will exercise an extension option in the future (or will not exercise a termination option), the period covered by such option will be included in the lease term. This assessment of whether it is reasonably certain that an option will be exercised or not is updated upon the occurrence of either a significant event or a significant change in circumstances.

  The new standard also involves considering new estimates and assumptions to determine the Corporation's incremental borrowing rate used to measure lease liabilities.

- **Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**
  The Corporation adopted the amendments to IAS 19 "Employee Benefits" at the opening of the period as at October 28, 2019 and applied, where appropriate, the new requirements of the standard without any material impact on the interim consolidated financial statements for the six-month period ended April 26, 2020.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"**
  As at October 28, 2019, the Corporation adopted IFRIC 23 "Uncertainty over Income Tax Treatments". The adoption of this new standard had no material impact on the interim consolidated financial statements for the six-month period ended April 26, 2020.

- **IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures"**
  In September 2019, the FASB issued Phase 1 of the amendments to IFRS 9 and IFRS 7 as part of the interbank offered rates ("IBOR") reform. These amendments simplify specific hedge accounting requirements and make it possible to avoid modifying directly affected hedging relationships after the adoption of the IBOR reform.

  The Corporation adopted the amendments to IFRS 9 and IFRS 7 for its fiscal year beginning October 28, 2019 using the permitted early application provision. The adoption of these amendments had no material impact on the interim consolidated financial statements for the six-month period ended April 26, 2020.

New accounting policy adopted

- **Financial Instruments**
  The Corporation may use total return swaps to hedge the market risk related to the change in the price of Class A Shares for purposes of measuring the stock-based compensation liability (Note 5). In accordance with the requirements of IFRS 9 "Financial Instruments", total return swaps are classified in the "Fair value through profit or loss" category with subsequent measurement at fair value (Note 17). The Corporation does not designate these derivative financial instruments as cash flow hedging instruments and, consequently, changes in fair value are recognized in the Consolidated Statement of Earnings for the period under "Operating expenses" against stock-based compensation expenses (gains).

Critical judgments and sources of estimation uncertainty

The preparation of consolidated interim financial statements in accordance with IFRS requires the Corporation's management to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses reported for the relevant period. Detailed information on estimates, assumptions and critical judgments used by the Corporation is presented in the audited annual consolidated financial statements for the fiscal year ended October 27, 2019. Although management regularly reviews its estimates, actual results may differ.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical judgments and sources of estimation uncertainty (continued)

In the context of the COVID-19 pandemic and the related climate of uncertainty, the Corporation revised some of its most complex estimates and assumptions, including significant judgment areas, used in preparing the interim consolidated financial statements for the three-month and six-month periods ended April 26, 2020. The main estimates revised to reflect the impact of the COVID-19 pandemic on the Corporation's financial information were the determination of whether there is an indication that assets, cash-generating units ("CGUs") or groups of CGUs may be impaired and the assumptions used in the establishment of their recoverable amount when an impairment test was deemed necessary a the assessment of the credit risk on receivables. No impairment charge was required on assets, CGUs or groups of CGUs (Note 7). Additional revisions might be required in the future depending on the development of the COVID-19 pandemic and its impact on the Corporation's results of operations and financial position, and this could have an impact on the final measurement of the carrying amount of the Corporation's assets.

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

3 SEGMENTED INFORMATION

The Corporation's operating segments are aggregated by management into three separate sectors: Packaging, Printing and Media.

The Packaging Sector, which specializes in extrusion, lamination, printing and converting packaging solutions, generates revenues from the manufacturing of flexible plastic and paper products, including rollstock, bags and pouches, coextruded films, shrink films and coatings. Its facilities are mainly located in the United States, Canada and Latin America.

The Printing Sector generates revenues from an integrated service offering to retailers, including premedia services, flyer and in-store marketing products printing, and door-to-door distribution, as well as an array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products. Its facilities are located in Canada.

The "Other" column includes the Media Sector, certain head office costs as well as the elimination of inter-segment sales. The Media sector generates revenues from print and digital publishing products, in French and English, of the following types: educational books, specialized publications for professionals and newspapers. Inter-segment sales of the Corporation are recognized at agreed transfer prices, which approximate fair value. Transactions other than sales are recognized at carrying amount.

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

For the three-month period ended April 26, 2020	Packaging	Printing	Other	Consolidated Results
Revenues	**$ 354.3**	**$ 265.0**	**$ 5.8**	**$ 625.1**
Operating expenses	**297.5**	**211.1**	**12.2**	**520.8**
Restructuring and other costs (gains)	**(3.7)**	**6.0**	**4.7**	**7.0**
Operating earnings before depreciation and amortization	**60.5**	**47.9**	**(11.1)**	**97.3**
Depreciation and amortization	**34.7**	**15.7**	**2.8**	**53.2**
Operating earnings	**$ 25.8**	**$ 32.2**	**$ (13.9)**	**$ 44.1**
Adjusted operating earnings before depreciation and amortization (1)	**$ 56.8**	**$ 53.9**	**$ (6.4)**	**$ 104.3**
Adjusted operating earnings (1)	**38.2**	**39.4**	**(9.1)**	**68.5**
Acquisitions of non-current assets (2)	**$ 17.5**	**$ 9.9**	**$ 4.8**	**$ 32.2**

For the three-month period ended April 28, 2019	Packaging	Printing	Other	Consolidated Results
Revenues	$ 419.1	$ 333.5	$ 14.8	$ 767.4
Operating expenses	366.9	266.4	18.4	651.7
Restructuring and other costs	2.1	14.4	5.0	21.5
Impairment of assets	—	0.5	—	0.5
Operating earnings before depreciation and amortization	50.1	52.2	(8.6)	93.7
Depreciation and amortization	35.3	13.0	2.3	50.6
Operating earnings	$ 14.8	$ 39.2	$ (10.9)	$ 43.1
Adjusted operating earnings before depreciation and amortization (1)	$ 52.2	$ 67.1	$ (3.6)	$ 115.7
Adjusted operating earnings (1)	34.1	55.3	(5.8)	83.6
Acquisitions of non-current assets (2)	$ 13.4	$ 6.3	$ 5.7	$ 25.4

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

3 SEGMENTED INFORMATION (CONTINUED)

For the six-month period ended April 26, 2020	Packaging	Printing	Other	Consolidated Results
Revenues	**$ 725.8**	**$ 590.8**	**$ 14.3**	**$ 1,330.9**
Operating expenses	**621.3**	**471.0**	**25.3**	**1,117.6**
Restructuring and other costs	**—**	**11.7**	**8.6**	**20.3**
Operating earnings before depreciation and amortization	**104.5**	**108.1**	**(19.6)**	**193.0**
Depreciation and amortization	**71.6**	**31.0**	**5.5**	**108.1**
Operating earnings	**$ 32.9**	**$ 77.1**	**$ (25.1)**	**$ 84.9**
Adjusted operating earnings before depreciation and amortization (1)	**$ 104.5**	**$ 119.8**	**(11.0)**	**$ 213.3**
Adjusted operating earnings (1)	**65.8**	**91.2**	**(16.4)**	**140.6**
Acquisitions of non-current assets (2)	**$ 28.9**	**$ 19.7**	**$ 10.1**	**$ 58.7**

For the six-month period ended April 28, 2019	Packaging	Printing	Other	Consolidated Results
Revenues	$ 814.1	$ 670.3	$ 34.6	$ 1,519.0
Operating expenses	715.6	540.2	39.4	1,295.2
Restructuring and other costs	3.4	17.3	5.2	25.9
Impairment of assets	—	0.5	—	0.5
Operating earnings before depreciation and amortization	95.1	112.3	(10.0)	197.4
Depreciation and amortization	69.8	26.3	4.6	100.7
Operating earnings	$ 25.3	$ 86.0	$ (14.6)	$ 96.7
Adjusted operating earnings before depreciation and amortization (1)	$ 98.5	$ 130.1	$ (4.8)	$ 223.8
Adjusted operating earnings (1)	63.3	106.1	(9.1)	160.3
Acquisitions of non-current assets (2)	$ 37.6	$ 13.1	$ 14.2	$ 64.9

(1) The Corporation's officers mainly make decisions and assess segment performance based on adjusted operating earnings. Adjusted operating earnings before depreciation and amortization and adjusted operating earnings exclude restructuring and other costs, impairment of assets, amortization of intangible assets arising from business combinations, reversal of the fair value adjustment of inventory sold arising from business acquisitions, as well as the accelerated recognition of deferred revenues and accelerated depreciation of equipments as part of the agreements with The Hearst Corporation (only for adjusted operating earnings as it relates to amortization of intangible assets arising from business combinations and accelerated depreciation of equipments).

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

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

3 SEGMENTED INFORMATION (CONTINUED)

Additional information on revenues

The table below presents information on revenues disaggregated by type of products and geographical area, as well as a reconciliation with revenues by segment:

	Three months ended		Six months ended	
	April 26, 2020	April 28, 2019 [1]	**April 26, 2020**	April 28, 2019 [1]
Packaging products				
Americas	**$ 324.9**	$ 391.2	**$ 674.3**	$ 759.6
Rest of the world	**29.4**	27.9	**51.5**	54.5
	354.3	419.1	**725.8**	814.1
Printing services [2]				
Retailer-related services [3]	**143.4**	185.8	**339.8**	393.4
Marketing products	**57.0**	53.6	**109.5**	101.0
Magazines and books	**39.1**	60.8	**88.7**	111.2
Newspapers	**25.5**	33.3	**52.8**	64.7
	265.0	333.5	**590.8**	670.3
Media [2]	**8.6**	17.5	**20.4**	38.4
Inter-segment sales	**(2.8)**	(2.7)	**(6.1)**	(3.8)
	$ 625.1	$ 767.4	**$ 1,330.9**	$ 1,519.0

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

	As at April 26, 2020	As at October 27, 2019
Packaging	**$ 2,390.3**	$ 2,457.1
Printing	**926.0**	945.9
Other [4]	**306.9**	378.8
	$ 3,623.2	$ 3,781.8

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

(2) Revenues from printing services and media are mainly derived from transactions in North America.

(3) Revenues from retailer-related services include printing, premedia and distribution services.

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

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

4 BUSINESS COMBINATIONS

Business combinations

- **Artisan Complete Limited**
  On January 10, 2020, continuing its expansion in the in-store marketing product printing vertical, the Corporation acquired 100% of the shares of Artisan Complete Limited Inc. ("Artisan Complete"), a Markham, Ontario company specialized in the creation of engaging retail environments, point-of-purchase displays and large format printing. The transaction was completed for a purchase price of $13.0 million, before deducting certain liabilities repaid by the Corporation and including a $1.0 million purchase price withholding payable 18 months after the transaction's closing date provided that no compensation for damages is claimed by the Corporation during the reference period. The purchase price remained subject to customary adjustments.

  As at April 26, 2020, the initial purchase price allocation led to the recognition of goodwill of $1.4 million. The recognized goodwill is not deductible for tax purposes. The Corporation expects to finalize the accounting for this acquisition in the coming months.

  The following table presents the provisional fair value of assets acquired and liabilities assumed at the acquisition date:

Assets acquired		
Current assets	$	10.1
Property, plant and equipment		4.6
Intangible assets		3.1
Goodwill		1.4
		19.2
Liabilities assumed		
Current liabilities		5.1
Long-term debt (including current portion), lease liabilities and other items [1]		4.3
Deferred taxes		1.1
		10.5
	$	8.7
Total consideration		
Cash paid	$	7.7
Long-term consideration payable (purchase price withholding)		1.0
	$	8.7

[1] As at April 26, 2020, the Corporation had repaid in the full amount of $4.3 million of long-term debt, lease liabilities and other items.

Revenues and operating earnings before depreciation and amortization generated by Artisan Complete since its acquisition had no material impact on the Corporation's consolidated operating earnings for the three-month and six-month periods ended April 26, 2020. The fair value of acquired accounts receivable of $7.6 million is included in current assets recognized as part of the provisional accounting of the purchase price allocation.

Business disposals

- **Sale of paper and woven polypropylene packaging operations**
  On January 17, 2020, the Corporation completed the sale of its paper and woven polypropylene packaging operations to Hood Packaging Corporation pursuant to the final agreement announced on November 27, 2019. The sale transaction includes the assets related to paper packaging operations, including the buildings and equipment of four plants, as well as the assets related to the paper and woven polypropylene packaging operations of a plant located in South Carolina.

  Upon the transaction closing, the Corporation received a cash consideration of US$180.0 million ($235.1 million) subject to customary working capital adjustments and offset by transaction costs incurred.

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

4 BUSINESS COMBINATIONS (CONTINUED)

Business disposals (continued)

- **Sale of paper and woven polypropylene packaging operations (continued)**

Consideration received for the sale of the paper and woven polypropylene packaging operations		
Cash	$	235.1
Transaction costs		(4.4)
Consideration received, net of transaction costs		230.7
Initial working capital adjustments		1.4
Net consideration received [(1)]		232.1
Assets and liabilities sold		
Current assets		61.9
Property, plant and equipment		74.2
Intangible assets		56.7
Goodwill		54.8
Current liabilities		(11.2)
Assets and liabilities sold, net amount		236.4
Loss on disposal, before taxes		(4.3)
Tax impact of the disposal		(11.7)
Loss on disposal, after taxes	$	(16.0)

[(1)] This consideration could be affected by final adjustments based on final closing financial statements and transaction costs. The Corporation expects to finalize the accounting for this business disposal in the coming months, as the working capital adjustments and transaction costs are finalized,

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

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended		Six months ended	
	April 26, 2020	April 28, 2019	**April 26, 2020**	April 28, 2019
Employee-related costs [1]	**$ 165.2**	$ 204.1	**$ 360.1**	$ 401.6
Supply chain and logistics [2]	**323.3**	416.4	**698.0**	829.4
Other goods and services [3]	**32.3**	31.2	**59.5**	64.2
	$ 520.8	$ 651.7	**$ 1,117.6**	$ 1,295.2

[1] As at April 26, 2020, the Corporation believed that it qualified to receive the Canada Emergency Wage Subsidy and that there was reasonable assurance that the amount would be received from the Canadian federal government in connection with the COVID-19 pandemic. The Corporation recognized an $8.2 million wage subsidy receivable against the salary expense qualified for that subsidy under "Employee-related costs" for the three-month and six-month periods ended April 26, 2020.

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

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

6 RESTRUCTURING AND OTHER COSTS

Restructuring and other costs by major headings are as follows:

	Three months ended		Six months ended	
	April 26, 2020	April 28, 2019	**April 26, 2020**	April 28, 2019
Workforce reductions	**$ 5.7**	$ 13.5	**$ 10.4**	$ 16.5
Losses related to the sale of certain activities [1]	**4.3**	4.3	**10.1**	4.3
Other elements [2]	**(3.2)**	1.3	**(1.1)**	2.2
Onerous contracts	**—**	1.1	**0.4**	0.6
Business acquisition and integration costs [3]	**0.2**	1.3	**0.5**	2.3
	$ 7.0	$ 21.5	**$ 20.3**	$ 25.9

[1] Mainly includes an expense for receivables related to previous transactions of $4.0 million for the three-month and six-month periods ended April 26, 2020 and a loss on the disposal of the paper and woven polypropylene packaging operations (Note 4) of $4.3 million for the six-month period ended April 26, 2020.

[2] Other elements include a $2.9 million gain related to the remeasurement to fair value of a contingent consideration payable in connection with a past business combination (Note 17), a $4.2 million net gain related to insurance proceeds receivable for the replacement of equipment destroyed by fire, less the loss on the derecognition of such asset, and a $2.0 million expense for atypical additional costs incurred in relation with the COVID-19 pandemic for the three-month and six-month periods ended April 26, 2020.

[3] Business acquisition costs include transaction costs, primarily legal fees, success fees related to the acquisition and other professional fees, for potential or realized business combinations, as well as integration costs related to acquired companies.

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

7 IMPAIRMENT OF ASSETS

Impairment test

The Corporation performs the annual impairment test for groups of Cash Generating Units ("CGUs") during the last quarter of each fiscal year, except when there are changes in circumstances that would indicate that the recoverable amount of groups of CGUs might be lower than their net carrying amount before such date. The results of the most recent annual impairment test performed for the year ended October 27, 2019 showed that recoverable amounts were greater that net carrying amounts for all the Corporation's groups of CGUs, thereby leading to no impairment charges being recognized.

As at April 26, 2020, the Corporation assessed whether there was any indication of impairment, in particular due to the COVID-19 pandemic and its economic impact on the Corporation's activities. In the Packaging Sector, considering the strong demand for products intended in particular for the food industry, a sector considered as essential by the governments of the countries where the Corporation operates, no indication of impairment was identified that would require testing the groups of CGUs of this sector for impairment. In contrast, the Corporation identified indication of impairment for the groups of CGUs of the Printing Sector, mainly as a result of a reduction of activities during the three-month period ended April 26, 2020, including temporary layoffs, following the announcement by the Québec and Ontario governments of measures forcing the temporary halt of services considered as non-essential. No indicator of impairment was identified in the groups of CGUs in the Media Sector, given the seasonal nature of its operations and the fact that the COVID-19 pandemic occurred during a neutral period for the operations.

The recoverable amount of the groups of CGUs tested for impairment was determined based on the value in use.

The value in use was determined by discounting the cash flows that are expected under various scenarios developed by the Corporation and weighted based on their probability of occurrence. The financial forecasts used in each of the scenarios were based on three-year financial forecasts as initially approved by management, which were modified by the Corporation to reflect the severity of the effect of the COVID-19 pandemic on the operations of the groups of CGUs involved, the estimated duration of the pandemic as well as the expected recovery curve for printing activities. Beyond the three-year period, cash flows were extrapolated using estimated perpetual decline rates, which are not lower than those forecasted for specific markets in which the groups of CGUs operate. The assumptions used by the Corporation in the future expected cash flow discounting model are classified in Level 3 of the fair value hierarchy, signifying that they are not based on observable market data.

The discount rate used by the Corporation represents the weighted average cost of capital ("WACC') of comparable companies with similar operations to those of the groups of CGUs involved. The WACC is an estimate of the unified rate of return that equity and debt security holders require on their investments, and reflects current market assessments, the time value of money and the risk specific to the group of CGUs involved.

The results of the impairment test performed on the groups of CGUs of the Printing Sector as at April 26, 2020 did not lead to the recognition of an impairment charge. The Corporation performed a sensitivity analysis on the most significant assumptions used to determine the recovery amount of the groups of CGUs tested for impairment, namely the probability of occurrence assigned to each expected recovery scenario, the discount rate and the perpetual decline rate. The results of the sensitivity analysis show that a greater weight, and even a 100% weight, assigned to the more pessimistic scenarios would not materially change the results of the test, as would a 1% increase in the discount rate and the perpetual decline rate.

The following table presents the main groups of CGUs subject to the goodwill impairment test performed as at April 26, 2020 and the key assumptions used as at the date of the impairment test:

	Carrying amount of goodwill	Perpetual decline rate	Pre-tax discount rate
Printing Sector			
Newspaper, Retail and Premedia Group [1]	224,0	-5,0%	13,1%
Magazine, Book and Catalog Group	65,4	-2,0%	12,4%
Marketing Product Group [2]	5,7	— %	12,7%

[1] As at October 28, 2019, the Corporation had reviewed the composition of its CGUs and groups of CGUs for all its sectors, and this review led to the combination of premedia and printing activities to form a new group of CGUs: the Newspaper, Retail and Premedia Group. Given the development of the printing industry and the fact that the Corporation manages an overall printing platform instead of managing individual plants, there is significant interaction between the various print-related services, including premedia services, and even more so since major customers generally enter into contracts for both services.

[2] The Marketing Group group of CGUs is a new group for purposes of the impairment test, and was set up as a result of the Corporation's recent acquisitions in the in-store marketing product printing segment.

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

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization is as follows:

		Three months ended		Six months ended	
	Note	**April 26, 2020**	April 28, 2019	**April 26, 2020**	April 28, 2019
Property, plant and equipment		**$ 29.2**	$ 30.5	**$ 59.7**	$ 60.3
Right-of-use assets	2	**5.1**	—	**9.8**	—
Intangible assets		**18.9**	20.1	**38.6**	40.4
		53.2	50.6	**108.1**	100.7
Intangible assets and other assets, recognized in revenues and operating expenses		**5.3**	5.4	**10.7**	10.7
		$ 58.5	$ 56.0	**$ 118.8**	$ 111.4

9 NET FINANCIAL EXPENSES

Net financial expenses are as follows:

		Three months ended		Six months ended	
	Note	**April 26, 2020**	April 28, 2019	**April 26, 2020**	April 28, 2019
Financial expenses on long-term debt		**$ 11.4**	$ 15.6	**$ 25.0**	$ 31.8
Interest on lease liabilities	2	**0.9**	—	**1.7**	—
Net interest on defined benefit plans asset and liability		**0.6**	0.7	**1.2**	1.3
Other expenses (revenues)		**—**	0.1	**(0.6)**	1.1
Net foreign exchange gains		**(1.2)**	(0.2)	**(1.6)**	(0.3)
		$ 11.7	$ 16.2	**$ 25.7**	$ 33.9

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

10 INCOME TAXES

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

	Three months ended		Six months ended	
	April 26, 2020	April 28, 2019	**April 26, 2020**	April 28, 2019
Earnings before income taxes	**$ 32.4**	$ 26.9	**$ 59.2**	$ 62.8
Canadian statutory tax rate [1]	**26.52 %**	26.62 %	**26.52 %**	26.62 %
Income taxes at the statutory tax rate	**8.6**	7.1	**15.7**	16.7
Effect of differences in tax rates in other jurisdictions	**(0.3)**	(3.1)	**(0.5)**	(5.9)
Income taxes on non-deductible expenses and non-taxable revenues	**(1.3)**	1.5	**0.9**	2.4
Income taxes on non-deductible restructuring costs and other costs	**(0.2)**	—	**12.6**	—
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(0.1)**	(0.5)	**(2.7)**	(0.3)
Other	**(0.1)**	(0.4)	**0.9**	(0.5)
Income taxes at effective tax rate	**$ 6.6**	$ 4.6	**$ 26.9**	$ 12.4
Income taxes before the following items:	**$ 13.1**	$ 14.8	**$ 28.3**	$ 28.3
Income taxes on amortization of intangible assets arising from business combinations	**(4.3)**	(4.6)	**(8.7)**	(9.2)
Income taxes on restructuring and other gains, excluding tax impact of the disposal	**(2.2)**	(5.5)	**(4.4)**	(6.6)
Tax impact of the disposal	**—**	—	**11.7**	—
Income taxes on impairment of assets	**—**	(0.1)	**—**	(0.1)
Income taxes at effective tax rate	**$ 6.6**	$ 4.6	**$ 26.9**	$ 12.4

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

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

11 LONG-TERM DEBT

Repayment of term loans

On February 3, 2020, the Corporation repaid US$50.0 million ($66.4 million) on tranche A of the U.S.dollar term loans.

On February 18, 2020, the Corporation repaid in full tranches G and H of the Canadian dollar term loans, each amounting to $150.0 million.

Credit facilities

On January 17, 2020, the Corporation extended the maturity of its credit facility, with an available amount of $400.0 million or the U.S. dollar equivalent, by one additional year, until February 2025, on the same terms.

As at April 26, 2020, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was $435.3 million.

Hedging instruments

As at April 26, 2020, an amount of US$684.8 million ($965.8 million) of the term loans and existing credit facilities denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investments in foreign operations. Consequently, during the three-month and six-month periods ended April 26, 2020, foreign exchange losses of $67.0 million and $66.3 million, respectively, were reclassified to other comprehensive income.

During fiscal 2019, the Corporation entered into interest rate swaps as a hedge against risks related to future fluctuations of interest rates for an amount of US$450.0 million of certain of its term loans until their respective maturities. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the three-month and six-month periods ended April 26, 2020, the change in fair value of these hedging instruments, amounting to $15.8 million and $15.6 million, respectively, was recognized in other comprehensive income.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the three-month and six-month periods ended April 26, 2020, the Corporation has not been in default under any covenants.

12 OTHER LIABILITIES

The components of other liabilities are as follows:

	Note	As at April 26, 2020	As at October 27, 2019 [1]
Deferred revenues		**$ 3.4**	$ 4.6
Accrued liabilities and other liabilities		**6.1**	18.6
Stock-based compensation	15	**6.7**	9.4
Defined benefit liability		**75.9**	81.7
Derivative financial instruments		**34.8**	14.9
		$ 126.9	$ 129.2

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

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

13 SHARE CAPITAL

The following table presents changes in the Corporation's share capital for the six-month period ended April 26, 2020:

	Number of shares	Amount
Class A Subordinate Voting Shares		
Balance as at October 27, 2019	73,360,754	$ 622.9
Conversion of Class B Shares into Class A Subordinate Voting Shares	3,800	—
Shares redeemed and cancelled	(450,450)	(3.8)
Exercise of stock options	135,240	1.9
Balance as at April 26, 2020	73,049,344	621.0
Class B Shares		
Balance as at October 27, 2019	13,979,626	19.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	(3,800)	—
Balance as at April 26, 2020	13,975,826	19.0
	87,025,170	$ 640.0

Share redemptions
The Corporation has been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2019 and September 30, 2020, or at an earlier date if the Corporation concludes or cancels the offer, up to 2,000,000 of its Class A Subordinate Voting Shares and up to 190,560 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

The Corporation had been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2018 and September 30, 2019, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 189,344 of its Class B Shares. The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange.

During the six-month period ended April 26, 2020, the Corporation redeemed and cancelled 450,450 of its Class A Subordinate Voting Shares at a weighted average price of $15.70, for a total cash consideration of $7.1 million. The excess of the total consideration over the carrying amount of the shares, in the amount of $3.3 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at April 26, 2020.

During the six-month period ended April 28, 2019, 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 and Class B Shares as at as at April 28, 2019.

Dividends
Dividends of $0.225 and $0.22 per share were declared and paid to holders of shares for the three-month periods ended April 26, 2020 and April 28, 2019, respectively. Dividends of $0.45 and $0.43 per share were declared and paid to holders of shares for the six-month periods ended April 26, 2020 and April 28, 2019.

14 NET EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	April 26, 2020	April 28, 2019	**April 26, 2020**	April 28, 2019
Numerator				
Net earnings	**$ 25.7**	$ 22.3	**$ 32.1**	$ 50.4
Denominator (in millions)				
Weighted average number of shares outstanding - basic	**87.0**	87.3	**87.2**	87.3
Dilutive effect of stock options	**—**	0.1	**—**	0.1
Weighted average number of shares - diluted	**87.0**	87.4	**87.2**	87.4

As at April 26, 2020, no stock options were outstanding. As at April 28, 2019, all stock options were included in the calculation of the diluted net earnings per share due to their potential dilutive effect.

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

15 STOCK-BASED COMPENSATION

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

The following table presents the changes in the plan's status for the six-month period ended April 26, 2020:

	Number of units	
	DSU	RSU
Balance as at October 27, 2019	435,890	868,893
Units granted	113,764	474,190
Units cancelled	(5,126)	(52,432)
Units paid	(8,115)	(247,564)
Units converted	6,805	—
Dividends paid in units	(1,963)	28,256
Balance as at April 26, 2020	541,255	1,071,343

As at April 26, 2020, the liability related to the share unit plan for certain officers and senior executives was $9.1 million ($13.4 million as at October 27, 2019). The gains recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 26, 2020 were $1.5 million and $0.5 million, respectively. The expense (gain) recorded in the Consolidated Statements of Earnings for three-month and six-month periods ended April 28, 2019 were $(1.4) million and $0.1 million, respectively. Amounts of $0.2 million and $3.8 million were paid under this plan for the three-month and six-month periods ended April 26, 2020, respectively. An amount of $7.3 million was paid under this plan for the six-month period ended April 28, 2019 (nil for the three-month period ended April 28, 2019).

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

The following table presents the changes in the plan's status for the six-month period ended April 26, 2020:

	Number of units
Balance as at October 27, 2019	291,271
Directors' compensation	27,746
Dividends paid in units	9,785
Balance as at April 26, 2020	328,802

As at April 26, 2020, the liability related to the share unit plan for directors was $3.8 million ($4.7 million as at October 27, 2019). The gains recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 26, 2020 were $1.1 million and $0.7 million, respectively. The gains recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 28, 2019 were $0.9 million and $0.5 million, respectively. Amounts of $0.1 million and $0.2 million were paid under this plan for the three-month and six-month periods ended April 26, 2020, respectively. Amounts of $0.1 million and $0.6 million were paid under this plan for the three-month and six-month periods ended April 28, 2019, respectively.

Total return swap
As at April 26, 2020, the Corporation had entered into a total return swap that became effective February 24, 2020 on 950,000 units to hedge a portion of the stock-based compensation expenses (gains) that vary based on the price of the Corporation's shares (Note 2). The total return swap has a term of 12 months and can be renewed annually. The impact of a change in the fair value of the total return swap for the portion of units for officers and senior executives and the portion of units for directors, before taking into account of dividends received and interest paid, was losses of $3.5 million and $1.5 million, respectively, which were recorded in the Consolidated Statements of Earnings for the three-month and six-month periods ended April 26, 2020. The difference between these losses and the gains recorded on the remeasurement of the stock-based compensation liability for the relevant periods is explained by the implementation of the total return swap during the three-month period ended April 26, 2020 on units purchased at a weighted average price of $16.37.

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

15 STOCK-BASED COMPENSATION (CONTINUED)

Stock option plan
The following table presents the changes in the plan's status for the six-month period ended April 26, 2020:

	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**135,240**	**$ 11.33**
Exercised	**(135,240)**	**11.33**
Options outstanding and exercisable at end of period	**—**	**$ —**

As at April 26, 2020, the balance of stock options available for future grants under the plan was 3,583,635.

16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 27, 2019	**$ (9.8)**	**$ (9.1)**	**$ 31.1**	**$ (38.1)**	**$ (25.9)**
Net change in gains (losses), net of income taxes	**(18.3)**	**(64.6)**	**135.1**	**11.4**	**63.6**
Balance as at April 26, 2020	**$ (28.1)**	**$ (73.7)**	**$ 166.2**	**$ (26.7)**	**$ 37.7**
Balance as at October 28, 2018	$ 0.2	$ (3.8)	$ 39.3	$ (24.9)	$ 10.8
Net change in gains (losses), net of income taxes	(6.5)	(6.7)	38.8	(5.5)	20.1
Balance as at April 28, 2019	$ (6.3)	$ (10.5)	$ 78.1	$ (30.4)	$ 30.9

As at April 26, 2020, the amounts expected to be reclassified to net earnings in future years are as follows:

	2020	2021	2022	2023	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ (3.1)	$ (4.7)	$ (12.9)	$ (17.4)	$ (38.1)
Income taxes	(0.8)	(1.2)	(3.4)	(4.6)	(10.0)
	$ (2.3)	$ (3.5)	$ (9.5)	$ (12.8)	$ (28.1)

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

16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (CONTINUED)

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

	Three months ended		Six months ended	
	April 26, 2020	April 28, 2019	**April 26, 2020**	April 28, 2019
Actuarial gains (losses) on obligation - change in discount rate	**$ 29.8**	$ (36.5)	**$ 10.2**	$ (55.7)
Actuarial gains (losses) on plan assets - excluding interest income	**(16.7)**	32.0	**7.5**	48.0
Effect of the asset ceiling	**(1.6)**	(0.1)	**(2.2)**	—
	$ 11.5	$ (4.6)	**$ 15.5**	$ (7.7)

Actuarial gains on obligation recognized in the Statements of Comprehensive Income for the three-month and six-month periods ended April 26, 2020 are explained by the change in the discount rate, which increased from 3.1% as at October 27, 2019 to 3.2% as at April 26, 2020 in Canada, and from 3.30% as at October 27, 2019 to 3.40% as at April 26, 2020 in the United States. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were overall greater than expected returns for the six-month period ended April 26, 2020.

Actuarial losses on obligation recognized in Statements of Comprehensive Income for the three-month and six-month periods ended April 28, 2019 are explained by the change in the discount rate, which decreased from 3.9% as at October 28, 2018 to 3.3% as at April 28, 2019 in Canada, and from 4.25% as at October 28, 2018 to 4.00% as at April 28, 2019 in the United States. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were greater than expected returns for the three-month and six-month periods ended April 28, 2019.

17 FINANCIAL INSTRUMENTS

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

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

The fair value of long-term debt is determined using the discounted future cash flow method and management's estimates for market interest rates for identical or similar issuances.

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

The Corporation presents a fair value hierarchy with three levels that reflects the significance of inputs used in determining the fair value assessments.

The fair value of financial assets and liabilities classified in these three levels is evaluated as follows:

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

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

17 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

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

	As at April 26, 2020		As at October 27, 2019	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 0.6**	**$ 0.6**	$ 1.8	$ 1.8
Interest rate swaps in assets	**1.9**	**1.9**	—	—
Contingent considerations	**(8.6)**	**(8.6)**	(10.6)	(10.6)
Long-term debt	**(1,022.8)**	**(1,087.9)**	(1,419.4)	(1,383.1)
Interest rate swaps in liabilities	**(30.4)**	**(30.4)**	(14.8)	(14.8)
Total return swaps in liabilities	**(5.0)**	**(5.0)**	—	—
Foreign exchange forward contracts in liabilities	**(10.7)**	**(10.7)**	(0.5)	(0.5)

These financial instruments are classified in Level 2 of the fair value hierarchy, except for contingent considerations payable related to business combinations, which are classified in Level 3. During the six-month period ended April 26, 2020, no financial instruments were transferred between Levels 1, 2 and 3.

Sensitivity analysis of the Level 3 financial instruments

As at April 26, 2020, all other things being equal, a 10% increase in expected financial performance thresholds of acquired businesses would have resulted in a decrease in net earnings of $7.0 million. A 10% decrease in expected financial performance thresholds would have resulted in an increase in net earnings of $7.1 million.

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

	April 26, 2020
Balance, beginning of period	**$ (10.6)**
Amount included in net income	**2.9**
Exchange rate change	**(0.9)**
Balance, end of period	**$ (8.6)**

Credit risk

The Corporation recognizes a loss allowance for credit losses using a probability-weighted estimate of credit losses. The Corporation establishes the loss allowance for credit losses on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, the industry in which they operate and the number of days past due. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. In its assessment of the loss allowance for credit losses as at April 26, 2020, the Corporation considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic downturn caused by this pandemic.