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annual report



acting in a
responsible
manner

at a glance

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 publishing group of French-language educational resources. For over 40 years, TC Transcontinental's mission has been to create 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 over 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of approximately C\$2.6 billion for the fiscal year ended October 25, 2020. For more information, visit TC Transcontinental's website at www.tc.tc.

\$363M

Long-term debt reduction during fiscal 2020

19.4%

Adjusted operating earnings margin before depreciation and amortization¹ compared to 15.7% in the previous fiscal year

Investment grade credit rating

DBRS: BBB (low), negative

S&P: BBB-, negative

as at October 25, 2020

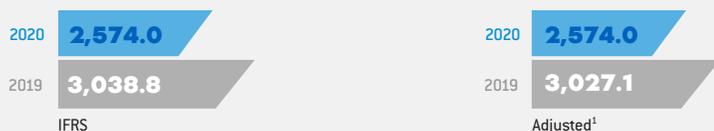
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¹ Non-IFRS financial measure. A complete definition of the non-IFRS financial measures and reconciliation to IFRS financial measures is presented in the *Management's Discussion and Analysis* of this annual report.

financial highlights

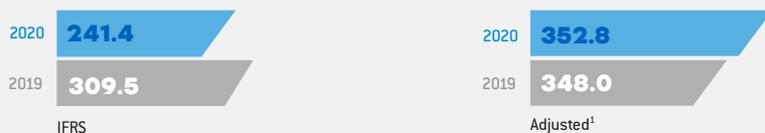
REVENUES (in millions of dollars)



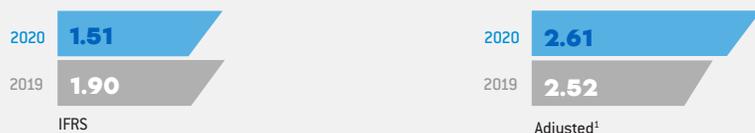
OPERATING EARNINGS BEFORE DEPRECIATION AND AMORTIZATION (in millions of dollars)



OPERATING EARNINGS (in millions of dollars)



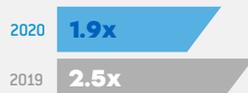
NET EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF THE CORPORATION PER SHARE (in dollars)



CASH FLOW FROM OPERATING ACTIVITIES (in millions of dollars)



NET INDEBTEDNESS RATIO^{1,3}

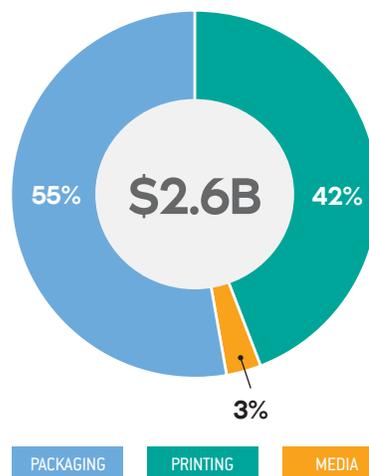


¹ Non-IFRS financial measure. A complete definition of the non-IFRS financial measures and reconciliation to IFRS financial measures is presented in the *Management's Discussion and Analysis* of this annual report.

² Excluding inter-segment eliminations.

³ As at October 28, 2019, the Company adopted IFRS 16 using the modified retrospective approach. For comparative purposes, after normalizing for the effect of IFRS 16, the net indebtedness ratio was 1.6x as at October 25, 2020.

Consolidated² revenue composition for fiscal 2020



tc • TRANSCONTINENTAL PACKAGING

A leader in flexible packaging in North America

About 3,800 employees

Network of 26 packaging plants

Variety of flexible plastic products, including rollstocks, bags and pouches, shrink films and bags, and advanced coatings

tc • TRANSCONTINENTAL PRINTING

Largest printer in Canada

About 3,800 employees

Network of 14 printing plants

Integrated service offering for retailers, publishers and advertisers, including printing, premedia and distribution services

tc • MEDIA

The leading Canadian French-language educational publishing group and the leader in strategic information for the different players in Québec's construction sector

About 200 employees



chair of the board letter

Today, more than half of our consolidated revenues are generated by our Packaging Sector, mainly located in the United States, Latin America and Canada. As the pandemic persists, the vision behind our successful strategic shift to packaging is proving all the more forward-looking.

We proudly won the Mercure award in the “Innovative Manufacturers – Large Business” category at the prestigious Mercuriades business competition held by the Fédération des chambres de commerce du Québec (FCCQ) in September. We earned this recognition because of our strategic vision and innovation in promoting sustainability and a circular economy through our Packaging Sector.

We invest millions of dollars annually in research and development in our packaging operations. Flexible plastic packaging ensures product protection, facilitates transportation and helps extend product shelf life. Through manufacturing expertise and technological innovation, we offer our customers eco-responsible products that are aligned with the ecological transition. We pledged, among other things, that by 2025, 100% of our plastic packaging be reusable, recyclable or compostable. Furthermore, we became a player in plastic recycling in order to vertically integrate the recycling of plastics in our packaging production chain, thus ultimately ensuring our stable procurement of recycled resin.

Like everyone around us, we faced a number of challenges this year but our commitment as a responsible corporate citizen remains steadfast. We are thrilled with our 10th position in Corporate Knights’ ranking of the best corporate citizens thanks to an enviable clean revenue score, gender diversity at the board and executive levels, a solid safety record, as well as strong energy and water productivity. These are outlined in the 2019 Progress Report of our 3-year Corporate Social Responsibility Plan *Acting Together*. We also joined the United Nations Global Compact through which companies commit to aligning their operations to the United Nations’ sustainable development goals. In addition, through a long-standing commitment, we contributed to Centraide’s fundraising campaign with a donation of \$454,181. The need among the vulnerable supported by this organization is even more pressing than it was prior to the pandemic and we responded to its appeal with urgency.

The past few months have brought their share of challenges for our employees, our managers, our executives and for the directors that form our Board. Without exception, they have been unwavering allies who put their heart and capabilities to work for our company. They live our values of respect, teamwork, innovation and performance in a tangible way. I thank them sincerely. I am also grateful to our customers and shareholders for their renewed loyalty and trust. It is a privilege to know that together we can reach even greater heights.

Our employees, customers and shareholders as well as our communities and our planet compelled us to stay focused on our objectives and succeed. In this spirit, we head into the coming year energized and inspired by the prospects ahead of us.

Chair of the Board

Isabelle Marcoux

December 10, 2020

2020 will forever be remembered as the year of COVID-19. At TC Transcontinental, we responded to this intense period with resilience and determination, remaining united, prudent and responsible.

Our strong sense of pride is fuelled by all that we accomplished in 2020. We have the humble conviction that our work made a difference in people’s lives, by supporting our customers in the food industry with our packaging, or by serving our publishing and retail customers with newspapers and flyers that we continued to print and distribute. We were also there for the education sector and for families with our books, both printed and digital.

president and chief executive officer letter

I am proud of the excellent performance we delivered in fiscal 2020. The fact that we achieved these results in the context of COVID-19 makes me even prouder. True to our values and our history, our people showed resilience, agility, operational efficiency and innovation in response to the challenges arising from this crisis month after month. Furthermore, the successful integration of Coveris Americas, acquired in May 2018, bodes well for the future.

Approaching its 45th anniversary, TC Transcontinental has yet again demonstrated its ability to adapt effectively and act responsibly towards all of its stakeholders. Most importantly, our priority is and has always been the health and safety of our 8,000 employees. With them by our side, we ensured the continuity of our operations serving customers in the countries, provinces and states where we operate. We take great pride in meeting their needs with our diversified service offering.

The Packaging Sector, our main engine of growth, generated outstanding performance. This sector is resilient in times of crisis, and we delivered on increased customer demand for food and everyday consumer products packaging which accounts for the majority of our portfolio. We also recorded a strong increase in profitability thanks to operational efficiency gains and better than expected synergies.

Once again this year, we made important strides towards a circular economy for plastic. We became a player in plastic recycling with the creation of a Recycling Group within TC Transcontinental Packaging and the purchase of assets from Montréal-based company Enviroplast Inc. Joining forces with other key industry players, we also established the Circular Plastics Taskforce (*Groupe d'action plastiques circulaires*, or GAPC) to develop a circular economy for plastics in Canada.

We continue to invest significantly in research and development to broaden our offering of plastic packaging products that are recyclable, compostable, or made from post-consumer or post-industrial recycled content. The introduction of such new products under the vieVERTe brand helps reduce our environmental footprint and that of our customers.

In the Printing Sector, a resilient business which had a good year despite the pandemic, we adapted quickly through cost reduction measures, adjusting to the crisis-driven decrease in volume. We had to make difficult decisions including temporary layoffs and reduced work schedules. While the gradual recovery of orders continues, these actions allowed us to protect the sector's profitability and continue to generate significant free cash flows. Along with this, we implemented financial support programs for employees impacted by these measures.

A significant portion of revenues from our printing operations is now derived from verticals with good growth potential such as premedia, book printing and in-store marketing products, where we made the acquisition of Artisan Complete Limited in January 2020.

The Media Sector, consisting of TC Media Books and Groupe Constructo, posted excellent performance for the fiscal year just ended, a testament to its resilience. We will continue to channel our efforts to growing this asset portfolio.

Our approach to responsible management is also reflected in our solid financial position, a strength that allows us to safely navigate this crisis and well beyond it. During the fiscal year, we continued to generate significant cash flows, enabling us to reduce our long-term debt by \$363 million. This is the result of our proven ability to generate cash flows and a highly disciplined approach to capital allocation.



As we embark on a new year, TC Transcontinental is well positioned to seize future business opportunities with a view to long-term profitable growth. Guided by sound management, we will win by pursuing our strategy of organic growth and targeted acquisitions. We have a clear plan and well-defined aspirations to continue building together for future generations.

President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'François Olivier'. The signature is fluid and cursive.

François Olivier
December 10, 2020

social responsibility in action

"Our vision of a circular economy inspires our actions, including responsible procurement, recycling of materials and the design of sustainable products. Innovation is key to achieving our objectives, and we are proud to have established a leading research and development platform that enables us to bring to market innovative, sustainable and safe packaging."

— Thomas Morin, President, TC Transcontinental Packaging

In our communities in 2020

TC Transcontinental gave more than \$1.7 million in monetary donations or in the form of products and services to 84 organizations, projects and programs that support the communities in which we operate

More than \$315,800 raised by our employees for Centraide of Greater Montreal

All of our business units participated in at least one initiative making a positive and direct impact in their community

In the context of the COVID-19 pandemic, medical masks and protective visors were graciously donated to citizens and community organizations

In addition, the Publisac was used to provide information to citizens on COVID-19 government health guidelines in the province of Québec

February 2020



With financial support from Environment and Climate Change Canada, launch of the Circular Plastics Taskforce (*Groupe d'action plastiques circulaires*, or GAPC) by TC Transcontinental and five other key players, to work towards building a circular economy for plastics in Canada.



Recycling Group created within the Packaging Sector to start purchasing equipment for converting flexible plastics recovered from sorting facilities and other commercial, industrial and agricultural sources into recycled plastic granules. In June 2020, the Corporation acquired the assets of Enviroplast Inc., a company dedicated to recycling flexible plastics in the province of Québec.

April 2020



Winner of the Best Sustainability Report 2020 Competition in the "Services" category, organized by Finance Montréal's Finance and Sustainability Initiative (IFD-FM). It aims to promote excellence in sustainability reporting among Canadian companies.

June 2020



Once again named as one of Canada's 50 best corporate citizens, placing in 10th position in the renowned Corporate Knights' ranking for 2020, namely due to its high clean revenue score as well as its strong energy and water consumption productivity.



Released 2019 Progress Report and joined United Nations Global Compact.

Since 2019, our teams have been involved in major projects around the 11 key objectives of the 2019-2021 Corporate Social Responsibility Plan *Acting Together* in four main areas: our employees, our operations, our products and our communities. The Corporation also cemented its commitment as a responsible corporate citizen by joining the *United Nations Global Compact*, a voluntary initiative through which signatory companies commit to aligning their approach to social responsibility with universal principles relating to human rights, labour standards and environmental protection.

September 2020



Winner of the Mercure award for "Innovative Manufacturers – Large Business" presented by Investissement Québec at the Mercuriades competition, held by the Fédération des chambres de commerce du Québec (FCCQ). This award recognizes a company that exemplifies strategic vision and capacity for technological innovation.



management's
discussion
and analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended October 25, 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 year ended October 25, 2020. It should be read in conjunction with the information in the annual 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 audited annual consolidated financial statements for the year ended October 25, 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) and impairment of assets
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
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 as well as the effect of the U.S. tax reform on deferred taxes
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, net of related income taxes as well as the effect of the U.S. tax reform on deferred taxes
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 32 to the annual consolidated financial statements for the year ended October 25, 2020.

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 25, 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 concluded after the date of December 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 December 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.

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Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 8,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of approximately C\$2.6 billion for the fiscal year ended October 25, 2020. For more information, visit TC Transcontinental's website at www.tc.tc.

Packaging Sector

TC Transcontinental Packaging, the Packaging Sector of TC Transcontinental, positions itself as leader in flexible packaging in North America, and also has operations in Guatemala, Mexico, Ecuador, United Kingdom, New Zealand and China. This sector has approximately 3,800 employees, the majority of which are based in the United States. Its platform is comprised of one premedia studio and 26 production plants specializing in extrusion, lamination, printing and converting. TC Transcontinental Packaging offers a variety of flexible plastic, including rollstock, bags and pouches, shrink films and bags, and advanced coatings. This sector services a variety of markets, including dairy, coffee, meat and poultry, pet food, agriculture, beverage, confectionery, industrial, consumer products and supermarkets.

Printing Sector

TC Transcontinental Printing, the Printing Sector of TC Transcontinental, is the largest printer in Canada and one of the largest in North America. This sector has approximately 3,800 employees and possesses a network of 14 state-of-the-art plants. TC Transcontinental Printing provides an integrated service offering for retailers, including premedia services, flyer printing and in-store marketing products, and door-to-door distribution through Publisac in Québec and Targeo, a pan-Canadian distribution brokerage service. This sector also offers an array of innovative print solutions for newspapers, magazines, 4-colour books and personalized and mass marketing products.

Media Sector

TC Media employs approximately 200 people at TC Media Books and Groupe Constructo. TC Media Books is the leading Canadian French-language educational publishing group as well as a trade book publisher, the leader in the supplemental educational material market in Québec and the leading distributor of French-language specialized books in Canada. Groupe Constructo is the leader in strategic information for Québec's construction industry and is also a partner of CGI Inc. in operating Québec's electronic tendering system (SEAO).

HIGHLIGHTS

Table #1:

(in millions of dollars, except per share amounts)	Q4 - 2020	Q4 - 2019	Variation in %	Fiscal 2020	Fiscal 2019	Variation in %
Revenues	\$655.7	\$790.9	(17.1) %	\$2,574.0	\$3,038.8	(15.3) %
Adjusted revenues ⁽¹⁾	655.7	779.2	(15.8)	2,574.0	3,027.1	(15.0)
Operating earnings before depreciation and amortization ⁽²⁾	134.9	206.9	(34.8)	458.0	511.5	(10.5)
Adjusted operating earnings before depreciation and amortization ^{(1) (2)}	146.8	139.1	5.5	499.4	475.8	5.0
Operating earnings ⁽²⁾	81.2	156.2	(48.0)	241.4	309.5	(22.0)
Adjusted operating earnings ^{(1) (2)}	110.1	106.8	3.1	352.8	348.0	1.4
Net earnings attributable to shareholders of the Corporation ⁽²⁾	51.3	112.3	(54.3)	131.7	166.1	(20.7)
Net earnings attributable to shareholders of the Corporation per share ⁽²⁾	0.59	1.28	(53.9)	1.51	1.90	(20.5)
Adjusted net earnings attributable to shareholders of the Corporation ^{(1) (2)}	72.4	69.9	3.6	227.0	220.2	3.1
Adjusted net earnings attributable to shareholders of the Corporation per share ^{(1) (2)}	0.83	0.80	3.8	2.61	2.52	3.6

(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 annual consolidated financial statements for more information on the adoption of the new standard and Table #2 of this Management's Discussion and Analysis.

- Improved profitability in the Packaging Sector and strictly controlled costs in the Printing Sector.
- Revenues of \$2,574.0 million for the year ended October 25, 2020; operating earnings of \$241.4 million; and net earnings attributable to shareholders of the Corporation of \$131.7 million (\$1.51 per share).
- Adjusted operating earnings before depreciation and amortization of \$499.4 million for the year ended October 25, 2020; adjusted operating earnings of \$352.8 million; and adjusted net earnings attributable to shareholders of the Corporation of \$227.0 million (\$2.61 per share).
- Maintained solid financial position with liquidities of \$241.0 million and access to unused lines of credit of \$432.8 million, for total available liquidities of \$673.8 million.
- Improved net indebtedness ratio to 1.9x as a result of the decrease in long-term debt of \$363.0 million and the increase in adjusted operating earnings before depreciation and amortization during the fiscal year.
- Finalized the sale of its paper and woven polypropylene packaging operations to Hood Packaging Corporation for a price of US\$180.1 million (approximately C\$235.3 million).
- Acquired Artisan Complete Limited, a company specialized within in-store marketing, enabling TC Transcontinental to continue enhancing its product offering in this vertical.
- Created a Recycling Group within TC Transcontinental Packaging and acquired Enviroplast inc. to vertically integrate the recycling of plastics in its packaging production chain.

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 the Corporation's revenues, the vast majority of our operations support the retail supply chain for food and everyday consumer products, a sector experiencing strong demand since the beginning of the COVID-19 pandemic. While some of our other verticals are facing a decrease in volume due to the economic slowdown, the verticals supporting the retail supply chain for food and everyday consumer products 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 March 2020, in a significant temporary reduction in printing activities and approximately 1,600 temporary layoffs. The COVID-19 pandemic continues to have a significant effect on the Printing Sector, but a gradual recovery in volume and the Canada Emergency Wage Subsidy program have enabled the Corporation to recall several hundred of employees.

As early as the beginning of March, the Corporation deployed its company-wide crisis management and communication plan, which enabled it to ensure employee safety while ensuring service continuity for its customers. Since then, the Corporation has been closely monitoring the developments of the COVID-19 pandemic and government recommendations and acting quickly 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 annual 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 October 25, 2020	Year ended October 25, 2020
Increase in adjusted operating earnings before depreciation and amortization		
Printing	\$3.2	\$11.2
Packaging	2.4	8.9
Other	0.3	3.0
Consolidated	\$5.9	\$23.1
Increase in net financial expenses	\$0.8	\$3.3
Increase in depreciation	\$5.4	\$20.2

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 the 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.

The Corporation also believes that these measures are useful indicators of the performance of its operations and its ability to meet its financial obligations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers.

Table #3:

Reconciliation of revenues - Fourth quarter and fiscal year

(in millions of dollars)	Three months ended		Year ended	
	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019
Revenues	\$655.7	\$790.9	\$2,574.0	\$3,038.8
Accelerated recognition of deferred revenues ⁽¹⁾	—	(11.7)	—	(11.7)
Adjusted revenues	\$655.7	\$779.2	\$2,574.0	\$3,027.1

(1) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

Reconciliation of operating earnings - Fourth quarter and fiscal year

(in millions of dollars)	Three months ended		Year ended	
	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019
Operating earnings	\$81.2	\$156.2	\$241.4	\$309.5
Restructuring and other costs (gains)	11.9	(56.1)	41.4	(24.5)
Amortization of intangible assets arising from business combinations ⁽¹⁾	17.0	18.4	70.0	74.2
Accelerated recognition of deferred revenues ⁽²⁾	—	(11.7)	—	(11.7)
Impairment of assets	—	—	—	0.5
Adjusted operating earnings	\$110.1	\$106.8	\$352.8	\$348.0
Depreciation and amortization ⁽³⁾	36.7	32.3	146.6	127.8
Adjusted operating earnings before depreciation and amortization	\$146.8	\$139.1	\$499.4	\$475.8

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

(2) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

(3) Depreciation and amortization excludes the amortization of intangible assets arising from business combinations.

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

(in millions of dollars, except per share amounts)	Year ended			
	October 25, 2020		October 27, 2019	
	Total	Per share	Total	Per share
Net earnings attributable to shareholders of the Corporation	\$131.7	\$1.51	\$166.1	\$1.90
Restructuring and other costs (gains), net of related income taxes	42.4	0.49	(23.8)	(0.27)
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	52.9	0.61	56.3	0.64
Impact of the U.S. tax reform on deferred taxes	—	—	30.2	0.35
Accelerated recognition of deferred revenues, net of related income taxes ⁽²⁾	—	—	(9.0)	(0.10)
Impairment of assets, net of related income taxes	—	—	0.4	—
Adjusted net earnings attributable to shareholders of the Corporation	\$227.0	\$2.61	\$220.2	\$2.52
Weighted average number of shares outstanding - diluted	87.1		87.4	

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

(2) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

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

(in millions of dollars, except per share amounts)	Three months ended			
	October 25, 2020		October 27, 2019	
	Total	Per share	Total	Per share
Net earnings attributable to shareholders of the Corporation	\$51.3	\$0.59	\$112.3	\$1.28
Restructuring and other costs (gains), net of related income taxes	8.2	0.09	(47.6)	(0.54)
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	12.9	0.15	14.2	0.16
Accelerated recognition of deferred revenues, net of related income taxes ⁽²⁾	—	—	(9.0)	(0.10)
Adjusted net earnings attributable to shareholders of the Corporation	\$72.4	\$0.83	\$69.9	\$0.80

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

(2) Related to the agreements signed with The Hearst Corporation. Please refer to Note 32 to the annual consolidated financial statements for the year ended October 25, 2020.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at October 25, 2020	As at October 27, 2019
Long-term debt	\$790.4	\$1,381.9
Current portion of long-term debt	229.7	1.2
Lease liabilities ⁽¹⁾	132.0	—
Current portion of lease liabilities ⁽¹⁾	22.8	—
Cash	(241.0)	(213.7)
Net indebtedness ⁽¹⁾	\$933.9	\$1,169.4
Adjusted operating earnings before depreciation and amortization (last 12 months) ⁽¹⁾	\$499.4	\$475.8
Net indebtedness ratio ⁽¹⁾	1.9 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 annual consolidated financial statements for more information on the adoption of the new standard and Table #2 of this Management's Discussion and Analysis.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

Revenues

Revenues decreased by \$464.8 million, or 15.3%, from \$3,038.8 million in fiscal 2019 to \$2,574.0 million in fiscal 2020. This decline is largely due to lower volume in the Printing Sector, which has been severely impacted by the COVID-19 pandemic since April 2020 and the disposal of the paper packaging operations, which occurred at the end of the first quarter of 2020. In addition, the sale of the specialty media assets and event planning activities in 2019 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 \$476.7 million in fiscal 2020, or 18.7%, compared to fiscal 2019. This decrease results from lower volume in the Printing Sector, the sale of paper packaging operations, measures taken by the Corporation to reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy. The adoption of IFRS 16 had a favourable impact of \$23.1 million on operating expenses, but an unfavourable impact on depreciation and amortization and financial expenses due to the recognition of right-of-use assets and liabilities representing the obligation to make lease payments.

Restructuring and other costs increased by \$65.9 million, from a gain of \$24.5 million in fiscal 2019 to an expense of \$41.4 million in fiscal 2020. The amount for 2020 mainly comprises termination expenses as part of plant closures or workforce reorganizations in the Printing Sector as well as additional costs incurred in relation with the COVID-19 pandemic. The amount for 2019 is mainly explained by the gain on disposal of assets resulting from the sale of the Fremont, California building, partially offset by workforce reduction costs in the Printing Sector, mostly due to the closure of Transcontinental Brampton, in Ontario.

Depreciation and amortization increased by \$14.6 million, from \$202.0 million in fiscal 2019 to \$216.6 million in fiscal 2020. This increase is mostly due to the adoption of IFRS 16, which had a \$20.2 million impact, and the increase in property, plant and equipment in the Packaging Sector, partially mitigated by the impact of the disposal of the paper packaging operations.

Operating Earnings

Operating earnings decreased by \$68.1 million, or 22.0%, from \$309.5 million in fiscal 2019 to \$241.4 million in fiscal 2020. The change in operating earnings is mostly explained by the gain on disposal of assets, in the fourth quarter of 2019, resulting from the sale to Hearst of the Fremont, California building and the increase in restructuring costs in fiscal 2020. The significant decrease in revenues was mitigated by cost reductions, the realization of synergies, operational efficiency initiatives and the Canada Emergency Wage Subsidy.

Adjusted operating earnings increased by \$4.8 million, or 1.4%, from \$348.0 million in fiscal 2019 to \$352.8 million in fiscal 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 \$20.5 million, from \$66.9 million in fiscal 2019 to \$46.4 million in fiscal 2020. This change is explained by a reduction in net indebtedness during the year and a lower weighted average interest rate, partially offset by an increase of \$3.3 million related to the adoption of IFRS 16.

Income Taxes

Income taxes decreased by \$13.3 million, from \$76.5 million in fiscal 2019 to \$63.2 million in fiscal 2020. This decrease is mainly attributable to an income tax expense of \$30.2 million in 2019 resulting from the retroactive application of a new directive as part of the U.S. tax reform, as well as the decrease in earnings before taxes in 2020 compared to 2019. These items were partially offset by an income tax expense related to the sale of the paper packaging operations in January 2020 for an amount of \$11.7 million and the increase in tax rate during fiscal 2020 caused by the geographic distribution of earnings before income taxes.

Adjusted income taxes increased by \$18.4 million, from \$60.9 million in fiscal 2019, for an effective tax rate of 21.7%, to \$79.3 million in fiscal 2020, for an effective tax rate of 25.9%. The increase in adjusted income taxes is mostly due to the increase in tax rate caused by the geographic distribution of earnings before income taxes.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased by \$34.4 million, or 20.7%, from \$166.1 million in fiscal 2019 to \$131.7 million in fiscal 2020. This decrease is mainly due to the previously explained decrease in operating earnings, mitigated by the decrease in net financial expenses and income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$1.90 to \$1.51 respectively, due to the above-mentioned items.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$6.8 million, or 3.1%, from \$220.2 million in fiscal 2019 to \$227.0 million in fiscal 2020, mostly as a result of the decrease in net financial expenses combined with the increase in adjusted operating earnings. These items were partially offset by the increase in adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$2.52 to \$2.61 respectively.

ANALYSIS OF CONSOLIDATED RESULTS - FOURTH QUARTER

Revenues

Revenues decreased by \$135.2 million, or 17.1%, from \$790.9 million in the fourth quarter of 2019 to \$655.7 million in the corresponding period in 2020. This decline is largely caused by lower volume in the Printing Sector, which is mainly due to the impact of the COVID-19 pandemic, and the disposal of the paper packaging operations, which occurred at the end of the first quarter of 2020. These items were partially mitigated by acquisitions in the Printing Sector and organic growth in the Media Sector. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - Fourth Quarter".

Operating and Other Expenses

Operating expenses decreased by \$131.2 million, or 20.5%, in the fourth quarter of 2020 compared to the corresponding period in 2019. This decrease results from lower volume in the Printing Sector, the sale of the paper packaging operations, measures taken by the Corporation to

reduce costs and improve its operational efficiency and the Canada Emergency Wage Subsidy. The adoption of IFRS 16 had a favourable impact of \$5.9 million.

Restructuring and other costs increased by \$68.0 million, from a gain of \$56.1 million in the fourth quarter of 2019 to an expense of \$11.9 million in the fourth quarter of 2020. The variation is mainly explained by the gain on disposal of assets resulting from the sale to Hearst of the Fremont, California building in the fourth quarter of 2019 and, to a lesser extent, higher termination expenses as part of plant closures or workforce reorganizations in the Printing Sector.

Depreciation and amortization increased by \$3.0 million, from \$50.7 million in the fourth quarter of 2019 to \$53.7 million in the fourth quarter of 2020. This increase is mostly due to the adoption of IFRS 16, which had a \$5.4 million impact, and the increase in capital expenditures in the Packaging Sector, partially mitigated by the impact of the disposal of the paper packaging operations.

Operating Earnings

Operating earnings decreased by \$75.0 million, or 48.0%, from \$156.2 million in the fourth quarter of 2019 to \$81.2 million in the fourth quarter of 2020. The change in operating earnings is mainly explained by the gain on disposal of assets, in the fourth quarter of 2019, resulting from the sale to Hearst of the Fremont, California building and the increase in restructuring costs in the fourth quarter of 2020. The lower volume in the Printing sector, mostly as a result of the COVID-19 pandemic, was attenuated by measures taken by the Corporation to reduce its costs and the Canada Emergency Wage Subsidy. The decrease in operating earnings is partially mitigated by higher operating earnings in the Packaging Sector and the Media Sector.

Adjusted operating earnings increased by \$3.3 million, or 3.1%, from \$106.8 million in the fourth quarter of 2019 to \$110.1 million in the fourth quarter of 2020. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - Fourth Quarter".

Net Financial Expenses

Net financial expenses decreased by \$7.0 million, from \$16.7 million in the fourth quarter of 2019 to \$9.7 million in the fourth quarter of 2020. This decrease is attributable to a reduction in net indebtedness and a lower weighted average interest rate, partially offset by an increase of \$0.8 million related to the adoption of IFRS 16.

Income Taxes

Income taxes decreased by \$6.9 million, from \$27.2 million in the fourth quarter of 2019 to \$20.3 million in the fourth quarter of 2020. This decrease is mainly attributable to lower earnings before taxes in 2020 compared to 2019, which is largely explained by the gain on the sale to Hearst of the Fremont, California building in the fourth quarter of 2019.

Adjusted income taxes increased by \$7.9 million, from \$20.2 million in the fourth quarter of 2019, for an effective tax rate of 22.4%, to \$28.1 million in the fourth quarter of 2020, for an effective tax rate of 28.0%. In 2019, the tax rate had been impacted by favourable differences between the accounting and tax treatment of certain items, while in 2020 an unfavourable effect caused by the geographic distribution of operating earnings increased the effective tax rate.

Net Earnings Attributable to Shareholders of the Corporation

Net earnings attributable to shareholders of the Corporation decreased by \$61.0 million, from \$112.3 million in the fourth quarter of 2019 to \$51.3 million in the fourth quarter of 2020. This change is attributable to lower operating earnings, partially mitigated by the decrease in net financial expenses and income taxes. On a per share basis, net earnings attributable to shareholders of the Corporation went from \$1.28 to \$0.59 respectively.

Adjusted net earnings attributable to shareholders of the Corporation increased by \$2.5 million, or 3.6%, from \$69.9 million in the fourth quarter of 2019 to \$72.4 million in the fourth quarter of 2020. This increase is mostly attributable to higher adjusted operating earnings combined with the decrease in net financial expenses, partially offset by the increase in adjusted income taxes. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from \$0.80 to \$0.83 respectively.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #4:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Adjusted revenues - Year ended October 27, 2019	\$1,618.3	\$1,325.0	\$83.8	\$3,027.1
Acquisitions/disposals and closures	(194.0)	44.0	(27.1)	(177.1)
Existing operations				
Exchange rate effect	16.0	0.2	—	16.2
Organic growth (decline)	(21.6)	(271.1)	0.5	(292.2)
Adjusted revenues - Year ended October 25, 2020	\$1,418.7	\$1,098.1	\$57.2	\$2,574.0
Adjusted operating earnings ⁽¹⁾ - Year ended October 27, 2019	\$135.5	\$220.1	(\$7.6)	\$348.0
Acquisitions/disposals and closures	(8.3)	1.3	(2.0)	(9.0)
Existing operations				
IFRS 16	0.2	1.8	1.0	3.0
Exchange rate effect	3.1	(0.2)	—	2.9
Stock-based compensation	—	—	(5.4)	(5.4)
Organic growth (decline)	19.6	(12.5)	6.2	13.3
Adjusted operating earnings ⁽¹⁾ - Year ended October 25, 2020	\$150.1	\$210.5	(\$7.8)	\$352.8

(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 adjusted revenues decreased by \$199.6 million, from \$1,618.3 million in fiscal 2019 to \$1,418.7 million in fiscal 2020. This decrease is due to the sale of the paper packaging operations in January 2020, which had an unfavourable impact of \$211.5 million, partially mitigated by the positive contribution of \$17.5 million from the acquisition of Trilex and the favourable exchange rate effect. The organic decline is explained by the decrease in cost of resin and the organic decline of the paper packaging operations before their disposal.

Adjusted operating earnings increased by \$14.6 million, from \$135.5 million in fiscal 2019 to \$150.1 million in fiscal 2020. This increase is attributable to the realization of synergies and operational efficiency initiatives in the sector and an additional contribution from higher-margin segments, partially offset by the disposal of the paper packaging operations at the end of the first quarter of 2020 and the significant and rapid increase in the price of resin in the fourth quarter of the fiscal year. As a result, the sector's adjusted operating earnings margin increased from 8.4% in fiscal 2019 to 10.6% in fiscal 2020.

Printing Sector

Printing Sector adjusted revenues decreased by \$226.9 million, from \$1,325.0 million in fiscal 2019 to \$1,098.1 million in fiscal 2020. The organic decline of \$271.1 million is mostly explained by a decrease in volume caused by the impact of the COVID-19 pandemic, which has affected most of the segments since April 2020. 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 the decrease in revenues.

Adjusted operating earnings decreased by \$9.6 million, from \$220.1 million in fiscal 2019 to \$210.5 million in fiscal 2020. The decline is mostly due to the previously explained decrease in revenues. The operational efficiency initiatives undertaken at the beginning of the fiscal year allowed adjusted operating earnings to remain stable for the first five months of the fiscal year. However, the decline in adjusted operating earnings has been more significant since the onset of the COVID-19 pandemic, which has greatly affected the sector since April 2020. Cost reduction initiatives combined with the eligibility for the Canada Emergency Wage Subsidy partially mitigated the decrease in revenues. The sector's adjusted operating earnings margin went from 16.6% in fiscal 2019 to 19.2% in fiscal 2020 as a result of the above-mentioned items.

Other

Adjusted revenues decreased by \$26.6 million, from \$83.8 million in fiscal 2019 to \$57.2 million in fiscal 2020. This decrease is mostly due to the sale of the specialty media assets and event planning activities. The organic growth is explained by higher volume in the Media Sector, offset by an increase in inter-segment eliminations.

Adjusted operating earnings remained relatively stable, from \$(7.6) million in fiscal 2019 to \$(7.8) million in fiscal 2020. The increase in the Media Sector's adjusted operating earnings caused by higher volume, cost reduction initiatives at head office and the Canada Emergency Wage Subsidy were offset by the stock-based compensation expense and the impact of the sale of the specialty media assets and event planning activities.

ANALYSIS OF SECTOR RESULTS - FOURTH QUARTER

(unaudited)

Table #5:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Adjusted revenues - Fourth quarter of 2019	\$409.2	\$344.2	\$25.8	\$779.2
Acquisitions/disposals and closures	(63.8)	10.7	(3.0)	(56.1)
Existing operations				
Exchange rate effect	0.9	0.2	—	1.1
Organic growth (decline)	(2.1)	(71.6)	5.2	(68.5)
Adjusted revenues - Fourth quarter of 2020	\$344.2	\$283.5	\$28.0	\$655.7
Adjusted operating earnings ⁽¹⁾ - Fourth quarter of 2019	\$38.1	\$67.2	\$1.5	\$106.8
Acquisitions/disposals and closures	(3.1)	0.3	1.0	(1.8)
Existing operations				
IFRS 16	—	0.5	0.1	0.6
Exchange rate effect	0.2	0.2	—	0.4
Stock-based compensation	—	—	0.7	0.7
Organic growth (decline)	3.5	(3.4)	3.3	3.4
Adjusted operating earnings ⁽¹⁾ - Fourth quarter of 2020	\$38.7	\$64.8	\$6.6	\$110.1

(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 adjusted revenues decreased by \$65.0 million, or 15.9 %, from \$409.2 million in the fourth quarter of 2019 to \$344.2 million in the fourth quarter of 2020. This decrease is mostly due to the sale of the paper packaging operations in January 2020, which had an unfavourable effect of \$65.9 million. The organic decline of \$2.1 million results from favourable timing for orders in some segments in the fourth quarter of 2019 combined with lower volume in some segments adversely affected by the COVID-19 pandemic and the decrease in the cost of resin. These items were partially mitigated by an increase in volume in several segments supporting the supply chain for food and everyday consumer products.

Adjusted operating earnings increased by \$0.6 million, from \$38.1 million in the fourth quarter of 2019 to \$38.7 million in the fourth quarter of 2020. This increase is attributable to the realization of synergies and operational efficiency initiatives in the sector and an additional contribution from higher-margin segments, partially offset by the negative impact of the significant and rapid increase in the price of resin. As a result of the above-mentioned items, the sector's adjusted operating earnings margin went from 9.3% in the fourth quarter of 2019 to 11.2% in the fourth quarter of 2020.

Printing Sector

Printing Sector adjusted revenues decreased by \$60.7 million, or 17.6%, from \$344.2 million in the fourth quarter of 2019 to \$283.5 million in the fourth quarter of 2020. The organic decline of \$71.6 million is mostly explained by a decrease in volume caused by the effects of the COVID-19 pandemic, which impacted printing activities in most of the segments. The acquisitions of Holland & Crosby Limited and Artisan Complete Limited contributed positively to revenues.

Adjusted operating earnings decreased by \$2.4 million, or 3.6%, from \$67.2 million in the fourth quarter of 2019 to \$64.8 million in the fourth quarter of 2020. The decrease is due to lower volume caused by the effect of the COVID-19 pandemic, partially mitigated by measures taken by the Corporation to reduce its costs and improve its operational efficiency and the Canada Emergency Wage Subsidy. The sector's adjusted operating earnings margin increased from 19.5% in the fourth quarter of 2019 to 22.9% in the fourth quarter of 2020. Excluding the subsidy, the adjusted operating earnings margin would have been slightly lower in the fourth quarter of 2019.

Other

Adjusted revenues increased by \$2.2 million, from \$25.8 million in the fourth quarter of 2019 to \$28.0 million in the fourth quarter of 2020. This increase is mostly attributable to higher volume in the Media Sector, offset by the sale of the specialty media assets and event planning activities.

Adjusted operating earnings increased by \$5.1 million. This increase is explained by the increase in the Media Sector's adjusted operating earnings as a result of higher volume, cost reduction initiatives at head office and the favourable change in stock-based compensation expense. With respect to that expense, 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. The favourable change is therefore caused by a loss in the fourth quarter of 2019 resulting from the increase in the share price.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

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

Table #6:

(in millions of dollars, except per share amounts)	2020				2019			
	T4	T3	T2	T1	T4	T3	T2	T1
Revenues	\$655.7	\$587.4	\$625.1	\$705.8	\$790.9	\$728.9	\$767.4	\$751.6
Adjusted revenues ⁽¹⁾	655.7	587.4	625.1	705.8	779.2	728.9	767.4	751.6
Operating earnings before depreciation and amortization ⁽²⁾	134.9	130.1	97.3	95.7	206.9	107.2	93.7	103.7
Adjusted operating earnings before depreciation and amortization ⁽¹⁾⁽²⁾	146.8	139.3	104.3	109.0	139.1	112.9	115.7	108.1
Adjusted operating earnings margin before depreciation and amortization ⁽¹⁾⁽²⁾	22.4 %	23.7 %	16.7 %	15.4 %	17.9 %	15.5 %	15.1 %	14.4 %
Operating earnings ⁽²⁾	\$81.2	\$75.3	\$44.1	\$40.8	\$156.2	\$56.6	\$43.1	\$53.6
Adjusted operating earnings ⁽¹⁾⁽²⁾	110.1	102.1	68.5	72.1	106.8	80.9	83.6	76.7
Adjusted operating earnings margin ⁽¹⁾⁽²⁾	16.8 %	17.4 %	11.0 %	10.2 %	13.7 %	11.1 %	10.9 %	10.2 %
Net earnings attributable to shareholders of the Corporation ⁽²⁾	\$51.3	\$48.3	\$25.7	\$6.4	\$112.3	\$3.4	\$22.3	\$28.1
Net earnings attributable to shareholders of the Corporation per share ⁽²⁾	0.59	0.56	0.30	0.07	1.28	0.04	0.26	0.32
Adjusted net earnings attributable to shareholders of the Corporation ⁽¹⁾⁽²⁾	72.4	68.2	43.6	42.8	69.9	52.2	52.6	45.5
Adjusted net earnings attributable to shareholders of the Corporation per share ⁽¹⁾⁽²⁾	0.83	0.78	0.50	0.49	0.80	0.60	0.60	0.52
% of fiscal year	32 %	30 %	19 %	19 %	31 %	24 %	24 %	21 %

(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 annual consolidated financial statements for more information on the adoption of the new standard and Table #2 of this Management's Discussion and Analysis.

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 lower organic growth caused by a decrease in the Printing Sector.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #7:

(in millions of dollars)	Three months ended		Year ended	
	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019
Operating activities				
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$133.5	\$152.5	\$481.6	\$470.6
Changes in non-cash operating items	(4.5)	10.5	(4.8)	20.5
Income taxes paid	(27.0)	(4.9)	(49.8)	(59.5)
Cash flows from operating activities	\$102.0	\$158.1	\$427.0	\$431.6
Investing activities				
Acquisitions of property, plant and equipment	(\$15.4)	(\$30.7)	(\$79.2)	(\$104.1)
Disposals of property, plant and equipment	1.0	100.5	1.2	100.5
Increase in intangible assets	(4.7)	(4.3)	(18.3)	(21.5)
Business combinations, net of acquired cash	(1.7)	(18.5)	(9.4)	(18.5)
Business disposals	—	9.5	232.1	9.5
Cash flows from investing activities	(\$20.8)	\$56.5	\$126.4	(\$34.1)
Financing activities				
Increase in long-term debt, net of issuance costs	\$—	\$2.9	\$—	\$302.9
Reimbursement of long-term debt	(0.2)	—	(375.5)	(250.0)
Net decrease in credit facility	—	(7.2)	—	(134.3)
Financial expenses on long-term debt	(10.0)	(14.9)	(42.6)	(64.0)
Repayment of principal on lease liabilities	(5.8)	—	(21.9)	—
Interest on lease liabilities	(0.9)	—	(3.1)	—
Exercise of stock options	—	—	1.7	—
Share redemptions	—	—	(7.1)	—
Dividends	(19.6)	(19.2)	(77.9)	(76.0)
Cash flows from financing activities	(\$36.5)	(\$38.4)	(\$526.4)	(\$221.4)
Effect of exchange rate changes on cash denominated in foreign currencies	(\$1.0)	(\$4.0)	\$0.3	(\$2.9)
Net change in cash	\$43.7	\$172.2	\$27.3	\$173.2

Financial position	As at October 25, 2020	As at October 27, 2019
Net indebtedness ⁽¹⁾⁽²⁾	\$933.9	\$1,169.4
Net indebtedness ratio ⁽¹⁾⁽²⁾	1.9 x	2.5 x
Credit rating		
DBRS	BBB (low)	BBB (low)
Outlook	Negative	Stable
Standard and Poor's	BBB-	BBB-
Outlook	Negative	Negative
Consolidated Statements of Financial Position	As at October 25, 2020	As at October 27, 2019 ⁽³⁾
Current assets ⁽²⁾	\$1,024.7	\$1,068.8
Current liabilities ⁽²⁾	677.5	457.4
Total assets ⁽²⁾	3,598.4	3,781.8
Total liabilities ⁽²⁾	1,859.8	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 annual consolidated financial statements for more information on the adoption of the new standard and Table #2 of this Management's Discussion and Analysis.

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

ANALYSIS OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE - FISCAL YEAR

Cash Flows from Operating Activities

Cash flows from operating activities decreased slightly from \$431.6 million in fiscal 2019 to \$427.0 million in fiscal 2020. The decrease is mostly explained by changes in non-cash operating items, which are notably attributable to unfavourable timing differences in inventories and provisions, partially mitigated by the increase in adjusted operating earnings combined with lower income taxes paid.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of \$34.1 million in fiscal 2019 to a cash inflow of \$126.4 million in fiscal 2020. This increase is related to the disposal of the paper and woven polypropylene packaging operations to Hood Packaging Corporation for a total amount of US\$180.1 million (C\$235.3 million) in 2020, while the Corporation had received an amount of US\$75 million (C\$99.6 million) from the sale to Hearst of the Fremont, California building in 2019.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of \$221.4 million in fiscal 2019 to a cash outflow of \$526.4 million in fiscal 2020. The \$305.0 million change is explained by the higher repayment of debt instruments, using excess cash flows from operating earnings and the disposal of the paper packaging operations.

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 October 25, 2020, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was \$432.8 million.

Net indebtedness went from \$1,169.4 million as at October 27, 2019 to \$933.9 million as at October 25, 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 \$154.8 million due to the adoption of IFRS 16. Consequently, our net indebtedness ratio stood at 1.9x as at October 25, 2020 compared to 2.5x as at October 27, 2019. As at October 28, 2019, the Company adopted IFRS 16 using the modified retrospective approach. For comparative purposes, after normalizing for the effect of IFRS 16, the net indebtedness ratio was 1.6x as at October 25, 2020.

ANALYSIS OF FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE - FOURTH QUARTER

Cash Flows from Operating Activities

Cash flows from operating activities decreased by \$56.1 million, from \$158.1 million in the fourth quarter of 2019 to \$102.0 million in the fourth quarter of 2020. This decrease is due to unfavourable timing differences in accounts receivable and accounts payable as well as an increase in income taxes paid due to the end of the program for the deferral of the payment of tax installments in Canada that had been implemented as a result of the COVID-19 pandemic.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash inflow of \$56.5 million in the fourth quarter of 2019 to a cash outflow of \$20.8 million in the fourth quarter of 2020. This change is mostly explained by the receipt of US\$75 million from the sale to Hearst of the Fremont, California building in 2019 and, to a lesser extent, timing differences in investments in property, plant and equipment.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of \$38.4 million in the fourth quarter of 2019 to a cash outflow of \$36.5 million in the fourth quarter of 2020. This variation is mostly explained by lower financial expenses in the fourth quarter of 2020.

Contractual Obligations and Business Commitments

Table #8:

Type of contract (in millions of dollars)	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	Over 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	\$398.8	\$398.8	\$398.8	\$—	\$—	\$—
Long-term debt	1,020.1	1,080.3	248.3	707.8	9.9	114.3
Lease liabilities	154.7	171.6	25.7	40.7	32.3	72.9
Other monetary liabilities, excluding contingent considerations	15.2	15.2	0.2	15.0	—	—
Contingent considerations	3.5	3.5	3.5	—	—	—
Total non-derivative financial liabilities	\$1,592.3	\$1,669.4	\$676.5	\$763.5	\$42.2	\$187.2
Derivative financial instruments						
Interest rate swaps in liabilities	25.3	25.3	0.2	25.1	—	—
Foreign exchange forward contracts in liabilities	0.8	0.8	0.6	0.2	—	—
Total contractual obligation	\$1,618.4	\$1,695.5	\$677.3	\$788.8	\$42.2	\$187.2

The Corporation expects to contribute \$3.1 million to its defined benefit plans during the year ending October 31, 2021, considering that it plans to use letters of credit from its credit facilities to secure unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

Share Capital

Table #9:

Shares Issued and Outstanding	As at October 25, 2020	As at November 30, 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

On September 18, 2020, 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, 2020 and September 30, 2021, 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 191,320 of its Class B Shares.

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.

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 year ended October 25, 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 (no shares repurchased since February 2020). The repurchases were made in the normal course of business at market prices through the Toronto Stock Exchange. 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 October 25, 2020.

CHANGES IN ACCOUNTING STANDARDS

New accounting standards adopted during the fiscal year

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 consolidated financial statements for the year ended October 25, 2020.

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

RISKS 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 disposals, 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 reviewed regularly at the Management Committee and presented to the Audit Committee and Board of Directors. In addition, the Corporation reassessed its risks due to the impact of the COVID-19 pandemic. Each risk is owned by a member of the Management Committee.

The main risks and uncertainties to which the Corporation is exposed are described hereinafter. These risks and uncertainties are strategic, operational or financial in nature, and may have a material impact on our operations, our financial results, our financial position, our cash flows or our reputation. Readers are cautioned that this list is not necessarily exhaustive.

Printed Flyers and Distribution of Printed Flyers – Impact of digital product development and adoption on the demand for retailer-related services and impact of regulations or legislation on door-to-door distribution

Printed flyers and distribution of printed flyers represent a significant portion of the Corporation's revenues and earnings. Over the past few years, certain Canadian retailers increased their use of digital flyers, whose cost is lower than the cost of printed flyers, digital campaigns and loyalty programs. A major change in consumer habits or in the Corporation's retail customers' marketing strategy could result in a significant decrease in the number of pages or frequency for the flyers printed and distributed by the Corporation. In addition, with the COVID-19 pandemic, the weakening of the supply chain of certain of the Corporation's customers, which limits the number of products that can be offered to consumers, and limits to traffic in their stores for public health reasons, to which printed flyers contribute, could also cause a decrease in volume of printed flyers. An acceleration in adopting and producing digital products at the expense of printed flyers would have an adverse impact on the Corporation's financial results.

The Corporation offers a full range of distribution services, from preparation to door-to-door distribution, optimal order management and distribution list creation. Due to its significance, the success of the Printing Sector depends on the strength of the Corporation's distribution network. Recently, some cities in Quebec started to explore the possibility of amending their regulations to prohibit or limit the current model for distributing printed advertising materials. Should such regulations be adopted, the Corporation intends to seek to have them declared null and void on the grounds that they infringe the right to freedom of expression guaranteed by the Canadian Charter of Rights and Freedoms and the Quebec Charter of Human Rights and Freedoms and, with respect to the distribution of local weekly newspapers in addition to printed flyers, the right to information protected by the Quebec Charter. Should the Corporation fail to get such regulations declared null and void, it could have a negative impact on its business model and, consequently, net earnings. The Corporation works with public bodies and medias to demonstrate the potential negative effect of such regulations on the value chain as a whole, households that can save money, especially the most vulnerable ones, stores, local newspapers, jobs and the Corporation.

Furthermore, various public bodies are considering the possibility of gradually reducing the use of single-use plastic bags, and the plastic bags used by the Corporation in distributing printed flyers could potentially be subject to such reduction. Such changes could have an impact on the business model and, consequently, net earnings. The Corporation continuously works to improve the environmental responsibility of its products. It quickly developed, in 2019, a recyclable bag entirely made of recycled plastic to face this possibility.

Lastly, the Corporation relies on independent suppliers to store its products and distribute them from door to door. If any subcontractor fails to properly store the Corporation's products or adequately and timely distribute them, this could have an adverse impact on net earnings. Delays in printed flyers distribution, strikes, transportation disruptions, such as severe weather, and slowdowns could also disrupt the Corporation's printed flyer and printed flyer distribution operations and have an adverse impact on its net earnings, financial position, cash flows and reputation.

Long-term Organic Growth – Ability to generate organic growth and face competition

The long sales cycle characterizing certain niches in which the Corporation operates represents a significant challenge to the ability to generate organic growth in the Packaging Sector. In addition, the packaging industry is highly competitive. Competition is based on price, quality of products and services, innovation and product development, delivery times and the range of services offered. Some competitors have greater

experience and technical know-how, state-of-the-art production facilities, a larger sales force and more resources dedicated to product development, especially in terms of formats, types of packaging and environmental responsibility. The need to evolve with technological changes and make appropriate research and development investments could result in significant costs and have an adverse impact on the Corporation's growth rate in this industry. In the Printing Sector, the increased competition in the Canadian market, not to mention the presence of US-based competitors that could increase in Canada, could have an adverse impact on the Corporation's market share and financial results.

A few of the Corporation's customers may individually represent a significant portion of its revenues. It is the case, for instance, in the flyer printing vertical, where a few Canadian retailers may individually represent a significant portion of the Printing Sector's revenues. Certain customers in the Packaging Sector may also represent a significant portion of this Sector's revenues. A change in consumption habits of a major customer or the loss of a major customer could have an adverse impact on the Corporation's ability to generate organic growth and, consequently, an adverse impact on net earnings. The Corporation's current or potential customers could be acquired, and the acquirer might start to procure certain products from its current supplier. Customer consolidation could therefore also have an impact on organic growth.

The Corporation must continue to improve its operational efficiency to remain competitive, which enhances its ability to generate organic growth. Regardless of the efficiency level it has already reached, there can be no assurance that the Corporation will be able to do this on an ongoing basis. As well, the need to reduce operating expenses could result in costs to downsize the workforce, close or consolidate facilities, or upgrade equipment and technology. Over the last few years, the Corporation significantly reduced its manufacturing assets in its Printing Sector to maximize efficiency at its most productive plants. Although there are always opportunities to improve operational efficiency within the production platforms and the Corporation has experienced managers to develop and execute such improvement plans, the initiatives available to react to a volume decrease could be insufficient and have a less favourable impact on the fixed cost structure.

Acquisitions – Ability to complete acquisitions in the packaging industry and properly integrate them

The growth strategy in packaging is mainly based on the Corporation's ability to complete acquisitions. The Corporation must be able to target attractive opportunities, at a reasonable value, and compete with private equity companies and other companies in the packaging industry that are actively seeking acquisitions. The inability to properly identify opportunities and complete acquisitions could have an adverse impact on the Corporation's development. In addition, the global economic uncertainty and confinement measures caused by the COVID-19 pandemic could slow down acquisition activities.

Integrating acquisitions generally involves risks, and these risks may increase with the size, sector and type of acquisition. Integrating businesses could give rise to temporary disruptions in production, cause the Corporation to lose major contracts, influence its personnel retention or have an adverse impact on customer relationships. In addition, the identified synergies may not be fully realized or may take longer to realize.

Operational Disruption – An operational disruption could affect the 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. In addition, climate change could increase the frequency of natural catastrophes, thereby increasing the risk of disruption. The ability to meet deadlines could also be affected by major equipment failure, human error, labour disputes, attacks, transportation problems and supply difficulties. Higher absenteeism in one plant due to illness, work accidents or other causes could also adversely impact the ability to meet deadlines and contractual obligations. The COVID-19 pandemic adds the risk that a region or plant might be severely affected, which in turn would force its partial or total closure for a prolonged period. Certain customers of the Corporation are more reluctant to a situation of dependence to single site for the supply chain. This could have an adverse impact on the Corporation if it would cause a significant transfer of volume from its customers to a competitor. The magnitude of the impact of these risks on 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 some facilities and holds insurance policies that could indemnify it against a portion of direct and indirect costs related to certain disasters. In addition, the presence of a North American packaging and printing network enables the Corporation to qualify new plants for certain key products to ensure redundancy within its network.

Cybersecurity and Data Protection - An intrusion into information systems could disrupt operating activities, damage reputation and result in legal actions

In the normal course of its activities, the Corporation relies on the continuous and uninterrupted operation of its systems, data hosting centers, cloud computing systems and computer hardware. In addition, it receives, processes and transfers sensitive data, including confidential information about the Corporation, its customers and its suppliers. If the Corporation were to experience cyber threats, breaches, unauthorized accesses, viruses or other security breaches, human errors, sabotage or other similar events, it could have an adverse impact on its activities,

including system disruptions or breakdowns. This could also negatively impact results, cause considerable damage to the Corporation's reputation, and potentially result in legal actions.

The COVID-19 pandemic significantly increased the number of employees working remotely, which expands the use of the Corporation's computer systems and resources. This context, which affects many businesses around the world, contributes to an increase in cyberattack attempts. The nature of cyberattacks continuously evolves and becomes more refined, which increases the risk that the Corporation's operations could be disrupted and its data compromised. In addition, it is possible that such an event might not be detected quickly enough to limit the extent of the breach or the damages. Furthermore, customers' requirements with respect to protection against potential intrusions are becoming stricter. The obligation to comply with new requirements could also have a financial impact on the Corporation. Customers' confidence in the security of the information held by the Corporation and transactions is crucial to maintain its reputation and competitiveness on the market.

Digital Product Adoption – Impact of digital product development and adoption on the demand for printed products other than flyers

Digital platforms have become an essential means to reach consumers, and advertisers have a 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 permanently change the behaviour of customers and accelerate the impact of digital platform development and adoption. This lower demand could have an adverse impact on the financial results of the newspaper, magazine, educational books and commercial product printing activities.

Environmental Risks – Amendments to regulations or adoption of new regulations and changes to consumption habits

Future legislation and initiatives, for instance more restrictive air emissions limits, the implementation of carbon taxes, stricter water quality regulations or additional requirements for soil decontamination, could increase operating costs. In addition, changes in laws and regulations relating to packaging composition or recyclability could impact operations if they were implemented on a large scale and too quickly in the Corporation's main markets. Voluntary actions by the Corporation's customers or their customers aimed at reducing the use of plastic could also reduce the demand for certain plastic packaging and increase manufacturing costs. The advent of regulations on the extended producer responsibility (EPR) policies in several Canadian provinces also influenced the printing and packaging industry. These regulations make businesses that put on the market printed materials, containers and packaging responsible for the costs associated with the end-of-life management of their products and could decrease demand. Lastly, there is a trend toward phasing out single-use plastic bags in many jurisdictions around the world. Changes in laws and regulations laying down restrictions on, and conditions for use of, food, beverage, pharmaceutical, agricultural or other products and the materials in contact with them, or on the use of materials and agents in the production of the Corporation's products could also adversely affect business.

Also, the Corporation's printing and publishing operations require the daily use of large quantities of paper. Our flexible packaging and distribution operations require the use of large quantities of plastic. Certain consumers and certain of the Corporation's customers could be concerned by the possible impact of significant utilization of paper and plastic on the environment and could become more vocal advocates of environment protection and sustainability promotion. Such concerns could result in damage to the Corporation's reputation, revisions and adjustments to its practices and additional operating costs.

Compliance with Governmental Regulations – Amendments to regulations or adoption of new regulations

The Corporation is subject to many regulations that may be amended by governmental authorities. As a result of the development of the COVID-19 pandemic, the Corporation changed its health and safety measures throughout its facilities to comply with new local regulations. Despite the protocols put in place by the Corporation, the risk of spreading the COVID-19 virus remains. An outbreak in a workplace, even if local regulations are complied with, could have an adverse impact on the Corporation's operations and reputation. Complying with amendments to regulations or stricter new regulations could result in a material decrease, both permanent and temporary, in revenues or a material cost increase for the Corporation. The Corporation operates facilities throughout the world and is exposed to risks associated with different legal, political, tax, social, cultural, environmental and regulatory frameworks. The Corporation also benefits from certain government assistance programs. Any change in the rules for applying to these government programs could have a significant impact on the Corporation's net earnings.

Regulations – Safety and quality of packaging products for the food industry

The Corporation is a supplier of flexible packaging products that are mainly used in the food industry. It is therefore exposed to this industry's risks, such as labelling errors and presence of foreign bodies, as well as certain hygiene and cleanliness problems, including food contamination by organisms that cause illness, or pathogens, such as the E.coli bacteria, Salmonella and Listeria. In addition, despite the protocols put in place by the Corporation, the risk of spreading the COVID-19 virus remains. Although there is no scientific consensus on the spreading of the COVID-19 virus through paper or plastic objects, there is a risk that customers may be infected by one of the Corporation's products. The Corporation could thus be involved in a possible product recall. Such a situation could expose the Corporation to civil liability claims, negative publicity, investigations or governmental intervention, which would have a material adverse impact on its financial position, net earnings and reputation.

Economic Cycles – Impact of economic cycles on product demand

The Corporation's activities are exposed to economic cycles and difficult market conditions as a significant portion of its printing revenues depends, directly or indirectly, on spending by advertisers. Global economic conditions, changes in consumers' buying habits and significant structural changes, in particular the consolidation in some industries and the adoption of digital platforms, also affect the industries of the Corporation's main customers, which could have an adverse impact on the products it offers. The Corporation operates in many countries, and the economic risks specific to each country may have an impact on results of operations. In addition, the COVID-19 pandemic could lead to a recession in many countries, in particular those where the Corporation operates. A future recession could exert pressure on the Corporation's investment activities, its customers as well as product demand by its customers. These items would have an adverse impact on the Corporation's earnings.

Raw Materials, Energy and Transportation Costs – A significant increase in the cost of raw materials, the availability of raw materials and energy consumed

Paper, resin, plastic film, ink and plates are the primary raw materials used by the Printing Sector and the Packaging Sector, and they represent a significant portion of the Corporation's costs. In addition, these sectors consume energy, more specifically electricity, natural gas and oil. A significant increase in raw materials prices, energy prices or transportation costs could have an adverse impact on operations. However, several agreements with the Corporation's customers provide for sales price indexation based on fluctuations, usually with a delayed effect. The impact on net earnings will be influenced by the Corporation's ability to adjust prices and improve its operational efficiency to offset the increases in raw materials prices or in transportation costs. In addition, the increase in these prices could have an adverse impact if it changes the purchasing habits of customers.

To ensure stable supplies at competitive prices for the Printing Sector and Packaging Sector, the Corporation has deliberately consolidated its paper, resin, plastic film and ink suppliers. Accordingly, the Corporation could also be exposed to a supply risk if some of its suppliers would experience financial instability or disruptions in their own operations. However, the Corporation does business with major suppliers that are well-established in their respective industries to ensure a ready supply of raw materials.

Data Confidentiality – Warehousing, using and protecting personal data

Warehousing, using and protecting personal data are increasingly critical and the responsibilities of entities that process such information are expanding. Mismanagement of personal data could cause considerable damage to the Corporation's reputation, and potentially result in legal actions. The adoption of the General Data Protection Regulation by the European Union in May 2018, as well as the expected multiplication of similar regulatory frameworks in other jurisdictions, also increase regulatory compliance risk. The Corporation could have to incur significant costs to enhance its systems and thus prevent future events related to confidential data, which would have an impact on its earnings.

Protection of Intellectual Property Rights – Failure of patents, trademarks and confidentiality agreements to protect intellectual property could adversely affect operations

Protection of the Corporation's proprietary processes, equipment and other technology is important. Following its innovation-focused strategy, it is all the more crucial to protect its intellectual property rights, failing that the Corporation's competitive position may suffer, as competitors imitating its products and/or processes could offer them at prices that are more attractive than the Corporation's and significant costs might have to be incurred.

The Corporation also relies upon unpatented proprietary know-how and technological innovation as well as other trade secrets to develop and maintain its competitive position. There can be no assurance that confidentiality agreements will not be breached or will provide meaningful

protection for trade secrets or proprietary know-how and adequate remedies in the event of an unauthorized use or disclosure of these trade secrets and proprietary know-how. In addition, there can be no assurance that others will not obtain knowledge of these trade secrets through independent research or other access by legal means.

In addition, the Corporation's patents, trademarks and other intellectual property rights may not provide it a competitive advantage. The Corporation may need to spend significant resources monitoring its intellectual property rights. Its competitive position may be harmed if it cannot detect infringement and enforce its intellectual property rights quickly or at all. Competitors might avoid infringement by designing around our intellectual property rights or by developing non-infringing competing technologies. Intellectual property rights and our ability to enforce them may be unavailable or limited in some countries which could make it easier for competitors to capture market share and could result in lost revenues.

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 negatively 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 the Corporation's customers. The Corporation has strengthened its strict controls on credit, including a tighter monitoring of customers 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 \$15.0 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.

Recruiting and Retaining Talent – Difficulty to attract and retain key employees in the main operating sectors

Social and demographic trends are making it more challenging to hire and retain qualified personnel in certain geographic areas. The corporation notices a diminishing pool of talent, an increase in professional mobility, an increase in technology use and a high demand for emerging skillsets. Considering that the Packaging Sector is the Corporation's main growth driver, this risk is all the more important as it needs specific skills, including technical skills for product development to grow the Packaging Sector.

Imports and Exports – Import and export controls, duties, tariffs or taxes

Some of the Corporation's products are subject to export controls and may be exported only with the required export license or through an export license exemption. If it were to fail to comply with export licensing, customs regulations, economic sanctions or other laws, the Corporation could be subject to substantial civil and criminal penalties, including fines and incarceration for responsible employees and managers, and the possible loss of export or import privileges. In addition, if distributors of the corporation fail to obtain required import, export or re-export licenses or permits, the Corporation may also be adversely affected through sanctions and reputational harm. Obtaining the necessary export license for a particular sale may be time-consuming and may result in loss of sales opportunities.

Furthermore, export control laws prohibit the shipment of certain products to embargoed countries, governments and persons. The Corporation cannot assure that any such shipment will not occur, which could have negative consequences including government investigations, penalties, fines, civil and criminal sanctions, and reputational harm. In addition, the Corporation's global business can be negatively affected by import and export duties, tariff barriers, and related local government protectionist measures, and the unpredictability with which these can occur. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could decrease the Corporation's ability to export or sell its products to its existing or potential customers with international operations. Considering the extent of the Corporation's operations, border crossing limitations or border closures could have an adverse impact on the supply and distribution chain of certain plants. Any limitation on the Corporation's ability to export or sell its products could adversely affect its business, financial position and results of operations.

Exchange Rates – Exchange rate fluctuations

The Corporation is exposed to the fluctuations in the exchange rate of various foreign currencies, and these fluctuations could have an impact on earnings. The depreciation of the Canadian dollar against the U.S. dollar in the last few years has increased the value of sales in the United States and created certain business opportunities. In addition, recent acquisitions in the United States have increased the share of the Corporation's revenues and profits in U.S. dollars. The appreciation of the U.S. dollar provides the Corporation with some protection against

foreign competition in the Printing Sector. However, a potential recovery in the value of the Canadian dollar would have an adverse impact on net earnings. To minimize the risk of short-term foreign currency fluctuations, the Corporation attempts to match cash inflows and outflows in the same currency and has in place a currency hedging program that uses derivatives.

Litigation, Respect of Privacy – The Corporation is subject to legal risks related to its activities

The Corporation could be involved in litigation or lawsuits resulting from its activities. In addition, in connection with its restructuring efforts, the Corporation may be involved in litigation regarding labour relations cases. In the Printing Sector and the Packaging Sector, the printing of incorrect information by the Corporation and non-compliance with customer specifications could lead to claims. In addition, in its acquisition activities, unidentified liabilities and significant legal obligations also represent a risk to the Corporation as the successor. Although the Corporation establishes provisions for such litigation, it cannot be ensured that the provisions for all claims correspond to the settlement amount and, as a result, this could potentially have an adverse impact on net earnings.

The Canadian anti-spam legislation states that businesses that send commercial electronic messages must obtain the consent of the person to whom the message is sent. However, there could be situations in which some of the Corporation's activities would infringe on the privacy of users and others. While the Corporation has implemented strict controls in these areas, any breach with respect to the collection, use, disclosure or security of personal information, protection of copyright or other confidentiality issues could damage its reputation and adversely affect its net earnings.

Interest Rates – Increase in market interest rates with respect to our financial instruments

The Corporation is exposed to market risks related to increases in interest rates. The floating rate portion of the debt bears interest at rates based on LIBOR or bankers' acceptance rates. At the end of fiscal 2020, the fixed rate portion of the Corporation's long-term debt represented 67.9% of total debt.

Liquidity - Availability of capital at a reasonable cost

The Corporation is exposed to liquidity risk, which is the risk that it will not be able to meet its financial obligations as they become due, or that it will be able to meet them, but at an excessive cost. The net indebtedness level could have important consequences, including the following:

- It may limit the Corporation's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisition and general corporate purposes;
- It may limit the Corporation's ability to adjust to changing market conditions and place it at a competitive disadvantage compared to its competitors that are less leveraged;
- It may increase financial expenses and reduce profitability;
- The Corporation may not be able to pay dividends on its Class A Subordinate Voting Shares and its Class B Shares;
- The Corporation may be vulnerable in a downturn in general economic conditions;
- It may be more difficult for the Corporation to satisfy its covenants with respect to its indebtedness.

If any of these circumstances arise in the future, this could have a material adverse effect on the Corporation's business, financial position, prospects and/or results of operations. Moreover, the Corporation may not be able to achieve its strategic growth objectives where the required capital resources are not available to fund both its organic and acquisition growth strategy. In addition, non-compliance with financial covenants set out by the lenders in new credit facilities could lead to financial losses, increased costs or cross defaults, which in turn could have a material adverse impact on the Corporation's business, financial position, prospects and/or results of operations. Under the terms of the credit facilities, the Corporation is permitted to incur additional debt in certain circumstances, but the credit facilities could contain financial covenants which may limit its discretion in the operation of our business.

Pension Plans – Impact of major market fluctuations on pension plan solvency

As at October 25, 2020, almost all of the Corporation's active employees were participating in defined contribution pension plans. However, the risks related to the defined benefit pension plans, which are currently closed, are still assumed by the Corporation. Funding for defined benefit plans is based on actuarial estimates and is subject to limitations under applicable income tax and other relevant regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the expected long-term rate of return on pension plan assets. The defined benefit obligation, fair value of plan assets and plan asset

composition are measured at the date of the annual financial statements. The Corporation continues to apply its investment strategy to limit the exposure of its assets to major fluctuations that would affect pension plan solvency.

Taxation – Changes in tax legislation could adversely affect profitability

The Corporation is subject to income taxes in many jurisdictions. Its tax exposures could be adversely affected in the future as a result of a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates. The Corporation regularly assesses these matters to determine the adequacy of its assessment of its tax liability. To the extent that its assessments would be incorrect, its business, financial position, prospects and/or results of operations could be materially affected. The Corporation is susceptible to possible changes of law or to possible changes in interpretation of existing law, sometimes with a retroactive impact, by the tax authorities may have consequences. For example, the imposition of additional taxes or increases in the rate of income and other taxes or the removal of any tax incentives, from which it currently benefits in any of the jurisdictions in which it operates, may increase its effective tax rate and have a material adverse effect on its profitability. Any such changes in tax legislation, interpretation of the laws by the tax authorities, or any changes to accounting rules may have a material adverse effect on the amount of tax payable in regards to past and future periods. Finally, adverse outcomes from tax audits that it may be subject to in any of the jurisdictions in which it operates could result in an adverse change in its effective tax rate, which in turn could adversely affect its business, financial position, prospects and/or results of operations.

Taxation – Disputes with tax authorities or amendments to statutory tax rates in force

The Corporation believes that expenses claimed by the various group entities are reasonable and deductible and the cost and capital cost deduction used for the depreciable properties of these entities have been calculated correctly. In the normal course of the Corporation's business, tax authorities conduct ongoing audits and, in that respect, there can be no assurance that tax authorities will not dispute the Corporation's position regarding certain tax issues. If rulings in such disputes favour the tax authorities, it could have a material adverse impact on the Corporation, its activities, its net earnings, its financial position and shareholders' returns.

If income tax rates increase or decrease in future periods in a jurisdiction, the provision for income taxes for future periods will increase or decrease accordingly. Furthermore, deferred tax assets and liabilities will increase or decrease as income tax rates increase or decrease, respectively, and will result in an income tax impact. In addition, a reduction or an increase in the tax rate is expected to increase or decrease annual net earnings from what it would have otherwise been.

Impairment Tests – Impact of impairment tests on the value of assets

Under IFRS, the Corporation must test long-term assets for impairment if there is any indication that an asset or group of assets may be impaired. Any asset write-downs from impairment testing would have an adverse impact on the Corporation's net earnings, but it would not have any major impact on the Corporation's compliance with the indebtedness ratio it must meet under the terms of its current credit facilities or on its borrowing capacity.

Control Held – Conflict of interest between the controlling shareholder and other shareholders

As at October 25, 2020, Capinabel inc., a company controlled by Rémi Marcoux, directly or indirectly held 14.55% of shares outstanding and 71.29% of voting rights attached to the participating shares outstanding of the Corporation. Given the controlling stake of this shareholder, it is possible that in some situations the interests of the controlling shareholder might not correspond to the interests of other holders of participating shares of the Corporation.

DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures.

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

The effectiveness of the design and operation of the Corporation's disclosure controls and procedures was evaluated as defined by *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings* ("Regulation 52-109") as at October 25, 2020. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operation of disclosure controls and procedures were effective as at October 25, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Chief Financial Officer of the Corporation are 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 consolidated financial statements in accordance with IFRS.

The effectiveness of the design and operation of the Corporation's ICFR was evaluated as at October 25, 2020, in accordance with the framework and criteria set out in the document entitled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013, a recognized control model, and the requirement of Regulation 52-109. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operation of ICFR were effective as at October 25, 2020.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial reporting and the preparation of financial statements.

In accordance with the provisions of Regulation 52-109, management has limited the scope of its design of the Corporation's disclosure controls and procedures and ICFT to exclude the controls, policies and procedures of Artisan Complete Limited; 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 Complete Limited generated revenues of \$27.1 million in fiscal 2020, or 1.1% of the Corporation's consolidated results.

Additional information about this acquisition is presented in Table #10.

Table #10:
(unaudited)

(in millions of dollars)	Artisan Complete Limited
Statement of financial position	As at October 25, 2020
Current assets	\$13.1
Non-current assets	8.2
Current liabilities	6.7
Non-current liabilities	6.4
Statement of earnings	Year ended October 25, 2020
Revenues	\$27.1
Operating earnings before depreciation and amortization	2.2
Operating earnings	0.6

Please refer to Note 4 to the annual consolidated financial statements for the year ended October 25, 2020 for additional information on this acquisition.

During the year ended October 25, 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.

SUBSEQUENT EVENT

Repayment of term loans

On October 30, 2020, the Corporation repaid the balance of \$82.3 million (US\$62.5 million) of tranche A of the U.S. dollar term loans.

OUTLOOK

In the Packaging Sector, the vast majority of our operations support the retail supply chain for food and everyday consumer product retailers, which are experiencing an increase in volume due to the COVID-19 pandemic. Despite the uncertainties related to the pandemic, we should see organic growth in revenues in fiscal 2021. The significant and rapid increase in the price of resin seen recently should have a negative impact on the sector's profitability in the first quarter. In addition, the disposal of the paper packaging operations, which occurred in January 2020, will continue to have a negative impact on revenues and profitability in the first quarter. Excluding the impact of resin and the disposal of the paper packaging operations, we should post a slight increase in operating earnings compared to the prior fiscal year, as a result of our synergies, our operational efficiency initiatives and the anticipated organic growth.

In the Printing Sector, the COVID-19 pandemic should continue to negatively affect several of our customers, and this should have an adverse impact on our revenues for the first half of fiscal 2021. Operational efficiency initiatives and the continuation, to a lesser extent, of the Canada Emergency Wage Subsidy should mitigate the impact of lower volume on operating earnings. With the gradual recovery in printing volume, we should see organic growth in revenues in the second half of fiscal 2021. Excluding amounts related to the Canada Emergency Wage Subsidy, we should see growth in operating earnings in fiscal 2021 compared to fiscal 2020.

To conclude, despite the fact that the impact of the COVID-19 pandemic persists, we should continue to generate significant cash flows from all our activities. This should enable us to reduce our net indebtedness, while providing us with the desired flexibility to continue growing through strategic and targeted acquisitions.

On behalf of Management,

(s) Donald LeCavalier
Chief Financial Officer

December 10, 2020



consolidated
financial
statements and notes

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(s) François Olivier

President and Chief Executive Officer

(s) Donald LeCavalier

Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Transcontinental Inc.

Opinion

We have audited the consolidated financial statements of Transcontinental Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at October 25, 2020 and October 27, 2019
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 25, 2020 and October 27, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Prospective Change in Accounting Policy

We draw attention to Note 2 to the financial statements which indicates that the Entity has changed its accounting policy for leases on October 28, 2019 due to the adoption of IFRS 16 – *Leases*, and has applied this change using the modified retrospective approach.

Our opinion is not modified in respect of the matter.



Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2020 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2020 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Page 4

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

The engagement partner on the audit resulting in this auditors' report is Yvon Dupuis.

Montréal, Canada

December 10, 2020

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended October 25, 2020 and October 27, 2019
(in millions of Canadian dollars, except per share data)

	Notes	October 25, 2020	October 27, 2019
Revenues		\$ 2,574.0	\$ 3,038.8
Operating expenses	5	2,074.6	2,551.3
Restructuring and other costs (gains)	6	41.4	(24.5)
Impairment of assets	7	—	0.5
Operating earnings before depreciation and amortization		458.0	511.5
Depreciation and amortization	8	216.6	202.0
Operating earnings		241.4	309.5
Net financial expenses	9	46.4	66.9
Earnings before income taxes		195.0	242.6
Income taxes	10	63.2	76.5
Net earnings		131.8	166.1
Non-controlling interests		0.1	—
Net earnings attributable to shareholders of the Corporation		\$ 131.7	\$ 166.1
Net earnings per share - basic		\$ 1.51	\$ 1.90
Net earnings per share - diluted		\$ 1.51	\$ 1.90
Weighted average number of shares outstanding - basic (in millions)	23	87.1	87.3
Weighted average number of shares - diluted (in millions)	23	87.1	87.4

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended October 25, 2020 and October 27, 2019
(in millions of Canadian dollars)

	Notes	October 25, 2020	October 27, 2019
Net earnings		\$ 131.8	\$ 166.1
Other comprehensive income (loss)			
Items that will be reclassified to net earnings			
Net change related to cash flow hedges			
Net change in the fair value of derivatives - Foreign exchange risk	25 & 30	1.3	1.2
Net change in the fair value of derivatives - Interest rate risk	19 & 30	(18.5)	(14.8)
Reclassification of the net change in the fair value of derivatives recognized in net earnings during the period		8.2	(0.1)
Related income tax recovery		(2.4)	(3.7)
	25	(6.6)	(10.0)
Cumulative translation differences			
Net unrealized exchange gains (losses) on the translation of the financial statements of foreign operations		7.6	(22.2)
Net unrealized exchange gains on the translation of the financial statements of foreign operations reversed to net earnings		—	8.7
Net gains (losses) on hedge of the net investment in foreign operations	19	0.2	(0.8)
Related income tax recovery		(0.4)	(0.8)
	25	8.2	(13.5)
Items that will not be reclassified to net earnings			
Changes related to defined benefit plans			
Actuarial gains (losses) on defined benefit plans	28	12.9	(17.9)
Related income taxes (recovery)		3.4	(4.7)
	25	9.5	(13.2)
Other comprehensive income (loss)	25	11.1	(36.7)
Comprehensive income		\$ 142.9	\$ 129.4

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended October 25, 2020 and October 27, 2019
(in millions of Canadian dollars)

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	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		—	—	131.7	—	131.7	0.1	131.8
Other comprehensive income	25	—	—	—	11.1	11.1	—	11.1
Shareholders' contributions and distributions to shareholders								
Share redemptions	22	(3.8)	—	(3.3)	—	(7.1)	—	(7.1)
Exercise of stock options	24	1.9	(0.2)	—	—	1.7	—	1.7
Dividends	22	—	—	(77.9)	—	(77.9)	—	(77.9)
Business combinations	4	—	—	—	—	—	1.0	1.0
Balance as at October 25, 2020		\$ 640.0	\$ 0.9	\$ 1,107.2	\$ (14.8)	\$ 1,733.3	\$ 5.3	\$ 1,738.6
Balance as at October 28, 2018		\$ 642.4	\$ 1.1	\$ 979.8	\$ 10.8	\$ 1,634.1	\$ —	\$ 1,634.1
Net earnings		—	—	166.1	—	166.1	—	166.1
Other comprehensive loss	25	—	—	—	(36.7)	(36.7)	—	(36.7)
Shareholders' contributions and distributions to shareholders								
Dividends	22	—	—	(76.0)	—	(76.0)	—	(76.0)
Income taxes on share issuance costs	22	(0.5)	—	—	—	(0.5)	—	(0.5)
Business combinations	4	—	—	—	—	—	4.2	4.2
Balance as at October 27, 2019		\$ 641.9	\$ 1.1	\$ 1,069.9	\$ (25.9)	\$ 1,687.0	\$ 4.2	\$ 1,691.2

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended October 25, 2020 and October 27, 2019
(in millions of Canadian dollars)

	Notes	As at October 25, 2020	As at October 27, 2019 ⁽¹⁾
Current assets			
Cash		\$ 241.0	\$ 213.7
Accounts receivable	11	461.2	520.7
Income taxes receivable		13.4	10.2
Inventories	12	288.8	304.2
Prepaid expenses and other current assets		20.3	20.0
		1,024.7	1,068.8
Property, plant and equipment			
	13	712.4	820.1
Right-of-use assets			
	14	134.6	—
Intangible assets			
	15	568.5	686.2
Goodwill			
	16	1,098.8	1,145.3
Deferred taxes			
	10	24.2	27.2
Other assets			
	17	35.2	34.2
		\$ 3,598.4	\$ 3,781.8
Current liabilities			
Accounts payable and accrued liabilities	18	\$ 399.7	\$ 420.0
Provisions	20	7.9	14.1
Income taxes payable		8.4	12.8
Deferred revenues and deposits		9.0	9.3
Current portion of long-term debt	19	229.7	1.2
Current portion of lease liabilities	14	22.8	—
		677.5	457.4
Long-term debt			
	19	790.4	1,381.9
Lease liabilities			
	14	132.0	—
Deferred taxes			
	10	133.9	120.2
Provisions			
	20	0.3	1.9
Other liabilities			
	21	125.7	129.2
		1,859.8	2,090.6
Equity			
Share capital	22	640.0	641.9
Contributed surplus		0.9	1.1
Retained earnings		1,107.2	1,069.9
Accumulated other comprehensive loss	25	(14.8)	(25.9)
Attributable to shareholders of the Corporation		1,733.3	1,687.0
Non-controlling interests		5.3	4.2
		1,738.6	1,691.2
		\$ 3,598.4	\$ 3,781.8

⁽¹⁾ Certain comparative figures have been reclassified to conform to the presentation adopted in the current year (Notes 18 and 21).

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 25, 2020 and October 27, 2019
(in millions of Canadian dollars)

	Notes	October 25, 2020	October 27, 2019
Operating activities			
Net earnings		\$ 131.8	\$ 166.1
Adjustments to reconcile net earnings and cash flows from operating activities:			
Impairment of assets	7	—	0.5
Depreciation and amortization	8	237.5	223.6
Financial expenses on long-term debt and lease liabilities	9	47.1	60.7
Net losses (gains) on disposal of assets	6	3.1	(42.0)
Net losses (gains) on business acquisitions and disposals	6	3.1	(4.8)
Income taxes	10	63.2	76.5
Net foreign exchange differences and other		(4.2)	(10.0)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		481.6	470.6
Changes in non-cash operating items ⁽¹⁾	26	(4.8)	20.5
Income taxes paid		(49.8)	(59.5)
Cash flows from operating activities		427.0	431.6
Investing activities			
Business combinations, net of acquired cash	4	(9.4)	(18.5)
Business disposals	4	232.1	9.5
Acquisitions of property, plant and equipment	13	(79.2)	(104.1)
Disposals of property, plant and equipment	13	1.2	100.5
Increase in intangible assets	15	(18.3)	(21.5)
Cash flows from investing activities		126.4	(34.1)
Financing activities			
Increase in long-term debt, net of issuance costs	19 & 26	—	302.9
Reimbursement of long-term debt	19 & 26	(375.5)	(250.0)
Net decrease in credit facility, net of issuance costs	19 & 26	—	(134.3)
Financial expenses on long-term debt		(42.6)	(64.0)
Repayment of principal on lease liabilities		(21.9)	—
Interest on lease liabilities	14	(3.1)	—
Exercise of stock options	24	1.7	—
Dividends	22	(77.9)	(76.0)
Share redemptions	22	(7.1)	—
Cash flows from financing activities		(526.4)	(221.4)
Effect of exchange rate changes on cash denominated in foreign currencies		0.3	(2.9)
Net change in cash		27.3	173.2
Cash at beginning of year		213.7	40.5
Cash at end of year		\$ 241.0	\$ 213.7
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		\$ 2.5	\$ 3.7

⁽¹⁾ Includes the accelerated recognition of deferred revenues opening balance as at October 29, 2017 as part of the transaction with Hearst for the year ended October 27, 2019 (Note 32).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

1 GENERAL INFORMATION

Transcontinental Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. Its Class A Subordinate Voting Shares and Class B Shares are traded on the Toronto Stock Exchange. The Corporation's head office is located at 1 Place Ville Marie, Suite 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 Corporation's Board of Directors approved these consolidated financial statements on December 10, 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

The accounting policies adopted in these annual consolidated financial statements are based on IFRS that were issued, in effect and adopted by the Corporation as at October 25, 2020. Any subsequent changes to the accounting policies that will be in effect in the Corporation's consolidated financial statements after October 25, 2020 could result in a restatement of these annual consolidated financial statements.

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

a) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following items:

- derivative financial instruments and contingent considerations which have been measured at their fair value;
- the liability related to stock-based compensation which has been measured under IFRS 2 *Share-based payments*,
- defined benefit liabilities, which are measured at the net amount of the fair value of defined benefit plan assets and the present value of the obligations related to these plans; and
- lease liabilities, which are measured at the present value of future lease payments.

b) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. The accounting policies described have been applied consistently by all the subsidiaries for all periods presented in these consolidated financial statements.

Subsidiaries are all entities controlled by the Corporation. There is control when the Corporation is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power over the investee to significantly affect the amount of the returns it obtains. Subsidiaries are fully consolidated from the date the Corporation obtains control, and cease to be consolidated from the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries so that their accounting policies are consistent with those of the Corporation. An entity that is fully consolidated but that is not wholly owned by the Corporation results in a non-controlling interest, which is presented separately in the Consolidated Statement of Earnings and the Consolidated Statement of Financial Position. All inter-company balances and transactions have been eliminated upon consolidation.

The Corporation holds the following main subsidiaries:

	Holding
Transcontinental Printing Inc. (Canada)	100.0 %
Transcontinental Printing 2007 Inc. (Quebec)	100.0
Transcontinental Printing 2005 G.P. (Quebec)	100.0
Transcontinental Printing Corporation (Delaware)	100.0
Transcontinental Media Inc. (Quebec)	100.0
Transcontinental Media G.P. (Quebec)	100.0
TC Transcontinental Packaging Inc. (Delaware)	100.0
Transcontinental Holding Corp (Delaware)	100.0
Transcontinental US LLC (Delaware)	100.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Business combinations

Business combinations are accounted for using the acquisition method, and their operating results are included in the consolidated financial statements as of the acquisition date. The consideration transferred is the sum of the fair value of the assets acquired, equity instruments issued, liabilities incurred or assumed by the Corporation and contingent considerations, on the acquisition date, in exchange for control of the acquired entity. In the case of a business combination involving less than 100% of ownership interests, a non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share in the identifiable net assets of the acquiree. The basis of measurement is determined on a transaction-by-transaction basis.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. If the fair value of the net assets acquired exceeds the cost of the business combination, the excess ("negative goodwill") is recognized directly in net earnings as gain from a bargain purchase. The transaction costs attributable to the acquisition are recognized in net earnings when they are incurred.

If the agreement includes a contingent consideration, such contingent consideration is measured at fair value as of the acquisition date and added to the consideration transferred, and a liability for the same amount is recognized. Any subsequent change to the fair value of the contingent consideration will be recognized in net earnings under "Restructuring and other costs (gains)".

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

If a business combination is achieved in stages, the Corporation remeasures the interest it held previously in the acquiree at fair value at the acquisition date and recognizes any resulting gain or loss in net earnings.

d) New or amended accounting standards adopted

• 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) New or amended accounting standards adopted (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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) New or amended accounting standards adopted (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 exercised	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

• Definition of a business (amendments to IFRS 3)

In October 2018, the IASB issued amendments to IFRS 3 "Business Combinations", which apply to annual reporting periods beginning on or after January 1, 2020. These amendments clarify the definition of a business for purposes of determining whether an acquisition should be accounted for as a business combination or as an asset acquisition. These amendments make the new definition of a business narrower, which could result in fewer business combinations being recognized. The amendments also include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

The Corporation adopted the amendments to IFRS 3 for its fiscal year beginning October 28, 2019 using the permitted early application provision.

• 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 consolidated financial statements for the year ended October 25, 2020.

• IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures"

In September 2019, the IASB 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 the effect that the implementation of the IBOR reform had no material impact on the consolidated financial statements for the year ended October 25, 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 year ended October 25, 2020.

e) Revenue recognition

The Corporation recognizes revenues from the sale of goods or services when control over a good or service is transferred to the customer.

The Corporation determines revenues to be recognized using the following steps: 1) Identifying the contract with the customer; 2) Identifying the performance obligations in the contract; 3) Determining the transaction price; 4) Allocating the transaction price to performance obligations; and 5) Recognizing revenue when the Corporation satisfies a performance obligation. Revenues are recognized when the customer obtains control of the goods and services.

The Corporation has established that, for purposes of applying IFRS 15, a contract is usually a purchase order, including the related sales terms and conditions, or a combination of a purchase order and a contract. In the Printing Sector, certain contracts include more than one performance obligation, in particular when the contract provides for printing services as well as distribution and premedia services. In the Packaging Sector, contracts usually include only one performance obligation, namely the sale of finished goods. Several of the Corporation's contracts contain a variable consideration, which may take the form of an incentive program, a program providing for discounts based on quantities purchased or other rebates granted to customers. The Corporation estimates variable considerations using the most likely amount method and reduces revenues by the estimated amount. Given the nature of custom products sold by the Corporation, returns are not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Revenue recognition (continued)

In the Packaging Sector and the Printing Sector, revenues are recognized as follows:

- Packaging products
Revenues are recognized when control over the products is transferred to the customer, which is usually when the products are shipped or delivered in accordance with the customer agreement.
- Printing services
Revenues from the sale of printing services are recognized when control over the products is transferred to the customer, which is usually when the products are shipped or delivered in accordance with the customer agreement.
- Distribution revenues
Door-to-door distribution revenues are recognized over time during the delivery of the advertising material.
- Premedia revenues
Premedia revenues are recognized at a point in time, when services are provided.

For certain contracts related to the sale of packaging products and printing services under which the Corporation provides custom products or services and for which it has an enforceable right to payment for performance completed, the criteria for revenue recognition over time are met and, consequently, revenues have to be recognized under that method. However, the Corporation has determined that the value of such contracts is not significant.

In the Media Sector, revenues are recognized as follows:

- Advertising, subscription, and newsstand and book revenues
Revenues are recognized at the publication date in the case of advertising revenues, using the straight-line method in the case of subscription revenues, and at the time of delivery, net of a provision for returns, in the case of newsstand and book revenues.

f) Income taxes

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

i) Current tax

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

ii) Deferred tax

Deferred tax is determined on the basis of temporary differences between the carrying amounts and the tax bases of assets and liabilities, and is measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the financial statements.

Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for temporary differences arising on the initial recognition of goodwill. The carrying amount of deferred tax assets is reviewed at the end of each period and a reduction of the carrying amount is recognized when it is probable that these assets will not be realized.

g) Government assistance

Government assistance is recognized when there is reasonable assurance that the Corporation will comply with the requirements of the approved grant or subsidy program and the Corporation, based on management's judgment, is reasonably certain that the government assistance will be received. Government assistance related to operating expenses, including salary grants, is recorded as a reduction of such expenses. Investment tax credits related to the purchase of property, plant and equipment or intangible assets are recorded as a reduction of the cost of the underlying asset. Investment tax credits related to operating expenses are recorded as a reduction of such expenses. Government assistance related to publishing activities is recorded as a reduction of publishing costs.

h) Cash and cash equivalents

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

i) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method, and includes the acquisition costs of raw materials and manufacturing costs, such as direct labor and a portion of manufacturing overhead. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Supplier rebates

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

k) Property, plant, equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes expenditures directly attributable to the acquisition of property, plant and equipment.

The costs, such as borrowing costs, incurred directly for the acquisition or construction of property, plant and equipment, are capitalized until the asset is ready for its intended use, and are depreciated over the useful life of the related asset. Property, plant and equipment under construction are not depreciated as long as they have not been put in service.

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

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

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

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

Gains and losses on the disposal of an item of property, plant and equipment are determined as the difference between the fair value of net disposal proceeds and the carrying amount of the item of property, plant and equipment that is disposed of. They are recognized directly in net earnings under Restructuring and other costs (gains).

l) Leases

For the year ended October 27, 2019, in accordance with IAS 17 "Leases", leases were classified as finance leases when substantially all the risks and rewards incidental to ownership of the leased property were transferred to the lessee. Other leases were classified as operating leases.

As at October 27, 2019, property, plant and equipment held under a finance lease was initially recognized at the lesser of the fair value of the asset and the present value of the minimum lease payments. The leased item was then recognized in the same manner as other similar assets held by the Corporation. The related liability payable to the lessor was recorded as a finance lease debt and a finance charge was recognized in net earnings over the term of the lease. Operating leases were recognized in net earnings on a straight-line basis over the term of the lease.

For the year ended October 25, 2020, following the adoption of IFRS 16 "Leases", the Corporation must assess, at inception of a contract, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Leases (continued)

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 IFRS 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.

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.

m) Intangible assets

i) Identifiable intangible assets acquired in a business combination

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

ii) Internally generated intangible assets

Internally generated intangible assets consist of book prepublication costs, technology project costs and new product development and creation costs. The cost of an internally generated intangible asset includes all the directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

Expenses incurred in research activities are expensed in the period in which they are incurred. Expenses incurred in development activities are also expensed in the period in which they are incurred, except if they meet all the criteria for capitalization. The initial amount recognized as an internally generated intangible asset is equal to the sum of expenses incurred from the date when the intangible asset first meets the criteria for capitalization.

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

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

	Term / Rate	Method
Customer relationships	4-12 years	Straight-line
Book prepublication costs	Maximum 7 years	Based on historical sales patterns
Educational book titles	6-9 years	Based on historical sales patterns
Acquired printing contracts	Term of the contract	Straight-line
Non-compete agreements	2-5 years	Straight-line
Technology project costs	3-7 years	Straight-line
Development costs	3 years	Straight-line

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

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

iii) Goodwill

Goodwill is recognized at cost, which represents the amount by which the consideration transferred and any non-controlling interest in the acquiree exceed the fair value of the identifiable net assets of the acquiree, and at cost less accumulated impairment losses thereafter. Goodwill has an indefinite useful life and is not amortized. Goodwill is tested for impairment annually or more frequently if events indicate that it might be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Impairment of non-financial assets

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

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

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

The recoverable amount of a CGU (or group of CGUs) is the higher of its value in use and its fair value less costs of disposal. Value in use is determined by discounting estimated future cash flows, using a discount rate that reflects current market assessments, the time value of money and the risks specific to the CGU (or group of CGUs).

Fair value less costs of disposal is determined by using an EBITDA (earnings before interest, taxes, depreciation and amortization) capitalization multiple of comparable companies whose activities are similar to those of each CGU (or group of CGUs).

The Corporation's corporate assets do not generate separate cash inflows. They are tested for impairment at the lowest CGU aggregation level to which the corporate assets can be reasonably and consistently allocated. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU (or group of CGUs) to which the corporate asset has been allocated.

Except in the case of an impairment indicator identified earlier during the fiscal year which would require the Corporation to perform an impairment test at that date, the Corporation performs its annual test of impairment during the last quarter of its fiscal year, based on the Corporation's net carrying amount of assets as at the first day of the last quarter of each fiscal year.

The most recent detailed calculation made in a preceding period of the recoverable amount of a CGU (or group of CGUs) to which goodwill has been allocated may be used in the impairment test of that CGU (or group of CGUs) in the current period provided all of the following criteria are met:

- the assets and liabilities making up the CGU (or group of CGUs) have not changed significantly since the most recent recoverable amount calculation;
- the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU (or group of CGUs) by a substantial margin; and
- based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the CGU (or group of CGUs) is remote.

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

o) Contract acquisition costs

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

p) Provisions

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

i) Restructuring

A restructuring provision is recorded when the Corporation has a formal and detailed restructuring plan, and a valid expectation has been raised in those affected, either by starting to implement the plan or by announcing its main characteristics. Future operating losses are not subject to a provision.

ii) Onerous contracts

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

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Employee benefits

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

The Corporation participates in multi-employer pension plans accounted for as defined contribution plans. The Corporation's contributions to these plans are limited to the amounts established under the collective agreements. Contributions to the plans are recognized in net earnings when services are provided by employees.

i) Defined benefit plans

The cost of defined benefit pension plans and other post-employment defined benefit plans is established with the assistance of independent actuaries on each reporting date, using the Projected Unit Cost Method and based on the Corporation's best estimates regarding the discount rate, expected rate of return of the plans' investments, salary increases, changes in health care costs, the retirement age of employees and life expectancies. The discount rate is based on applicable market interest rates for investment-grade corporate bonds with maturities consistent with the timing of payment of benefits provided under the plans.

The defined benefit asset (liability) recognized in the Consolidated Statement of Financial Position is the present value of the defined benefit obligation, less the fair value of plan assets. The value of plan assets is limited to the total of unrecognized past service cost and the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan ("effect of the asset ceiling"). Any surplus is immediately recognized in other comprehensive income ("OCI"). In addition, a minimum liability is recognized when the statutory minimum funding requirement for past service exceeds the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Net cumulative actuarial gains or losses related to plan assets and the defined benefit obligation, as well as the change in the asset ceiling and any minimum liability, are recognized in OCI during the period in which they occur, except for actuarial gains or losses on other post-employment benefits, which are recognized immediately in net earnings.

Past service cost is recognized as an expense in the Consolidated Statement of Earnings during the period in which it occurs. Current service cost and the interest cost on the net defined benefit obligation or asset are recognized in net earnings during the period in which they occur, under Operating expenses and Net financial expenses, respectively.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. When the restructuring of a defined benefit plan gives rise to the curtailment or settlement of obligations, the curtailment is recognized before the settlement.

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

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

r) Stock-based compensation

The Corporation has stock option and share unit plans for certain officers, senior executives and directors.

i) Stock option plan

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

ii) Share unit plan for certain officers and senior executives

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

iii) Share unit plan for directors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation. The functional currency is the currency of the primary economic environment in which the Corporation operates. The functional currency of the operating foreign subsidiaries is mainly the U.S. dollar.

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

The assets and liabilities of foreign subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars using the exchange rate prevailing as at the reporting date. Revenue and expense items are translated at the average exchange rate for the period.

Exchange differences are recognized in OCI under "Cumulative translation differences" and are accumulated in equity. The accumulated amount of exchange differences is reclassified to net earnings upon disposal or partial disposal of an interest in a foreign operation.

The Corporation designates certain foreign exchange forward contracts denominated in U.S. dollars and certain financial instruments denominated in U.S. dollars as hedging instruments for an equivalent portion of its net investment in certain foreign operations that have the U.S. dollar as their functional currency. Thus, the effective portion of changes in the fair value of foreign exchange contracts as well as the foreign exchange fluctuation of financial instruments denominated in U.S. dollars, net of related income taxes, is recognized in OCI and the ineffective portion is recognized in net earnings. Cumulative gains and losses recognized in accumulated OCI are reclassified to net earnings in the period in which the related net investment in a foreign operation is subject to a total or partial disposal.

t) Financial instruments

i) Classification and measurement of financial assets and financial liabilities

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement depends on their classification.

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

	Category	Subsequent measurement
Cash and cash equivalents	Amortized cost	Amortized cost, at the effective interest rate
Accounts receivable and other receivables	Amortized cost	Amortized cost, at the effective interest rate
Accounts payable, other accrued liabilities and other financial liabilities	Amortized cost	Amortized cost, at the effective interest rate
Contingent consideration	Fair value through profit or loss	Fair value
Long-term debt	Amortized cost	Amortized cost, at the effective interest rate
Derivative financial instruments	Fair value through profit or loss	Fair value

Upon initial recognition, a financial asset is measured at amortized cost if the following two criteria are met: 1) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and 2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial liability is measured at amortized cost unless it is held for trading, it is a derivative or it is designated as such upon its initial recognition.

Transaction costs directly related to the acquisition or issuance of financial assets or liabilities are capitalized to the cost of financial assets and liabilities that are not classified as instruments at fair value through profit or loss. Thus, long-term debt issuance costs are classified as a reduction of long-term debt, and are amortized using the effective interest method.

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

ii) Impairment of financial assets

The Corporation recognizes expected credit losses on financial assets, and changes in such losses, at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets. For accounts receivable, the Corporation applies the simplified approach permitted by IFRS 9, under which lifetime expected credit losses must be recognized upon initial recognition. For loans classified under "other receivables", the Corporation measures credit risk based on the 12-month expected credit risk if there has not been a significant increase in credit risk since initial recognition.

u) Derivative financial instruments and hedge accounting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Derivative financial instruments and hedge accounting (continued)

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

At the inception of the hedging relationship and throughout its duration, the Corporation must have reasonable assurance that the relationship will remain effective and in accordance with its risk management objective and strategy as initially documented.

For derivative financial instruments designated as cash flow hedges, the effective portion of the hedging relationship is recognized in OCI and the ineffective portion is recognized in the Consolidated Statement of Earnings. The effective portion of an interest rate risk hedging relationship is reclassified to net earnings during the period in which the hedged interest payments are recognized in net earnings. The effective portion of a currency risk hedging relationship related to foreign currency sales is reclassified to net earnings during the period in which the sales affect net earnings.

Derivative financial instruments designated as a hedge of the net investment in foreign operations are accounted for similarly to cash flow hedges. The effective portion of the net investment hedging relationship is reclassified to net earnings on the disposal or partial disposal of the foreign operation.

The Corporation may also 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. In accordance with the requirements of IFRS 9, total return swaps are classified in the "Fair value through profit or loss" category with subsequent measurement at fair value.

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).

When hedging instruments mature before maturity, any gains or losses, revenues or expenses associated with the hedging instrument that had previously been recognized in OCI as a result of applying hedge accounting are deferred and recognized in net earnings in the period during which the hedged item affects net earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise, any gains or losses, revenues or expenses associated with the hedging instrument that had previously been recognized in OCI as a result of applying hedge accounting are recognized in the reporting period's net earnings.

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

v) Assets held for sale and discontinued operations

When a situation involves an asset disposal or disposal group, current and non-current assets are reclassified as held for sale if they are available for immediate sale in their present condition and their sale is deemed highly probable.

A discontinued operation is a component of the Corporation's activities that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

w) Critical judgments and sources of estimation uncertainty

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

i) Economic conditions

In the context of the COVID-19 pandemic and the related climate of economic uncertainty, the Corporation revised some of its most complex estimates and assumptions, including significant judgment areas, used in preparing the consolidated financial statements for the fiscal year ended October 25, 2020. The main estimates revised to reflect the impact of the COVID-19 pandemic on financial reporting were the determination of whether there was an indication that assets, CGUs or groups of CGUs may be impaired, the assumptions used in the establishment of their recoverable amount, when an impairment test was deemed necessary and for the annual impairment test of goodwill, and the assessment of the credit risk on receivables. Additional revisions might be required in the future depending on the development of the 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.

ii) Business combinations

The determination of fair value associated with identifiable property, plant and equipment and intangible assets following a business combination requires management to make assumptions. More specifically, this is the case when the Corporation calculates fair values using appropriate valuation techniques, which are generally based on a forecast of expected future cash flows for intangible assets, and on a replacement cost approach, an income-based approach and/or a market-based approach for property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Critical judgments and sources of estimation uncertainty (continued)

ii) Business combinations (continued)

These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied. Significant changes to these assumptions could significantly change the fair values associated with identifiable intangible assets following a business combination, which would impact the amortization expense.

The adoption of the amendments to IFRS 3 also requires the Corporation to make judgments to establish if an acquisition meets the new definition of a business for purposes of determining whether it should be accounted for as a business combination or as an asset acquisition.

iii) Impairment of non-financial assets

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

When the discounted future cash flow method is used, cash flow projections are established based on past experience, certain economic trends as well as industry and market trends, and represent management's best estimates of future results. The recoverable amount of a CGU is also influenced by the discount rate used in the model, by the growth rate used to make the extrapolation and by the weighted average cost of capital.

When a market-based method is used, the Corporation estimates the fair value of the CGU by multiplying EBITDA by a capitalization multiple that is based on market data.

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

iv) Revenue recognition method

Judgment is required to determine whether revenues should be recognized over time or at a point in time. The Corporation evaluates contracts with customers for whom it manufactures packaging products or to whom it provides custom printing services to determine whether the contract confers upon the Corporation an enforceable right to payment, in which case revenues should be recognized over time rather than at a point in time. For the year ended October 25, 2020, no significant contract met the criteria for recognition over time.

v) Leases

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..

vi) Income taxes

The Corporation determines its income tax expense and its income tax assets and liabilities based on its interpretation of applicable tax legislation, including tax treaties between the various countries in which it operates, as well as underlying rules and regulations. Such interpretations involve judgments and estimates that may be challenged in government tax audits, to which the Corporation is regularly subject. New information may also become available, which would cause the Corporation to change its judgment regarding the adequacy of existing income tax assets and liabilities. Any such changes will have an impact on net earnings for the period in which they occur.

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

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

vii) Employee benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Critical judgments and sources of estimation uncertainty (continued)

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

viii) Impairment of non-financial assets

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

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

ix) Foreign currency translation

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

x) Assets held for sale and discontinued operations

The Corporation uses its judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and whether its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. The Corporation also uses its judgment to determine whether a component of the Corporation that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation. The key area that involves management judgment in this determination is whether the component represents a separate major line of business or geographical area of operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

(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 and recycling of flexible plastic, including rollstock, bags and pouches, coextruded films, shrink films and bags, and advanced coatings. Its facilities are mainly located in the United States, Canada and Latin America.

The Printing Sector generates revenues from an integrated service offering for retailers, including premedia services, flyer and in-store marketing product 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 type: 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:

Year ended October 25, 2020	Packaging	Printing	Other	Consolidated Results
Revenues	\$ 1,418.7	\$ 1,098.1	\$ 57.2	\$ 2,574.0
Operating expenses	1,191.2	829.4	54.0	2,074.6
Restructuring and other costs (gains)	(0.2)	32.1	9.5	41.4
Operating earnings before depreciation and amortization ⁽¹⁾	227.7	236.6	(6.3)	458.0
Depreciation and amortization	142.5	63.0	11.1	216.6
Operating earnings	\$ 85.2	\$ 173.6	\$ (17.4)	\$ 241.4
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	\$ 227.5	\$ 268.7	\$ 3.2	\$ 499.4
Adjusted operating earnings ⁽¹⁾	150.1	210.5	(7.8)	352.8
Acquisitions of non-current assets ⁽²⁾	\$ 54.8	\$ 27.9	\$ 17.4	\$ 100.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

3 SEGMENTED INFORMATION (CONTINUED)

Year ended October 27, 2019	Packaging	Printing	Other	Consolidated Results
Revenues	\$ 1,618.3	\$ 1,336.7	\$ 83.8	\$ 3,038.8
Operating expenses	1,411.5	1,057.1	82.7	2,551.3
Restructuring and other costs (gains)	—	(29.5)	5.0	(24.5)
Impairment of assets	—	0.5	—	0.5
Operating earnings before depreciation and amortization ⁽¹⁾	206.8	308.6	(3.9)	511.5
Depreciation and amortization	140.2	52.5	9.3	202.0
Operating earnings	\$ 66.6	\$ 256.1	\$ (13.2)	\$ 309.5
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	\$ 206.8	\$ 267.9	\$ 1.1	\$ 475.8
Adjusted operating earnings ⁽¹⁾	135.5	220.1	(7.6)	348.0
Acquisitions of non-current assets ⁽²⁾	\$ 74.4	\$ 32.3	\$ 19.2	\$ 125.9

⁽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 (gains), impairment of assets, amortization of intangible assets arising from business combinations, as well as the accelerated recognition of deferred revenues as part of the agreements with Hearst (Note 32) (only for adjusted operating earnings as it relates to amortization of intangible assets arising from business combinations).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

3 SEGMENTED INFORMATION (CONTINUED)

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

	October 25, 2020	October 27, 2019 ⁽¹⁾
Packaging products		
Americas	\$ 1,320.3	\$ 1,516.1
Rest of the world	98.4	102.2
	1,418.7	1,618.3
Printing services ⁽²⁾		
Retailer-related services ⁽³⁾	624.6	781.2
Marketing products	208.8	203.1
Magazines and books	167.3	215.5
Newspapers	97.4	136.9
	1,098.1	1,336.7
Media ⁽²⁾	71.7	92.7
Inter-segment sales	(14.5)	(8.9)
	\$ 2,574.0	\$ 3,038.8

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

	As at October 2020	As at October 27, 2019
Packaging	\$ 2,238.9	\$ 2,457.0
Printing	926.3	945.8
Other ⁽⁴⁾	433.2	378.9
	\$ 3,598.4	\$ 3,781.7

⁽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, right-of-use assets, deferred taxes and defined benefit asset not allocated to segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

3 SEGMENTED INFORMATION (CONTINUED)

	As at October 25, 2020	As at October 27, 2019 ⁽¹⁾
Non-current assets ⁽²⁾		
Canada	\$ 824.8	\$ 770.0
United States	1,439.5	1,650.2
Other	270.3	258.7
	\$ 2,534.6	\$ 2,678.9

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

⁽²⁾ These amounts include property, plant and equipment, intangible assets, right-of-use assets, goodwill and other non-current assets, and exclude derivative financial instruments, deferred taxes and defined benefit asset.

4 BUSINESS COMBINATIONS, ASSET ACQUISITION AND BUSINESS DISPOSALS

Business combinations

Transactions for the year ended October 25, 2020

- **Artisan Complete**

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. This transaction supports the Corporation's strategy to continue growing in the in-store marketing product printing vertical. The transaction was completed for a purchase price of \$12.5 million, before deducting certain liabilities repaid by the Corporation and including a \$1.0 million purchase price holdback payable 18 months after the transaction's closing date provided that no compensation for damages is claimed by the Corporation during the reference period.

As at October 25, 2020, the provisional purchase price allocation for Artisan Complete, based on information available as at the date of these consolidated financial statements, led to the recognition of goodwill of \$2.3 million. The recognized goodwill is not deductible for tax purposes

The purchase price allocation remains provisional for the year ended October 25, 2020.

Transactions for the year ended October 27, 2019

- **Trilex**

On August 30, 2019, the Corporation had acquired a 60% interest in Industrial y Commercial Trilex C.A. ("Trilex"), a plastic packaging supplier located in Guayaquil, Ecuador, for a final purchase price of \$4.1 million (US\$3.1 million) paid in cash. This acquisition was aligned with the growth strategy for the Packaging Sector and expanded the Corporation's footprint in Latin America with a second location in Ecuador.

As at October 25, 2020, the final purchase price allocation led to the recognition of an additional gain from a bargain purchase of \$1.3 million, related to the fair value measurement of property, plant and equipment acquired in addition to the \$2.3 million gain already recognized in the year ended October 27, 2019. This additional gain was recognized under "Restructuring and other costs (gains)" (Note 6) in the Consolidated Statement of Earnings for the year ended October 25, 2020 and represents 60% of the change in value of property, plant and equipment acquired reflected in the final purchase price allocation. The residual impact was recognized under "Non-controlling interests" in equity for \$1.0 million.

- **Holland & Crosby**

On October 1, 2019, the Corporation had acquired the assets of Holland & Crosby Limited, a manufacturing company located in Mississauga, Ontario, that specializes in in-store marketing product printing for North American retailers. This acquisition was aligned with the Corporation's strategy of enhancing its offering in the promising vertical of in-store marketing product printing which has been continuously growing for several years now. The transaction was completed for a final purchase price of \$19.3 million, including a \$2.0 million purchase price withholding that was payable on the first anniversary of the transaction provided that no compensation for damages was claimed by the Corporation during the reference period. As at October 25, 2020, the Corporation had paid in full the \$2.0 million purchase price withholding.

During the year ended October 27, 2019, the Corporation finalized the purchase price allocation analysis and the accounting for the acquisition without any significant impact. The final measurement of the fair value of assets acquired and liabilities assumed led to the recognition of a goodwill of \$3.4 million. The recognized goodwill is deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

4 BUSINESS COMBINATIONS, ASSET ACQUISITION AND BUSINESS DISPOSALS (CONTINUED)

Business combinations (continued)

The following table presents the fair value of the acquired companies' assets acquired and liabilities assumed at the acquisition date for the above-mentioned transactions:

	2020 acquisitions		2019 acquisitions	
	Provisional allocations	Provisional allocations	Final allocations	
Assets acquired				
Cash acquired	\$ —	\$ 3.6	\$ 3.6	
Current assets	10.3	13.1	12.7	
Property, plant and equipment	3.6	8.3	10.9	
Right-of-use assets ⁽¹⁾	5.5	—	—	
Intangible assets	3.1	10.4	10.4	
Goodwill	2.3	4.1	3.4	
	\$ 24.8	\$ 39.5	\$ 41.0	
Liabilities assumed				
Current liabilities	\$ 6.1	6.1	\$ 6.1	
Long-term debt (including current portion) and other debt items assumed ⁽²⁾	4.1	1.6	1.6	
Lease liabilities (including current portion) ⁽¹⁾	5.5	—	—	
Pension benefits and other post-employment benefit plans	—	1.0	1.0	
Deferred taxes	0.7	0.2	0.1	
	16.4	8.9	8.8	
	\$ 8.4	30.6	\$ 32.2	
Non-controlling interest	\$ —	\$ (4.2)	\$ (5.2)	
Gain from a bargain purchase	—	(2.3)	(3.6)	
	\$ 8.4	\$ 24.1	\$ 23.4	
Total consideration				
Cash paid	\$ 7.4	\$ 22.1	\$ 21.4	
Current consideration payable ⁽³⁾	—	2.0	2.0	
Long-term consideration payable ⁽³⁾	1.0	—	—	
	\$ 8.4	\$ 24.1	\$ 23.4	

⁽¹⁾ The Corporation did not restate the purchase price allocation calculations for business combinations that occurred before the adoption of IFRS 16 consistent with the transition method chosen as at October 28, 2019 (Note 2).

⁽²⁾ As at October 25, 2020, the Corporation had repaid in full the long-term debt and other debt items assumed of \$4.1 million related to the acquisition of Artisan Complete and had repaid \$0.1 million on the long-term debt assumed as part of the acquisition of Trilex.

⁽³⁾ As at October 25, 2020, the Corporation had repaid in full the \$2.0 million payable on the acquisition transaction for Holland & Crosby and had reclassified as current the consideration payable as part of the acquisition of Artisan Complete.

Asset acquisition

Transactions for the year ended October 25, 2020

- **Enviroplast**

On June 15, 2020, the Corporation acquired the assets of Enviroplast Inc. ("Enviroplast"), a company specializing in recycling flexible plastics in Québec. This acquisition represents a first step toward vertically integrating the recycling of plastics in the Packaging Sector production chain and supports the goal of creating a circular economy for plastic. The acquisition price was set at \$2.4 million, excluding a contingent consideration payable that is based on achieving an operational performance threshold based on the annual recycled plastic production.

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4 BUSINESS COMBINATIONS, ASSET ACQUISITION AND BUSINESS DISPOSALS (CONTINUED)

Business disposals

Transactions for the year ended October 25, 2020

- **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.

For this sale transaction, the Corporation received a final cash consideration of \$235.3 million (US\$180.1 million) including working capital adjustments, but before transaction costs incurred for the transaction, which amounted to \$3.2 million.

Consideration received for the sale of the paper and woven polypropylene packaging operations	
Cash	235.1 \$
Transaction costs	(3.2)
Consideration received, net of transaction costs	231.9
Final working capital adjustments	0.2
Net consideration received	232.1
Assets and liabilities sold	
Current assets	62.1
Property, plant and equipment ⁽¹⁾	74.4
Intangible assets	56.7
Goodwill	54.8
Current liabilities	(11.2)
Assets and liabilities sold, net amount	236.8
Loss on disposal, before taxes	(4.7)
Tax impact of the disposal	(11.7)
Loss on disposal, after taxes	(16.4) \$

⁽¹⁾ This amount also includes \$0.3 million for short-term leases for equipment that was disposed of.

Transactions for the year ended October 27, 2019

- **Sale of specialty media assets and event planning activities**

On September 19, 2019, the Corporation sold the majority of its specialty media assets and event planning activities to two corporations, including Contex Group Inc., a company headed by a director and officer of the Corporation, as part of its strategic shift into flexible packaging.

The sale transaction with Contex Group Inc. was a related party transaction carried out at fair value determined in an arm's length transaction setting. The valuation of the fair value of the assets sold to Contex Group Inc. was conducted by a committee comprised of independent members of the Corporation's Board of Directors and addressed, in particular, the valuation of the transfer of ownership of the brands disposed of.

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5 OPERATING EXPENSES

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

	October 25, 2020	October 27, 2019
Employee-related costs ⁽¹⁾	\$ 638.4	\$ 781.3
Supply chain and logistics ⁽²⁾	1,321.5	1,629.3
Other goods and services ⁽³⁾	114.7	140.7
	\$ 2,074.6	\$ 2,551.3

⁽¹⁾ During the year ended October 25, 2020, the Corporation recognized under "Employee-related costs", against eligible salary expenses, subsidies claimed under the Canada Emergency Wage Subsidy program amounting to \$58.5 million. As at October 25, 2020, the Corporation had already received a portion of the subsidies claimed and continued to believe that there was reasonable assurance that the amount not yet received would be received from the Canadian federal government based on the fact that eligibility criteria were still met.

⁽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.

The cost of goods sold recognized in operating expenses for the year ended October 25, 2020 was \$1,588.2 million (\$2,024.5 million for the year ended October 27, 2019). An amount of \$5.4 million was recognized as inventory obsolescence expense for the year ended October 25, 2020 (\$8.3 million for the year ended October 27, 2019).

6 RESTRUCTURING AND OTHER COSTS (GAINS)

Restructuring and other costs (gains) by major headings are as follows for the years ended:

	October 25, 2020	October 27, 2019
Workforce reductions ⁽¹⁾	\$ 21.1	\$ 21.4
(Gains) losses related to the sale and acquisition of certain activities ⁽²⁾	8.9	(0.5)
Other elements ⁽³⁾	7.5	(7.7)
Net gains on sale of buildings	—	(43.8)
Onerous contracts	0.5	1.3
Business acquisition and integration costs ⁽⁴⁾	3.4	4.8
	\$ 41.4	\$ (24.5)

⁽¹⁾ For the year ended October 25, 2020, amounts presented under this caption include termination payments to employees as part of plant closures or workforce reorganizations, mainly in the Printing Sector.

⁽²⁾ For the year ended October 25, 2020, amounts presented under this caption mainly include the following items:

- A \$1.3 million gain from a bargain purchase resulting from the final accounting of the acquisition of Trilex (Note 4);
- A \$4.7 million loss on the disposal of the paper and woven polypropylene packaging operations (Note 4); and
- A \$3.8 million expense for receivables related to previous transactions.

⁽³⁾ For the year ended October 25, 2020, amounts presented under this caption mainly include the following items:

- A \$7.4 million gain related to the remeasurement to fair value of a contingent consideration payable in connection with a past business combination (Note 30);
- A \$4.6 million gain related to insurance proceeds receivable for the replacement of equipment destroyed by fire, net of the loss on the derecognition of such asset;
- A \$5.2 million and \$1.2 million expense, respectively, for costs incurred in connection with plant closures and pension plans curtailments as part of such closures (Note 28); et
- A \$7.0 million expense for atypical additional costs incurred in relation with the COVID-19 pandemic.

⁽⁴⁾ 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7 IMPAIRMENT OF ASSETS

Property, plant, equipment and intangible assets

During the year ended October 27, 2019, the Corporation recognized an impairment charge of \$0.4 million in respect of property, plant and equipment in connection with plant closures in the Printing Sector.

Goodwill and intangible assets with indefinite useful life

During the year ended October 25, 2020, the Corporation assessed whether there was any indication of impairment, in particular due to the onset of the COVID-19 pandemic and its economic impact on the Corporation's activities. This assessment led to the identification of indications of impairment for the groups of CGUs of the Printing Sector as at April 26, 2020, mainly as a result of a reduction in 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. As indications of impairment were identified, the Corporation performed an impairment test on the groups of CGUs of the Printing Sector, and this test did not lead to the recognition of an impairment charge. No indication of impairment had been identified in the groups of CGUs of the Packaging Section and Media Sector.

As at October 25, 2020, the Corporation performed its annual impairment test on goodwill for all its CGUs and groups of CGUs (hereinafter referred to as "groups of CGUs") and intangible assets with an indefinite useful life, which consist of trade names acquired in business combinations for book publishing activities. To determine whether goodwill and intangible assets with an indefinite useful life may be impaired, the carrying amount of groups of CGUs, including goodwill and intangible assets with an indefinite useful life, was compared to their recoverable amount. The Corporation concluded that the recoverable amount of groups of CGUs tested for impairment exceeded their carrying amount. As a result, no impairment charges were recognized for the year ended October 25, 2020 and the same conclusion had been reached for the impairment test performed during the year ended October 27, 2019.

The recoverable amount of groups of CGUs, established for the annual impairment test of goodwill, has been determined based on the greater of the fair value less costs of disposal and the value in use.

The fair value less costs of disposal was determined using capitalization multiples applied to the budgeted fiscal 2021 EBITDA for the group of CGUs concerned. The main assumptions used in this model include expected sales volumes, sales prices and estimated operating expenses ("cash flows") needed to establish EBITDA as well as capitalization multiples, which are derived from comparable companies whose activities are similar to the group of CGUs concerned.

The value in use was determined by discounting future cash flows expected under various scenarios established by the Corporation that were probability-weighted. Cash flows under each of these scenarios cover a five-year period and are based on past experience, but also on the business strategy and economic and specific trends of the industry and market. Specific considerations regarding the impact of the severity of the COVID-19 pandemic on the activities of the group of CGUs concerned, in particular its estimated duration and the expected recovery curve, were also taken into account to establish cash flows. Beyond the five-year period, cash flows were extrapolated using estimated perpetual growth or decline rates, which were not greater than those forecasted for specific markets in which the group of CGUs operate. The assumptions used by the Corporation in the expected future 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 to calculate value in use represents the weighted average cost of capital ("WACC") of comparable companies with similar operations to those of the group of CGUs. 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.

The following table presents the main groups of CGUs subject to a goodwill impairment test, the basis used for the recoverable amount and key assumptions used as at the date of the impairment test :

	Carrying amount of goodwill	Basis used for the recoverable amount	Capitalization multiple	Perpetual growth (decline) rate	Pre-tax discount rate
Packaging Sector					
Americas Group	\$ 703.8	Fair value	9.5 x	N/A	N/A
Coatings Group	73.4	Value in use	N/A	2.0 %	9.4 %
Printing Sector					
Retail, Newspaper and Premedia Group ⁽¹⁾	224.0	Fair value	4.0 x	N/A	N/A
Magazine, Book and Catalog Group	65.4	Value in use	N/A	-2.5 %	11,8 %
Marketing Product Group ⁽²⁾	5.7	Fair value	4.5 x	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7 IMPAIRMENT OF ASSETS

⁽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 Retail, Newspaper and Premedia Group. With the development of the Printing Sector, the Corporation offers to retailers services that are more integrated and, as a result, there is currently significant interaction between various services, including premedia, printing and distribution services, particularly given that major clients conclude contracts that generally include all these services.

⁽²⁾ The Marketing Product Group is a new group of CGUs subject to the annual impairment test of goodwill for the year ended October 25, 2020. It was set up as a result of the Corporation's recent acquisitions in the in-store marketing product printing segment (Note 4).

The Corporation performed a sensitivity analysis on the most significant assumptions used to determine the recoverable amount for groups of CGUs subject to the impairment test.

For groups of CGUs whose recoverable amount was determined on the basis of the fair value less costs of disposal, the sensitivity analysis shows that a decrease in capitalization multiples of 0.5x and 1.0x for the groups of CGUs in the Printing Sector and the Packaging Sector, respectively, or a decrease in EBITDA of 5% would not change the conclusions of the impairment test.

For groups of CGUs whose recoverable amount was determined on the basis of the value-in-use model, the sensitivity analysis shows that, for the Coatings Group, an increase in the pre-tax discount rate of 1% or a decrease in the perpetual growth rate of 1% would not change the conclusions of the impairment test, when these changes are taken individually. For the Magazine, Book and Catalog Group, an increase in the pre-tax discount rate of 0.9% or an increase in the perpetual decline rate of 1% would make, taken individually, the group's recoverable amount equal to the carrying amount.

The Book Publishing Group and Business Solutions Group CGUs were validated as part of the impairment test as at October 25, 2020. The carrying amount of goodwill related to these CGUs is not significant compared to the total carrying amount of the Corporation's goodwill (Note 16).

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization by major headings is as follows for the years ended:

	October 25, 2020	October 27, 2019
Property, plant and equipment	\$ 119.5	\$ 121.4
Right-of-use assets	20.2	—
Intangible assets	76.9	80.6
	216.6	202.0
Intangible assets and other assets, recognized in revenues and operating expenses	20.9	21.6
	\$ 237.5	\$ 223.6

9 NET FINANCIAL EXPENSES

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

	Note	October 25, 2020	October 27, 2019
Financial expenses on long-term debt		\$ 43.8	\$ 60.7
Interest on lease liabilities		3.3	—
Net interest on defined benefit asset and liability	28	2.5	2.6
Other expenses (revenues)		(0.3)	3.3
Net foreign exchange losses (gains)		(2.9)	0.3
		\$ 46.4	\$ 66.9

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10 INCOME TAXES

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

	October 25, 2020		October 27, 2019
Earnings before income taxes	\$ 195.0	\$	242.6
Canadian statutory tax rate ⁽¹⁾	26.52 %		26.62 %
Income taxes at the statutory tax rate	51.7		64.6
Effect of differences in tax rates and additional income taxes in other jurisdictions	1.9		(11.1)
Income taxes on non-deductible expenses and non-taxable revenues	(1.1)		(2.9)
Income taxes on non-deductible restructuring costs and other costs and non-taxable revenues	11.3		(2.2)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	(0.1)		(0.9)
Impact of the U.S. tax reform ⁽²⁾	—		30.2
Other	(0.5)		(1.2)
Income taxes at effective tax rate	\$ 63.2	\$	76.5
Income taxes before the following items:	\$ 79.3	\$	60.9
Impact of the U.S. tax reform ⁽²⁾	—		30.2
Income taxes on amortization of intangible assets arising from business combinations	(17.1)		(17.9)
Income taxes on accelerated recognition of deferred revenues, net of accelerated depreciation, as part of the agreements with Hearst	—		2.7
Income taxes on restructuring and other costs (gains), excluding the tax impact of the disposal	(10.7)		0.7
Tax impact of the disposal	11.7		—
Income taxes on impairment of assets	—		(0.1)
Income taxes at effective tax rate	\$ 63.2	\$	76.5

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

⁽²⁾ On December 22, 2017, the U.S. Tax Cuts and Jobs Act ("TCJA") was enacted. The TCJA reduced the U.S. federal corporate income tax rate from a progressive tax rate of up to 35% to a fixed rate of 21%, effective January 1, 2018. The Corporation's U.S. income tax provision for the year ended October 27, 2019 and the resulting income tax assets and liabilities have been determined based on the Internal Revenue Code and the related regulations currently enacted. During the year ended October 27, 2019, a new directive was adopted and its retroactive application reduced the Corporation's previously recognized deferred tax assets by \$30.2 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10 INCOME TAXES (CONTINUED)

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

	October 25, 2020	October 27, 2019
Current taxes		
Current year	\$ 53.2	\$ 56.8
Adjustment for previous years' balances	(9.6)	(3.3)
	43.6	53.5
Deferred taxes		
Adjustment for previous years' balances	9.1	2.0
Origination and reversal of temporary differences	10.0	20.9
Change in deferred tax assets on tax losses or temporary differences not previously recognized	(0.1)	(0.9)
Impact of tax rate changes	0.6	1.0
	19.6	23.0
Income taxes	\$ 63.2	\$ 76.5

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

	As at October 25, 2020		As at October 27, 2019	
	Asset	Liability	Asset	Liability
Property, plant and equipment	\$ —	\$ 91.6	\$ —	\$ 85.5
Right-of-use assets, net of lease liabilities	6.8	—	—	—
Intangible assets and goodwill	—	134.6	—	159.4
Provisions	15.8	—	18.7	—
Deferred revenues	1.5	—	3.5	—
Long-term debt	7.1	—	1.5	—
Defined benefit plans	15.9	—	19.4	—
Issuance of shares	1.3	—	2.5	—
Loss carryforwards	44.1	—	82.7	—
Interest expense	22.0	—	15.1	—
Other	2.0	—	8.5	—
	116.5	226.2	151.9	244.9
Offsetting of assets and liabilities	(92.3)	(92.3)	(124.7)	(124.7)
	\$ 24.2	\$ 133.9	\$ 27.2	\$ 120.2

Loss carryforwards included in deferred tax assets expire between 2021 and 2040.

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10 INCOME TAXES (CONTINUED)

Changes in deferred tax assets and liabilities for the year ended October 25, 2020 are as follows:

	Balance as at October 27, 2019	Recognized in net earnings	Exchange rate change	Recognized in other comprehensive income (loss)	Impact of the transition to IFRS 16	Issuance of shares	Business combinations	Balance as at October 25, 2020
Property, plant and equipment	\$ (85.5)	\$ (5.1)	\$ (0.2)	\$ —	\$ —	\$ —	\$ (0.8)	\$ (91.6)
Right-of-use assets, net of lease liabilities	—	0.7	—	—	5.3	—	0.8	6.8
Intangible assets and goodwill	(159.4)	27.0	(1.4)	—	—	—	(0.8)	(134.6)
Provisions	18.7	(2.2)	0.2	—	(1.0)	—	0.1	15.8
Deferred revenues	3.5	(2.1)	0.1	—	—	—	—	1.5
Long-term debt	1.5	2.9	0.3	2.4	—	—	—	7.1
Defined benefit plans	19.4	(0.1)	—	(3.4)	—	—	—	15.9
Issuance of shares	2.5	(1.2)	—	—	—	—	—	1.3
Loss carryforwards	82.7	(39.8)	1.2	—	—	—	—	44.1
Interest expense	15.1	7.1	(0.2)	—	—	—	—	22.0
Other	8.5	(6.8)	0.2	—	—	—	0.1	2.0
	\$ (93.0)	\$ (19.6)	\$ 0.2	\$ (1.0)	\$ 4.3	\$ —	\$ (0.6)	\$ (109.7)

Changes in deferred tax assets and liabilities for the year ended October 27, 2019 are as follows:

	Balance as at October 28, 2018	Recognized in net earnings	Exchange rate change	Recognized in other comprehensive income (loss)	Impact of the transition to IFRS 16	Issuance of shares	Business combinations	Balance as at October 27, 2019
Property, plant and equipment	\$ (80.6)	\$ (4.9)	\$ 0.4	\$ —	\$ —	\$ —	\$ (0.4)	\$ (85.5)
Right-of-use assets, net of lease liabilities	—	—	—	—	—	—	—	—
Intangible assets and goodwill	(173.5)	12.8	(0.3)	—	—	—	1.6	(159.4)
Provisions	17.4	1.1	—	—	—	—	0.2	18.7
Deferred revenues	7.3	(5.0)	—	—	—	—	1.2	3.5
Long-term debt	(1.2)	1.2	—	4.3	—	—	(2.8)	1.5
Defined benefit plans	14.9	(0.2)	—	4.7	—	—	—	19.4
Issuance of shares	3.0	—	—	—	—	(0.5)	—	2.5
Loss carryforwards	101.1	(18.2)	0.2	—	—	—	(0.4)	82.7
Interest expense	26.4	(11.5)	0.2	—	—	—	—	15.1
Other	5.2	1.7	—	0.2	—	—	1.4	8.5
	\$ (80.0)	\$ (23.0)	\$ 0.5	\$ 9.2	\$ —	\$ (0.5)	\$ 0.8	\$ (93.0)

As at October 25, 2020, the Corporation had \$1.6 million in capital losses that can be carried forward indefinitely and for which the potential benefits have not been recognized. In addition to losses for which the tax impact was recorded, the Corporation has deductible temporary differences as well as loss carryforwards in various jurisdictions for which, considering that it is unlikely that a sufficient future taxable income will be available to use a portion of those items, the Corporation has not recognized a deferred tax asset totaling \$32.1 million. Loss carryforwards related to this unrecognized asset expire for the most part between 2021 and 2040.

As at October 25, 2020, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Corporation controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

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11 ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows:

	As at October 25, 2020	As at October 27, 2019
Trade receivables	\$ 403.7	\$ 477.8
Allowance account for credit losses	(7.4)	(5.2)
Other receivables	64.9	48.1
	\$ 461.2	\$ 520.7

12 INVENTORIES

The components of inventories are as follows:

	As at October 25, 2020	As at October 27, 2019
Raw materials	\$ 149.8	\$ 155.3
Work in progress and finished goods	153.1	162.5
Provision for obsolescence	(14.1)	(13.6)
	\$ 288.8	\$ 304.2

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13 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

October 25, 2020	Land	Buildings	Leasehold improvements	Machinery and equipment	Machinery and equipment under finance leases	Other equipment	Assets under construction and deposits on equipment	Total
Cost								
Balance, beginning of year	\$ 40.7	\$ 280.7	\$ 49.0	\$ 1,446.7	\$ 12.9	\$ 81.1	\$ 43.8	\$ 1,954.9
Acquisitions	0.1	3.0	0.9	25.2	—	2.2	50.3	81.7
Made available for use	—	2.8	2.2	42.1	—	3.2	(50.3)	—
Business combinations (Note 4)	2.6	—	—	3.4	—	0.2	—	6.2
Business disposals (Note 4)	(2.7)	(16.5)	—	(73.4)	—	(0.8)	—	(93.4)
Disposals and retirement	—	(3.0)	(0.1)	(122.2)	(5.0)	(3.3)	—	(133.6)
Exchange rate change and other	—	2.5	2.8	(1.8)	(0.1)	0.7	(2.4)	1.7
Balance as at October 25, 2020	\$ 40.7	\$ 269.5	\$ 54.8	\$ 1,320.0	\$ 7.8	\$ 83.3	\$ 41.4	\$ 1,817.5
Accumulated depreciation and impairment losses								
Balance, beginning of year	\$ —	\$ (122.6)	\$ (28.2)	\$ (904.1)	\$ (12.9)	\$ (67.0)	\$ —	\$ (1,134.8)
Depreciation	—	(12.7)	(5.2)	(95.8)	—	(5.8)	—	(119.5)
Business disposals (Note 4)	—	1.2	—	17.9	—	0.2	—	19.3
Disposals and retirement	—	2.5	—	118.7	5.0	3.3	—	129.5
Exchange rate change and other	—	0.6	(0.1)	0.1	0.1	(0.3)	—	0.4
Balance as at October 25, 2020	\$ —	\$ (131.0)	\$ (33.5)	\$ (863.2)	\$ (7.8)	\$ (69.6)	\$ —	\$ (1,105.1)
Net carrying amount	\$ 40.7	\$ 138.5	\$ 21.3	\$ 456.8	\$ —	\$ 13.7	\$ 41.4	\$ 712.4

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13 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (CONTINUED)

October 27, 2019	Land	Buildings	Investment properties	Leasehold improvements	Machinery and equipment	Machinery and equipment under finance leases	Other equipment	Assets under construction and deposits on equipment	Total
Cost									
Balance, beginning of year	\$ 36.5	\$ 258.4	\$ 74.0	\$ 46.7	\$ 1,391.5	\$ 12.9	\$ 81.0	\$ 41.8	\$ 1,942.8
Acquisitions	2.9	11.6	0.2	0.7	17.6	—	2.4	69.0	104.4
Made available for use	—	10.9	0.1	3.0	46.2	—	6.4	(66.6)	—
Business combinations (Note 4)	1.4	1.2	—	—	5.3	—	0.3	0.1	8.3
Business disposals (Note 4)	—	—	—	(0.6)	—	—	(0.7)	—	(1.3)
Disposals and retirement	—	(0.6)	(75.4)	(0.7)	(12.0)	—	(8.3)	(0.4)	(97.4)
Exchange rate change and other	(0.1)	(0.8)	1.1	(0.1)	(1.9)	—	—	(0.1)	(1.9)
Balance as at October 27, 2019	\$ 40.7	\$ 280.7	\$ —	\$ 49.0	\$ 1,446.7	\$ 12.9	\$ 81.1	\$ 43.8	\$ 1,954.9
Accumulated depreciation and impairment losses									
Balance, beginning of year	\$ —	\$ (111.2)	\$ (18.2)	\$ (24.7)	\$ (816.7)	\$ (12.9)	\$ (70.5)	\$ —	\$ (1,054.2)
Depreciation	—	(11.6)	(1.3)	(4.5)	(98.3)	—	(5.7)	—	(121.4)
Business disposals (Note 4)	—	—	—	0.4	—	—	0.7	—	1.1
Disposals and retirement	—	0.1	19.8	0.6	10.2	—	8.3	—	39.0
Impairment losses	—	—	—	—	(0.4)	—	—	—	(0.4)
Exchange rate change and other	—	0.1	(0.3)	—	1.1	—	0.2	—	1.1
Balance as at October 27, 2019	\$ —	\$ (122.6)	\$ —	\$ (28.2)	\$ (904.1)	\$ (12.9)	\$ (67.0)	\$ —	\$ (1,134.8)
Net carrying amount	\$ 40.7	\$ 158.1	\$ —	\$ 20.8	\$ 542.6	\$ —	\$ 14.1	\$ 43.8	\$ 820.1

Borrowing costs capitalized to property, plant and equipment

For the years ended October 25, 2020 and October 27, 2019, negligible amounts were capitalized to property, plant and equipment as borrowing costs.

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14 LEASES

The Corporation leases real estate properties (office or warehousing spaces and buildings for plants) and other assets (production equipment, office equipment and other). Leases for real estate properties usually have a fixed term of 1 to 10 years, while other types of leases usually have a fixed term of 1 to 5 years. Leases may include extension and/or termination options that are taken into account when it is reasonably certain that the option will be exercised. Lease provisions are negotiated on an individual basis and contain a wide variety of terms and conditions.

A number of leases entered into throughout the Corporation include extension and termination options. These options are intended to provide as much flexibility as possible in managing leases. Most extension and termination options may only be exercised by the Corporation and not by the lessor.

The Consolidated Statement of Financial Position presents the following amounts related to leases:

	As at October 25, 2020	As at October 27, 2019 ⁽¹⁾
Right-of-use assets		
Real estate properties	\$ 129.9	\$ 111.1
Other	4.7	2.7
	\$ 134.6	\$ 113.8
Lease liabilities		
Current portion of lease liabilities	22.8	19.8
Non-current portion of lease liabilities	132.0	115.4
	\$ 154.8	\$ 135.2

⁽¹⁾ Date of adoption of IFRS 16 (Note 2).

In prior years, the Corporation only recognized assets leased under finance leases and lease liabilities in accordance with the requirements of IAS 17. Assets were presented in "Property, plant and equipment" and lease liabilities were presented in "Long-term debt". The table summarizing the impact of the transition to IFRS 16 on the Consolidated Statement of Financial position as at October 28, 2019 is presented in Note 2.

For the year ended October 25, 2020, additions to right-to-use assets totaled \$39.7 million.

The depreciation of right-of-use assets by class of underlying assets is detailed as follows for the year ended:

	October 25, 2020
Real estate properties	\$ 18.4
Other	1.8
	\$ 20.2

For the year ended October 25, 2020, the expense relating to short-term leases, leases of low-value assets and variable lease payments not included in lease liabilities was \$8.8 million. Operating leases recognized during the year ended October 27, 2019 represented \$31.2 million.

The Corporation entered into subleasing transactions for some of its spaces under leases. For the year ended October 25, 2020, subleasing revenues totaled \$3.6 million.

To determine the lease term and the applicable incremental borrowing rate, the Corporation makes critical estimates and assumptions considering all facts and circumstances. For more details, see Note 2w). As at October 25, 2020, the average remaining term of leases was 9.1 years (7.2 years as at October 28, 2019) and the weighted average rate applied to lease liabilities was 2.28% (2.89% as at October 28, 2019).

Cash outflows for leases for the year ended October 25, 2020, totaled \$25.0 million. Future lease payments are presented in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

15 INTANGIBLE ASSETS

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

	Finite useful life						Indefinite useful life		Total
	Customer relationships	Book prepublication costs	Educational book titles	Non-compete agreements	Technology project costs	Development costs	Acquired printing contracts and other	Trade names	
October 25, 2020									
Cost									
Balance, beginning of year	\$ 807.0	\$ 164.9	\$ 12.6	\$ 7.6	\$ 46.7	\$ 1.6	\$ 3.4	\$ 8.4	\$ 1,052.2
Additions (internally generated)	—	10.9	—	—	6.3	1.1	—	—	18.3
Business combinations (Note 4)	3.1	—	—	—	—	—	—	—	3.1
Business disposals (Note 4)	(66.1)	—	—	—	—	—	—	—	(66.1)
Retirement	—	(15.1)	—	—	(0.3)	—	(3.1)	—	(18.5)
Exchange rate change and other	3.3	—	—	—	1.6	(0.5)	—	0.1	4.5
Balance as at October 25, 2020	\$ 747.3	\$ 160.7	\$ 12.6	\$ 7.6	\$ 54.3	\$ 2.2	\$ 0.3	\$ 8.5	\$ 993.5
Accumulated amortization and impairment losses									
Balance, beginning of year	\$ (177.1)	\$ (138.9)	\$ (12.0)	\$ (6.9)	\$ (27.9)	\$ —	\$ (3.3)	\$ 0.1	\$ (366.0)
Amortization	(69.8)	(9.8)	(0.3)	(0.3)	(6.3)	(0.1)	(0.1)	—	(86.7)
Business disposals (Note 4)	9.4	—	—	—	—	—	—	—	9.4
Retirement	—	15.1	—	—	0.3	—	3.1	—	18.5
Exchange rate change and other	1.0	—	—	—	(1.0)	(0.1)	—	(0.1)	(0.2)
Balance as at October 25, 2020	\$ (236.5)	\$ (133.6)	\$ (12.3)	\$ (7.2)	\$ (34.9)	\$ (0.2)	\$ (0.3)	\$ —	\$ (425.0)
Net carrying amount	\$ 510.8	\$ 27.1	\$ 0.3	\$ 0.4	\$ 19.4	\$ 2.0	\$ —	\$ 8.5	\$ 568.5

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

15 INTANGIBLE ASSETS (CONTINUED)

October 27, 2019	Finite useful life						Indefinite useful life		Total
	Customer relationships	Book prepublication costs	Educational book titles	Non-compete agreements	Technology project costs	Development costs	Acquired printing contracts and other	Trade names	
Cost									
Balance, beginning of year	\$ 799.7	\$ 154.0	\$ 12.6	\$ 7.6	\$ 47.6	\$ —	\$ 3.3	\$ 10.0	\$ 1,034.8
Additions (internally generated)	—	10.9	—	—	8.9	1.6	0.1	—	21.5
Business combinations (Note 4)	10.4	—	—	—	—	—	—	—	10.4
Business disposals (Note 4)	(2.1)	—	—	—	(5.1)	—	—	(1.6)	(8.8)
Retirement	—	—	—	—	(5.2)	—	—	—	(5.2)
Exchange rate change and other	(1.0)	—	—	—	0.5	—	—	—	(0.5)
Balance as at									
October 27, 2019	\$ 807.0	\$ 164.9	\$ 12.6	\$ 7.6	\$ 46.7	\$ 1.6	\$ 3.4	\$ 8.4	\$ 1,052.2
Accumulated amortization and impairment losses									
Balance, beginning of year	\$ (105.4)	\$ (129.1)	\$ (11.5)	\$ (6.7)	\$ (31.4)	\$ —	\$ (3.3)	\$ (0.3)	\$ (287.7)
Amortization	(73.7)	(9.8)	(0.5)	(0.2)	(6.0)	—	—	(0.2)	(90.4)
Business disposals (Note 4)	0.7	—	—	—	4.4	—	—	0.6	5.7
Retirement	—	—	—	—	5.2	—	—	—	5.2
Impairment losses	—	—	—	—	(0.1)	—	—	—	(0.1)
Exchange rate change and other	1.3	—	—	—	—	—	—	—	1.3
Balance as at									
October 27, 2019	\$ (177.1)	\$ (138.9)	\$ (12.0)	\$ (6.9)	\$ (27.9)	\$ —	\$ (3.3)	\$ 0.1	\$ (366.0)
Net carrying amount	\$ 629.9	\$ 26.0	\$ 0.6	\$ 0.7	\$ 18.8	\$ 1.6	\$ 0.1	\$ 8.5	\$ 686.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

16 GOODWILL

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

	Notes	October 25, 2020	October 27, 2019
Balance, beginning of year		\$ 1,145.3	\$ 1,150.0
Business combinations	4	2.3	4.1
Impact of finalizing purchase price allocation calculations	4	(0.7)	0.8
Business disposals	4	(54.8)	(8.5)
Exchange rate change		6.7	(1.1)
Balance, end of year		\$ 1,098.8	\$ 1,145.3

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

	As at October 25, 2020	As at October 27, 2019 ⁽¹⁾
Operating segments		
Packaging Sector		
Americas Group	\$ 703.8	\$ 755.3
Coatings Group	73.4	70.0
	777.2	825.3
Printing Sector		
Retail, Newspaper and Premedia Group	224.0	224.0
Magazine, Book and Catalog Group	65.4	65.4
Marketing Product Group	5.7	4.1
	295.1	293.5
Other		
Book Publishing Group	20.8	20.8
Business Solutions Group	5.7	5.7
	26.5	26.5
	\$ 1,098.8	\$ 1,145.3

⁽¹⁾ Certain comparative figures have been reclassified to conform to the presentation adopted in the current year (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

17 OTHER ASSETS

The components of other assets are as follows:

	Note	As at October 25, 2020	As at October 27, 2019
Contract acquisition costs		\$ 12.1	\$ 16.0
Defined benefit asset	28	13.5	6.1
Other		9.6	12.1
		\$ 35.2	\$ 34.2

18 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities are as follows:

	Notes	As at October 25, 2020	As at October 27, 2019 ⁽¹⁾
Accounts payable and other accruals		\$ 224.5	\$ 257.9
Salaries and other benefits payable		110.8	100.5
Stock-based compensation	24	8.0	8.7
Derivative financial instruments	30	0.8	0.4
Financial expenses payable		2.8	4.9
Other		52.8	47.6
		\$ 399.7	\$ 420.0

⁽¹⁾ For the year ended October 27, 2019, the Corporation reclassified an amount of \$14.7 million from "Accounts payable and accrued liabilities" into "Other liabilities" (Note 21) to reclassify certain financial instruments based on their contractual maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

19 LONG-TERM DEBT

Long-term debt is as follows:

	Effective interest rate as at October 25, 2020	Maturity	As at October 25, 2020	As at October 27, 2019
U.S. dollar term loans	1.78 %	2021-2023	\$ 918.8	\$ 979.6
Canadian dollar term loans	—	—	—	300.0
Unified Debenture	4.84	2028	100.0	100.0
Other loans	—	2026-2029	3.9	4.5
Finance leases ⁽¹⁾	—	—	0.6	4.8
			1,023.3	1,388.9
Issuance costs on long-term debt at amortized cost			3.2	5.8
Total long-term debt			1,020.1	1,383.1
Current portion of long-term debt			229.7	1.2
			\$ 790.4	\$ 1,381.9

⁽¹⁾ Upon the adoption of IFRS 16 as at October 28, 2019, this amount was reclassified into lease liabilities (Note 2).

As at October 25, 2020, an amount of \$229.7 million was presented in Current liabilities, consisting of tranche A of \$82.0 million (US\$62.5 million) and tranche B of \$147.7 million (US\$112.5 million) of term loans, maturing on November 1, 2020 and May 1, 2021, respectively.

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 facility extension and new credit facility

The Corporation has a credit facility amounting to \$400.0 million or the U.S. dollar equivalent, which was maturing in February 2024, and for which maturity was extended on January 17, 2020 to February 2025 on the same terms. The applicable interest rate on the credit facility is based on the credit rating assigned to the Corporation. According to the current credit rating, the rate is either the banker's acceptance rate or LIBOR, plus 1.675%, or the Canadian prime rate or U.S. base rate, plus 0.675%.

The Corporation has a credit facility with a maximum amount of US\$25.0 million (\$32.8 million), bearing interest at LIBOR plus 1.10%, which was expiring in March 2020 and for which maturity was extended in March 2020 for an additional year on the same terms.

As at October 25, 2020, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was \$432.8 million.

The Corporation had two revolving and uncommitted letters of credit facilities, for an aggregate amount of \$40.0 million. The fees applicable to the issued portion of these letters of credit facilities are 0.80% annually. As at October 25, 2020, letters of credit amounting to \$34.3 million (\$31.5 million as at October 27, 2019) were issued on these facilities, mainly to secure unpaid contributions with respect to the solvency deficiency of the Corporation's defined benefit plans (Note 28).

Hedging instruments

As at October 25, 2020, an amount of US\$649.6 million (\$852.7 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 year ended October 25, 2020, foreign exchange losses of \$0.2 million were reclassified to other comprehensive income.

During the year ended October 25, 2020, 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 year ended October 25, 2020, the change in fair value of these hedging instruments, amounting to \$18.5 million, was recognized in other comprehensive income.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the year ended October 25, 2020, the Corporation has not been in default under any covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19 LONG-TERM DEBT (CONTINUED)

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

	Principal payments
2021	\$ 230.3
2022	393.9
2023	295.4
2024	0.1
2025	0.1
After	103.5
	<u>\$ 1,023.3</u>

20 PROVISIONS

The following table presents changes in provisions for the year ended October 25, 2020:

	Restructuring costs	Onerous contracts	Other	Total
Balance, beginning of year	\$ 12.8	\$ 2.8	\$ 0.4	\$ 16.0
Provisions recorded	23.0	—	—	23.0
Amounts used	(26.3)	(1.0)	—	(27.3)
Provisions reversed	(1.9)	(1.8)	—	(3.7)
Business combinations	—	—	0.2	0.2
Balance as at October 25, 2020	<u>\$ 7.6</u>	<u>\$ —</u>	<u>\$ 0.6</u>	<u>\$ 8.2</u>
Current portion	\$ 7.6	\$ —	\$ 0.3	\$ 7.9
Non-current portion	—	—	0.3	0.3
	<u>\$ 7.6</u>	<u>\$ —</u>	<u>\$ 0.6</u>	<u>\$ 8.2</u>

Restructuring costs

The Corporation is implementing rationalization measures, including plant closures, in the Printing Sector to consolidate its printing platform.

Onerous contracts

Upon the adoption of IFRS 16 as at October 28, 2019, provisions for onerous contracts were reversed and considered in the initial measurement of right-of-use assets for an amount of \$1.8 million (Note 2). The residual balance of provisions for onerous contracts was entirely used during the year ended October 25, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21 OTHER LIABILITIES

The components of other liabilities are as follows:

	Notes	As at October 25, 2020	As at October 27, 2019 ⁽¹⁾
Deferred revenues		\$ 2.1	\$ 4.6
Accrued liabilities and other liabilities		7.5	18.6
Stock-based compensation	24	14.8	9.4
Defined benefit liability	28	76.0	81.7
Derivative financial instruments	30	25.3	14.9
		\$ 125.7	\$ 129.2

⁽¹⁾ For the year ended October 27, 2019, the Corporation reclassified an amount of \$14.7 million from "Accounts payable and accrued liabilities" into "Other liabilities" (Note 18) to reclassify certain financial instruments based on their contractual maturities.

22 SHARE CAPITAL

Class A Subordinate Voting Shares: subordinate participating voting shares carrying one vote per share, authorized in unlimited number, no par value.

Class B Shares: participating voting shares carrying 20 votes per share, convertible into Class A Subordinate Voting Shares, authorized in unlimited number, no par value.

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

	October 25, 2020		October 27, 2019	
	Number of shares	Amount	Number of shares	Amount
Class A Subordinate Voting Shares				
Balance, beginning of year	73,360,754	\$ 622.9	73,359,454	\$ 623.4
Conversion of Class B Shares into Class A Subordinate Voting Shares	3,800	—	1,300	—
Income taxes on share issuance costs	—	—	—	(0.5)
Shares redeemed and cancelled	(450,450)	(3.8)	—	—
Exercise of stock options	135,240	1.9	—	—
Balance, end of year	73,049,344	621.0	73,360,754	622.9
Class B Shares				
Balance, beginning of year	13,979,626	19.0	13,980,926	19.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	(3,800)	—	(1,300)	—
Balance, end of year	13,975,826	19.0	13,979,626	19.0
	87,025,170	\$ 640.0	87,340,380	\$ 641.9

Share redemptions

On September 18, 2020, 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, 2020 and September 30, 2021, 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 191,320 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, 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 were 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22 SHARE CAPITAL (CONTINUED)

During the year ended October 25, 2020, the Corporation repurchased 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 October 25, 2020.

During the year ended October 27, 2019, the Corporation did not repurchase any of its Class A Subordinate Voting Shares, and was under no obligation to repurchase its Class A Subordinate voting Shares and Class B Shares

Dividends

Dividends of \$0.895 and 0,870 per share were declared and paid to the holders of shares for the years ended October 25, 2020 and October 27, 2019, respectively.

23 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 for the years ended:

	October 25, 2020	October 27, 2019
Numerator		
Net earnings	\$ 131.8	\$ 166.1
Denominator (in millions)		
Weighted average number of shares outstanding - basic	87.1	87.3
Dilutive effect of stock options	—	0.1
Weighted average number of shares - diluted	87.1	87.4

As at October 25, 2020, there were no longer any dilutive instruments. As at October 27, 2019, all stock options were included in the calculation of diluted net earnings due to their potential dilutive effect.

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24 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 ("DSUs") and restricted share units ("RSUs") are granted. Vested DSUs and RSUs will be paid, at the Corporation's discretion, in cash or with Class A Subordinate Voting Shares of the Corporation purchased on the open market.

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

Number of units	October 25,	October 27,	October 25,	October 27,
	2020	2019	2020	2019
	DSUs		RSUs	
Balance, beginning of year	435,890	308,035	868,893	894,900
Units granted	113,764	123,008	474,190	396,732
Units cancelled	(12,128)	(1,605)	(61,457)	(112,515)
Units paid	(27,939)	(14,780)	(247,564)	(354,835)
Units converted	6,805	—	—	—
Dividends paid in units	31,253	21,232	59,471	44,611
Balance, end of year	547,645	435,890	1,093,533	868,893

During the year ended October 25, 2020, the Corporation gave a one-off and irreversible choice to the participants in the share unit plan for certain officers and senior executives to extend the vesting period of the plan programs for a maximum of 12 months compared to the original vesting period. Changes in the vesting period resulted in a reversal of the liability of \$1.0 million and the recording of a corresponding expense.

As at October 25, 2020, the liability related to the share unit plan for certain officers and senior executives was \$16.5 million, of which \$14.8 million is presented under "Other liabilities" (\$13.4 million as at October 27, 2019, of which \$9.4 million is presented under "Other liabilities"). The expenses recorded in the Consolidated Statements of Earnings for the years ended October 25, 2020 and October 27, 2019 were \$6.9 million and \$2.9 million, respectively. Amounts totaling \$3.8 million and \$7.6 million were paid under this plan for the years ended October 25, 2020 and October 27, 2019, respectively.

Share unit plan for directors

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

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

Number of units	October 25,	October 27,
	2020	2019
Balance, beginning of year	291,271	249,268
Directors' compensation	52,416	49,384
Units paid	—	(20,903)
Dividends paid in units	19,579	13,522
Balance, end of year	363,266	291,271

As at October 25, 2020, the liability related to the share unit plan for directors was \$6.3 million (\$4.7 million as at October 27, 2019). The expenses (gains) recorded in the Consolidated Statements of Earnings for the years ended October 25, 2020 and October 27, 2019 were \$1.6 million and \$(0.3) million, respectively. Amounts totaling nil and \$0.4 million were paid under this plan for the years ended October 25, 2020 and October 27, 2019, respectively.

Total return swap

As at October 25, 2020, the Corporation held a total return swap that became effective February 24, 2020 on 950,000 units purchased at a weighted-average price of \$16.37 to hedge a portion of the stock-based compensation expenses (gains) that vary based on the price of the Corporation's shares. The total return swap has a term of 12 months and can be renewed annually. The gain recognized in the Consolidated Statement of Earnings under "Operating expenses" for the year ended October 25, 2020, corresponding to the change in the fair value of the total return swap for the units for officers and senior executives and the units for directors, before taking into account of dividends received and interest paid, amounted to \$0.2 million.

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24 STOCK-BASED COMPENSATION (CONTINUED)

Stock option plan

The Corporation has a stock option plan for certain officers and senior executives. The number of Class A Subordinate Voting Shares authorized for issuance under the plan was 6,078,562 and the balance of shares that are issuable as at October 25, 2020 was 3,583,635. Under the plan, each stock option entitles its holder to receive upon exercise one Class A Subordinate Voting Share. The exercise price of each option is determined using the weighted average price of all trades for the five days immediately preceding the grant of the stock option. The Corporation has ceased granting stock options during the year ended October 31, 2014.

For the years ended October 25, 2020 and October 27, 2019, no stock-based compensation expense was charged to the Consolidated Statements of Earnings.

The following table presents the changes in the plan's status for the years ended October 25, 2020 and October 27, 2019 :

	Number of options	Weighted average exercise price
Options outstanding at beginning of year	135,240	\$ 11.33
Exercised	(135,240)	\$ 11.33
Options exercisable at the end of year	—	\$ —

As at October 25, 2020, the balance of stock options available for future grants under the plan was 3,583,635.

25 ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive 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	(6.6)	0.6	7.6	9.5	11.1
Balance as at October 25, 2020	\$ (16.4)	\$ (8.5)	\$ 38.7	\$ (28.6)	\$ (14.8)
Balance as at October 28, 2018	\$ 0.2	\$ (3.8)	\$ 39.3	\$ (24.9)	\$ 10.8
Net change in losses, net of income taxes	(10.0)	(5.3)	(8.2)	(13.2)	(36.7)
Balance as at October 27, 2019	\$ (9.8)	\$ (9.1)	\$ 31.1	\$ (38.1)	\$ (25.9)

As at October 25, 2020, the amounts expected to be reclassified to net earnings in future years are as follows:

	2021	2022	2023	2024	2025	Total
Net change in the fair value of derivatives designated as cash flow hedges	0.7	0.8	(9.1)	(14.7)	—	(22.3)
Income taxes	0.2	0.2	(2.4)	(3.9)	—	(5.9)
	0.5	0.6	(6.7)	(10.8)	—	(16.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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26 SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	October 25, 2020	October 27, 2019
Accounts receivable	\$ 39.8	\$ 47.0
Inventories	(16.1)	6.5
Prepaid expenses and other current assets	0.9	3.5
Accounts payable and accrued liabilities	(19.6)	(24.5)
Provisions	(6.9)	8.0
Deferred revenues and deposits	(3.0)	(18.8)
Defined benefit plans	0.1	(1.2)
	\$ (4.8)	\$ 20.5

The following table presents changes in financial liabilities for the year ended October 25, 2020 :

	Opening balance ⁽¹⁾	Cash flows related to financing activities	Non-cash changes					Accrued interest	Closing balance
			Business acquisitions and disposals	Fair value adjustments additions ⁽²⁾	Foreign exchange rate effect	Amortization of deferred financing fees			
Credit facility in U.S. dollars	—	4.6	—	—	(4.6)	—	—	—	
Term loans - US\$750 million	979.6	(66.4)	—	—	5.6	—	1.3	920.1	
Term loans - \$300 million	300.0	(300.0)	—	—	—	—	—	—	
Unified Debenture	100.0	—	—	—	—	—	0.8	100.8	
Other external debts	4.5	(0.1)	—	(0.5)	—	—	—	3.9	
Issuance costs on long-term debt at amortized cost	(5.8)	(0.2)	—	—	—	2.8	—	(3.2)	
Lease liabilities	135.2	(25.0)	5.2	35.5	0.6	—	3.3	154.8	
Contingent considerations	10.6	—	—	(7.4)	0.3	—	—	3.5	
	\$ 1,524.1	\$ (387.1)	\$ 5.2	\$ 27.6	\$ 1.9	\$ 2.8	\$ 5.4	\$ 1,179.9	

⁽¹⁾ The lease liabilities opening balance includes an amount of \$130.4 million reflecting the impact of the adoption of IFRS 16 as at October 28, 2019 (Note 2).

⁽²⁾ Additions to lease liabilities include additions resulting from signing new contracts and modifying existing contracts, less early terminations amounting to \$4.2 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly, including any director (whether executive or otherwise) of the Corporation.

The following table presents key management personnel compensation for the years ended:

	October 25, 2020	October 27, 2019
Salaries and other short-term benefits	\$ 9.6	\$ 11.3
Post-employment benefits	0.7	0.7
Stock-based compensation	6.6	1.8
	\$ 16.9	\$ 13.8

28 EMPLOYEE BENEFITS

The Corporation offers its employees various contributory and non-contributory defined benefit pension plans and other post-employment defined benefit plans, defined contribution pension plans, group registered savings plans and multi-employer pension plans. Since June 1, 2010, most of the employees participate only in the defined contribution pension plans. For the defined benefit plans, the amount of benefits is generally calculated based on the employees' years of service and salaries. Plan funding is calculated based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels up to the time of retirement and the anticipated long-term rate of return on pension plan assets. For defined contribution pension plans, multi-employer pension plans and group registered savings plans, the sole obligation of the Corporation is to make the monthly employer's contribution. Certain obligations of the Corporation under the defined benefit plans are secured by letters of credit, drawn on the Corporation's credit facilities, which are pledged as collateral for unpaid contributions with respect to the solvency deficiency of the plans. The contributions paid by the Corporation to defined contribution pension plans are expensed in the period in which they are earned by employees. The assets of the Corporation's defined benefit pension plans are held in a trust. The Corporation recognizes the annual amounts related to its defined benefit pension plans using calculations based on various actuarial assumptions, in particular regarding discount rates, mortality rates and annual rates of return on plan assets. These estimates may vary significantly from period to period based on the return on plan assets, actuarial valuations and market conditions. The Corporation reviews its actuarial assumptions each year and revises them based on prevailing rates and current trends. The Corporation believes that the assumptions used to account for its accrued benefit obligation are reasonable based on its experience, market conditions and data provided by its external actuary and investment advisor.

In the United States, the defined benefit pension plans in which the Corporation's employees participated were closed to new participants before January 1, 2014. Consequently, the calculation of final benefits under the U.S. plans represented the benefits earned under the U.S. plans as of the date these plans stopped accepting new participants. Since then, new employees of the Corporation join 401(k)-type defined contribution pension plans. The obligations of the Corporation for this type of plan are limited to making the monthly employer's contribution.

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

The Corporation's funding policy is to make contributions to its pension plans based on various actuarial valuation methods, as permitted by regulatory bodies for pension plans. The Corporation's contributions to its pension plans reflect the most recent actuarial valuations for investment returns, salary projections and benefits related to future services. The funding of pension plans is based on funding measurement bases that are different from the accounting basis and for which the methods and assumptions may differ from those used for accounting purposes.

Defined benefit pension plans and other post-employment plans expose the Corporation to certain risks, including investment returns, changes in the discount rate used to measure the obligation, the mortality rate for plan participants, inflation and health care costs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28 EMPLOYEE BENEFITS (CONTINUED)

The most recent actuarial valuations of the Corporation's pension plans for funding purposes were done as at December 31, 2018 for plans registered in Quebec, as at December 31, 2019 for plans registered in Ontario and as at December 1, 2019 for plans registered in the United States.

The defined benefit obligation and the fair value of the plan assets are measured on the date of the annual consolidated financial statements. The following table presents the changes in the defined benefit obligation and in the fair value of plan assets for the years ended:

	Pension benefits		Other defined benefit plans		Total	
	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019
Defined benefit obligation						
Balance, beginning of year	\$ 826.2	\$ 761.8	\$ 14.6	\$ 14.3	\$ 840.8	\$ 776.1
Current service cost ⁽¹⁾	—	—	0.5	0.2	0.5	0.2
Past service cost	0.2	(0.2)	—	—	0.2	(0.2)
Business combinations	—	1.0	—	—	—	1.0
Interest cost on the defined benefit obligation	24.9	29.2	0.4	0.5	25.3	29.7
Actuarial gains or losses from:						
Plan experience	1.9	13.0	(0.2)	0.5	1.7	13.5
Changes in demographic assumptions	(2.7)	2.1	—	—	(2.7)	2.1
Changes in financial assumptions	25.5	78.1	(2.1)	1.2	23.4	79.3
Defined benefit obligation extinguished on settlement	(9.2)	(3.0)	—	—	(9.2)	(3.0)
Purchase of annuities (buy-out)	—	(1.7)	—	—	—	(1.7)
Benefits paid	(62.0)	(53.8)	(1.2)	(1.2)	(63.2)	(55.0)
Gain on plan curtailments	—	—	—	(0.9)	—	(0.9)
Exchange rate change and other	1.6	(0.3)	—	—	1.6	(0.3)
Balance, end of year	\$ 806.4	\$ 826.2	\$ 12.0	\$ 14.6	\$ 818.4	\$ 840.8
Fair value of plan assets						
Balance, beginning of year	\$ 766.6	\$ 721.2	\$ —	\$ —	\$ 766.6	\$ 721.2
Interest income on plan assets	22.8	27.4	—	—	22.8	27.4
Business combinations	—	—	—	—	—	—
Actuarial gains on plan assets	35.3	75.1	—	—	35.3	75.1
Administrative costs (other than asset management costs)	(1.9)	(1.6)	—	—	(1.9)	(1.6)
Benefits paid	(62.0)	(53.8)	(1.2)	(1.2)	(63.2)	(55.0)
Employer contributions	6.6	2.3	1.2	1.2	7.8	3.5
Asset distributed on settlement	(10.2)	(3.1)	—	—	(10.2)	(3.1)
Purchase of annuities (buy-out)	—	(0.7)	—	—	—	(0.7)
Exchange rate change and other	0.9	(0.2)	—	—	0.9	(0.2)
Balance, end of year	\$ 758.1	\$ 766.6	\$ —	\$ —	\$ 758.1	\$ 766.6
Plan deficit	\$ (48.3)	\$ (59.6)	\$ (12.0)	\$ (14.6)	\$ (60.3)	\$ (74.2)
Effect of the asset ceiling	(2.2)	(1.4)	—	—	(2.2)	(1.4)
Defined benefit liability	\$ (50.5)	\$ (61.0)	\$ (12.0)	\$ (14.6)	\$ (62.5)	\$ (75.6)

⁽¹⁾ The current service cost for the other defined benefit plans includes the net change in the long-term disability plan, consisting of current service cost and actuarial gains or losses. The past service cost for this plan is presented on a separate line.

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28 EMPLOYEE BENEFITS (CONTINUED)

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

	Notes	As at October 25, 2020	As at October 27, 2019
Other assets	17	\$ 13.5	\$ 6.1
Other liabilities	21	(76.0)	(81.7)
		\$ (62.5)	\$ (75.6)

The following table presents the composition of the fair value of the pension plan assets:

	As at October 25, 2020	As at October 27, 2019
Quoted in an active market		
Equity securities		
Canadian and foreign equities and investment funds	\$ 122.5	\$ 122.0
Debt securities		
Government and corporate bonds and investment funds	426.5	422.4
Cash and cash equivalents and investment funds	1.6	5.4
	550.6	549.8
Not quoted in an active market		
Real estate	1.3	3.4
Insured annuities	206.1	213.4
	\$ 758.0	\$ 766.6

For the years ended October 25, 2020 and October 27, 2019, the plan assets did not include any shares of the Corporation.

The matching strategy for the Corporation's assets and liabilities consists in minimizing risk through the purchase of insured annuities and debt securities. For the years ended October 25, 2020 and October 27, 2019, the plans invested in buy-in insured annuities. Their fair value is considered equal to the defined benefit obligation for participants targeted by the annuities purchases, calculated using assumptions applicable at the reporting date.

The following table presents the funded status of defined benefit plans:

	Pension benefits		Other defined benefit plans		Total	
	As at October 25, 2020	As at October 27, 2019	As at October 25, 2020	As at October 27, 2019	As at October 25, 2020	As at October 27, 2019
Fair value of plan assets for funded or partially funded plans	\$ 758.1	\$ 766.6	\$ —	\$ —	\$ 758.1	\$ 766.6
Defined benefit obligation of funded or partially funded plans	776.3	797.3	—	—	776.3	797.3
Effect of the asset ceiling	(2.2)	(1.4)	—	—	(2.2)	(1.4)
Funded status of funded or partially funded plans - deficit	\$ (20.4)	\$ (32.1)	\$ —	\$ —	\$ (20.4)	\$ (32.1)
Defined benefit obligation of unfunded plans	(30.1)	(28.9)	(12.0)	(14.6)	(42.1)	(43.5)
Total funded status - deficit	\$ (50.5)	\$ (61.0)	\$ (12.0)	\$ (14.6)	\$ (62.5)	\$ (75.6)

The Corporation expects to contribute \$3.1 million to its defined benefit plans during the year ending October 31, 2021, considering that it plans to use letters of credit from its credit facilities to secure unpaid contributions for the solvency deficiency of the defined benefit plans. The actual amount paid may differ from the estimate based on the results of the actuarial valuations, investment returns, volatility in discount rates, regulatory requirements and other factors.

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28 EMPLOYEE BENEFITS (CONTINUED)

The following table presents the significant assumptions used to calculate the Corporation's defined benefit obligation:

	As at October 25, 2020	As at October 27, 2019
Discount rate, end of year		
Canada	2.89 %	3.10 %
United States	2.70	3.30
Weighted average rate of compensation increase		
Canada	2.36	2.51

As at October 25, 2020, in Canada, the growth rate of health care costs for other post-employment defined benefit plans was estimated at 6.5%, gradually decreasing over 15 years to reach 4.5% and remain at this level afterwards .

The following table presents the impact of changes in the significant assumptions on the defined benefit obligation for the year ended October 25, 2020 and has some limitations. The sensitivities of each significant assumption have been calculated without taking into account any changes in the other assumptions. Actual results could therefore lead to changes in other assumptions simultaneously. Any change in one factor may result in changes in another factor, which could amplify or reduce the impact of changes in significant assumptions.

Increase (decrease)	Defined benefit obligation
Impact of 10 bps increase in discount rate	\$ (10.0)
Impact of 10 bps decrease in discount rate	10.3
Impact of 100 bps increase in growth rate of health care costs	0.7
Impact of 100 bps decrease in growth rate of health care costs	(0.7)

The following table presents the composition of the defined benefit plan cost for the years ended:

	Pension benefits		Other defined benefit plans		Total	
	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019	October 25, 2020	October 27, 2019
Current service cost	\$ —	\$ —	\$ 0.5	\$ 0.2	\$ 0.5	\$ 0.2
Past service cost	0.2	(0.2)	—	—	0.2	(0.2)
Administrative costs	1.9	1.6	—	—	1.9	1.6
Loss (gain) on settlement	1.0	0.3	—	(0.9)	1.0	(0.6)
Plans cost recognized in net earnings	3.1	1.7	0.5	(0.7)	3.6	1.0
Interest cost on the defined benefit obligation	24.9	29.2	0.4	0.5	25.3	29.7
Interest income on plan assets	(22.8)	(27.4)	—	—	(22.8)	(27.4)
Interest on ceiling effect	—	0.1	—	—	—	0.1
Net interest on the defined benefit liability	2.1	1.9	0.4	0.5	2.5	2.4
Actuarial gains	—	—	0.2	—	0.2	—
Remeasurement of the net defined benefit liability (asset)	—	—	0.2	—	0.2	—
Defined benefit plan cost	\$ 5.2	\$ 3.6	\$ 1.1	\$ (0.2)	\$ 6.3	\$ 3.4

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28 EMPLOYEE BENEFITS (CONTINUED)

The following table presents the defined benefit plan costs recognized in the Consolidated Statements of Earnings for the years ended:

	October 25, 2020	October 27, 2019
Costs recognized under "Operating expenses"	\$ 2.4	\$ 1.8
Net costs (gains) recognized under "Restructuring and other costs (gains)"	1.2	(0.8)
	\$ 3.6	\$ 1.0

The following table presents the costs recognized under "Operating expenses" in the Consolidated Statement of Earnings for defined contribution pension plans and state plans for the years ended:

	October 25, 2020	October 27, 2019
Defined contribution pension plans	\$ 14.1	\$ 15.9
State plans	13.6	14.2
	\$ 27.7	\$ 30.1

29 COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Commitments

The Corporation leases real estate properties (office or warehousing spaces and buildings for plants) and other assets (production equipment, office equipment and other). As a result of the adoption of IFRS 16, minimum payments related to most of the Corporation's lease commitments have been recognized as lease liabilities in the Statement of Financial Position. For more details, see Note 14.

Guarantees

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

a) Indemnification of third parties

Under the terms of debt agreements, the Corporation has agreed to indemnify the holders of such debt instruments against any increase in costs incurred or reduction in the amounts otherwise payable to them resulting from changes in laws and regulations. These indemnification commitments are in effect for the term of the agreements and have no limitations. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to third parties. Historically, the Corporation has not made any indemnification payments and, as at October 25, 2020, the Corporation had not recorded a liability associated with these indemnification agreements.

b) Business disposals

In connection with the disposal of operations or assets, the Corporation agreed to indemnify against any claims that may result from its previous activities or arise under in-force agreements at the transaction date. Given the nature of these indemnification agreements, the Corporation is unable to estimate its maximum potential liability to guaranteed parties. Historically, the Corporation has not made any significant indemnification payments and, as at October 25, 2020, the Corporation had not recorded any liability associated with these indemnification agreements.

Contingent liabilities

In the normal course of operations, the Corporation is involved in various claims and legal proceedings. Although the outcome of these pending cases as at October 25, 2020, cannot be determined with certainty, the Corporation considers that their outcome is unlikely to have a material adverse effect on its financial position and operating results, given the provisions or insurance coverage with regards to some of these claims and legal proceedings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk that the Corporation will incur losses arising from the failure of third parties to meet their contractual obligations. The Corporation is exposed to credit risk with regard to its accounts receivable and loans receivable, as well as through its normal activities involving cash. The Corporation's maximum exposure to credit risk for these elements is represented by their carrying amount in the Consolidated Statements of Financial Position. The Corporation is also exposed to credit risk with regard to its derivative financial instrument assets. However, the Corporation estimates this risk as low because it deals only with recognized financial institutions with investment-grade credit ratings. As at October 25, 2020 and October 27, 2019, the Corporation's maximum exposure to credit risk related to derivative financial instrument assets was low.

The Corporation 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 customers that are significant or considered at risk. As well, the Corporation believes that it is protected against any concentration of risk through its products, customer base and geographic diversity. The Corporation also has a credit insurance policy covering certain customers for a maximum amount of \$15.0 million of 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.

As at October 25, 2020, no single customer represented 10.0% or more of the revenues of the Corporation, or 10.0% or more of the related accounts receivable.

The Corporation determines whether receivables are past due according to the types of customers, their payment history and the industry in which they conduct business. An allowance account for credit losses is set up based on factors such as the credit risk of specific customers, historical trends and other data. The allowance account for credit losses is reviewed at each reporting date by management. Loss allowances for credit losses are set up, if needed, to reflect credit losses risks.

The past due receivables are as follows:

	As at October 25, 2020	As at October 27, 2019
Trade receivables		
1 - 30 days past due	\$ 48.4	\$ 73.0
31 - 60 days past due	11.1	15.9
More than 60 days past due	19.7	19.0
	79.2	107.9
Allowance account for credit losses	(7.4)	(5.2)
	\$ 71.8	\$ 102.7

The change in the allowance account for credit losses is as follows for the years ended:

	Note	October 25, 2020	October 27, 2019
Balance, beginning of year		\$ 5.2	\$ 4.4
Business combinations	4	0.1	0.2
Loss allowance for credit losses		3.9	2.1
Receivables recovered or written off		(1.8)	(1.5)
Balance, end of year		\$ 7.4	\$ 5.2

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

Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the contractual maturities of financial liabilities as at October 25, 2020 :

	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	Over 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	\$ 398.8	\$ 398.8	\$ 398.8	\$ —	\$ —	\$ —
Long-term debt	1,020.1	1,080.3	248.3	707.8	9.9	114.3
Lease liabilities	154.8	171.6	25.7	40.7	32.3	72.9
Other monetary liabilities, excluding contingent considerations	15.2	15.2	0.2	15.0	—	—
Contingent considerations	3.5	3.5	3.5	—	—	—
	1,592.4	1,669.4	676.5	763.5	42.2	187.2
Derivative financial instruments						
Interest rate swaps in liabilities	25.3	25.3	0.2	25.1	—	—
Foreign exchange forward contracts in liabilities	0.8	0.8	0.6	0.2	—	—
	\$ 1,618.5	\$ 1,695.5	\$ 677.3	\$ 788.8	\$ 42.2	\$ 187.2

The following table presents the contractual maturities of financial liabilities as at October 27, 2019:

	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	Over 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	\$ 419.3	\$ 419.3	\$ 419.3	\$ —	\$ —	\$ —
Long-term debt	1,383.1	1,537.2	55.6	1,054.8	307.5	119.3
Other monetary liabilities, excluding contingent considerations	11.3	11.3	1.7	9.6	—	—
Contingent considerations	10.6	10.6	0.2	10.4	—	—
	1,824.3	1,978.4	476.8	1,074.8	307.5	119.3
Derivative financial instruments						
Interest rate swaps in liabilities	14.8	14.8	14.8	—	—	—
Foreign exchange forward contracts in liabilities	0.5	0.5	0.3	0.2	—	—
	\$ 1,839.6	\$ 1,993.7	\$ 491.9	\$ 1,075.0	\$ 307.5	\$ 119.3

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

Market risk

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

a) Interest rate risk

The Corporation is exposed to market risk related to interest rate fluctuations because a portion of its long-term debt bears interest at floating rates. The Corporation manages this risk by maintaining a mix of fixed and floating rate borrowings in accordance with the Corporation's policies.

To manage interest rate risk, the Corporation entered into interest rate swaps on a portion of its floating-rate indebtedness. During the year ended October 25, 2020, the Corporation had entered into interest rate swaps for an amount of US\$450.0 million as a hedge against risks related to future fluctuations of interest rates of certain of its terms loans until their respective maturities. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the year ended October 25, 2020, the change in fair value of these hedging instruments, amounting to \$18.5 million, was recognized in other comprehensive income.

For the year ended October 25, 2020, all other things being equal, if interest rates had increased or decreased by 50 basis points, the Corporation's net earnings would have decreased or increased by \$2.3 million.

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30 FINANCIAL INSTRUMENTS (CONTINUED)

b) Foreign currency risk

The Corporation operates in and exports goods to the United States and several other countries, and purchases production equipment denominated in U.S. dollars. In addition, a portion of the Corporation's long-term debt is denominated in U.S. dollars. Consequently, it is exposed to risks arising from foreign currency rate fluctuations.

To manage foreign currency risk related to exports to the United States, the Corporation enters into foreign exchange forward contracts. As at October 25, 2020, the Corporation held foreign exchange forward contracts to sell US\$95.5 million (US\$110.5 million as at October 27, 2019), of which US\$48.5 million, US\$36.0 million and US\$11.0 million will be sold during fiscal 2021, 2022 and 2023, respectively. The maturities of foreign exchange forward contracts range from 1 to 28 months and their rates range from 1.2784 to 1.4464. Foreign exchange forward contracts are designated as cash flow and net investment hedging instruments as at October 25, 2020 and hedging relationships were effective and in accordance with the risk management objective and strategy throughout the year. No ineffectiveness expense was recorded in the Consolidated Statements of Earnings during the years ended October 25, 2020 and October 27, 2019.

As indicated in Note 19, the Corporation designated a portion of its term loans and credit facilities denominated in U.S. dollars as hedging instruments for its net investment in foreign operations to mitigate its foreign currency risk. The designated amount varied between nil and US\$705.7 million during the year ended October 25, 2020. The effective portion of unrealized exchange losses on the translation of the U.S. dollar denominated debt designated as a hedging item was \$0.2 million for the year ended October 25, 2020 and was recorded in other comprehensive income.

For the years ended October 25, 2020 and October 27, 2019, all other things being equal, a hypothetical 10.0% appreciation of the U.S. dollar against the Canadian dollar would have the following impact on net earnings and other comprehensive income:

	October 25, 2020		October 27, 2019 ⁽¹⁾	
	Other comprehensive income		Other comprehensive income	
	Net earnings	Net earnings	Net earnings	Net earnings
Exposure to U.S dollars	\$ 0.7	\$ (11.7)	\$ 5.0	\$ (11.5)

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

A hypothetical 10.0% depreciation of the U.S. dollar against the Canadian dollar would have the opposite effect on net earnings and other comprehensive income.

Fair value

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

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

The fair value of long-term debt is determined using the discounted future cash flows 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 swaps and 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

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30 FINANCIAL INSTRUMENTS (CONTINUED)

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

	As at October 25, 2020		As at October 27, 2019	
	Fair value	Carrying amount	Fair value	Carrying amount
Foreign exchange forward contracts in assets	\$ 2.7	\$ 2.7	\$ 1.8	\$ 1.8
Total return swaps in assets	0.3	0.3	—	—
Contingent considerations	(3.5)	(3.5)	(10.6)	(10.6)
Long-term debt	(1,038.3)	(1,020.1)	(1,419.4)	(1,383.1)
Interest rate swaps in liabilities	(25.3)	(25.3)	(14.8)	(14.8)
Foreign exchange forward contracts in liabilities	(0.8)	(0.8)	(0.5)	(0.5)

These financial instruments are classified in Level 2 of the fair value hierarchy, except for the contingent considerations payable related to business combinations, which are classified in Level 3. For the years ended October 25, 2020 and October 27, 2019, no financial instruments were transferred between Levels 1, 2 and 3.

Sensitivity analysis of Level 3 financial instruments

As at October 25, 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 \$6.6 million. A 10% decrease in expected financial performance thresholds would have resulted in an increase in net earnings of \$3.3 million.

The changes in Level 3 financial instruments are as follows for the years ended:

	October 25, 2020	October 27, 2019
Balance, beginning of year	\$ 10.6	\$ (15.6)
Change included in net earnings ⁽¹⁾	(7.4)	5.1
Exchange rate change	0.3	(0.1)
Balance, end of year	\$ 3.5	\$ (10.6)

⁽¹⁾ Includes a revaluation gain of \$7.4 million for the year ended October 25, 2020 recorded under "Restructuring and other costs (gains)" (Note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

31 CAPITAL MANAGEMENT

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

- Optimize the financial structure by targeting a ratio of net debt to operating earnings before depreciation and amortization excluding the accelerated recognition of deferred revenues, restructuring and other costs (gains) and impairment of assets ("adjusted operating earnings before depreciation and amortization") in order to maintain a high credit rating;
- Preserve its financial flexibility in order to seize strategic investment opportunities.

The Corporation relies on the ratio of net indebtedness to adjusted operating earnings before depreciation and amortization as the main indicator of financial leverage. The net indebtedness ratio is as follows for the years ended:

	October 25, 2020	October 27, 2019
Long-term debt	\$ 790.4	\$ 1,381.9
Lease liabilities	132.0	—
Current portion of long-term debt	229.7	1.2
Current portion of lease liabilities	22.8	—
Cash	(241.0)	(213.7)
Net indebtedness	\$ 933.9	\$ 1,169.4
Adjusted operating earnings before depreciation and amortization	\$ 499.4	\$ 475.8
Net indebtedness ratio	1.9 x	2.5 x

As at October 28, 2019, the Corporation adopted IFRS 16 using the modified retrospective transition method. For comparative purposes, normalizing for the effect of IFRS 16, the net indebtedness ratio as at October 25, 2020 was 1.6x.

32 AGREEMENT WITH HEARST

During the year ended October 27, 2019, the Corporation sold its Fremont, California building to The Hearst Corporation ("Hearst") for a consideration of \$99.6 million, net of selling costs.

During the year ended October 28, 2018, Hearst had terminated its printing services agreement under which the Corporation printed the San Francisco Chronicle in its Fremont, California facility, and a new agreement was signed under which the parties acknowledged the following:

- the Corporation would continue to offer its printing services until April 1, 2018,
- the Corporation would sell to Hearst certain of its equipment used to print the San Francisco Chronicle,
- the Corporation would lease to Hearst its Fremont facility until 2025, with an option for a three-year renewal period,
- the Corporation would offer transition services to allow Hearst to acquire the necessary skills to operate the Fremont facility until October 31, 2018.

The portion of existing deferred revenues relating to the printing services agreement and allocated to rental income on the Fremont building, initially amounting to \$16.5 million, had been recognized as revenues over the lease term during the year ended October 27, 2019. Upon the sale of the building, the Corporation recognized on an accelerated basis as revenues the remaining balance of deferred revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 25, 2020 and October 27, 2019

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

32 AGREEMENT WITH HEARST (CONTINUED)

The following table presents the impact of this transaction on the Corporation's operating earnings for the year ended:

	October 27, 2019
Recognition of deferred revenues	
Recognition for the year, lease portion	\$ 2.2
Accelerated recognition	11.7
	\$ 13.9
Other revenues	
Transition services and building lease	3.2
	\$ 3.2
Sale of building	
Selling price	99.6
	\$ 99.6

33 SUBSEQUENT EVENT

Repayment of term loans

On October 30, 2020, the Corporation repaid the balance of \$82.3 million (US\$62.5 million) of tranche A of the U.S. dollar term loans.

shareholder information

HISTORICAL FINANCIAL INFORMATION

For the years ended October 25, 2020, October 27, 2019,
October 28, 2018, October 29, 2017, and October 31, 2016

(unaudited)
(in millions of dollars, except ratios)

	2020	2019	2018	2017	2016
profitability					
Revenues	\$2,574.0	\$3,038.8	\$2,623.5	\$2,007.2	\$2,019.5
Adjusted revenues ¹	2,574.0	3,027.1	2,521.4	2,007.2	2,019.5
Operating earnings before depreciation and amortization	458.0	511.5	536.8	405.4	319.5
Adjusted operating earnings before depreciation and amortization ¹	499.4	475.8	459.4	396.7	390.1
Operating earnings	241.4	309.5	367.7	302.0	212.8
Adjusted operating earnings ¹	352.8	348.0	356.9	310.7	301.0
Net earnings attributable to shareholders of the Corporation ¹	131.7	166.1	213.4	211.5	146.3
Adjusted net earnings attributable to shareholders of the Corporation ¹	227.0	220.2	239.4	213.7	208.3
liquidity					
Cash flows from continuing operating activities	427.0	431.6	312.5	324.1	273.3
Acquisitions of property plant and equipment (PP&E) and intangible assets	97.5	125.6	80.0	48.8	76.7
Free cash flow ^{1,2}	329.5	306.0	232.5	275.3	196.6
Dividends on participating shares	77.9	76.0	68.6	60.9	56.2
Participating share redemptions	7.1	n/a	23.6	n/a	21.5
Cash	241.0	213.7	40.5	247.1	16.7
Available liquidities ³	673.8	646.4	309.7	647.1	416.7
financial position					
Total assets	3,598.4	3,781.8	3,782.2	2,136.7	2,062.2
Shareholders' equity	1,738.6	1,691.2	1,634.1	1,218.7	1,068.7
Net indebtedness ¹	933.9	1,169.4	1,420.5	101.2	331.4
Corporate credit rating (DBRS)	BBB (low), negative	BBB (low), stable	BBB (low), stable	BBB (low), stable	BBB (low), stable
Corporate credit rating (Standard & Poor's)	BBB-, negative	BBB-, negative	BBB-, negative	BBB-, stable	BBB-, stable
ratios					
Adjusted operating earnings margin before depreciation and amortization ¹	19.4%	15.7%	18.2%	19.8%	19.3%
Return on average equity ⁴	13.2%	13.2%	16.8%	18.7%	20.0%
Net indebtedness ratio (financial leverage) ^{1,5}	1.9x	2.5x	3.1x	0.3x	0.8x

¹ Non-IFRS financial measures. A complete definition of the non-IFRS financial measures is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures" in the *Management's Discussion and Analysis* section of this annual report on page 6.

² Defined as a cash flow from continuing operating activities less acquisitions of PP&E and intangible assets.

³ Defined as cash plus available amounts under the lines of credit.

⁴ Adjusted net earnings attributable to shareholders of the Corporation¹ divided by average beginning and ending shareholders' equity balance for the fiscal year.

⁵ The ratio as at October 25, 2020 includes the impact of IFRS 16. Excluding the impact of IFRS 16, the ratio is 1.6x.

share information

HISTORICAL FINANCIAL INFORMATION

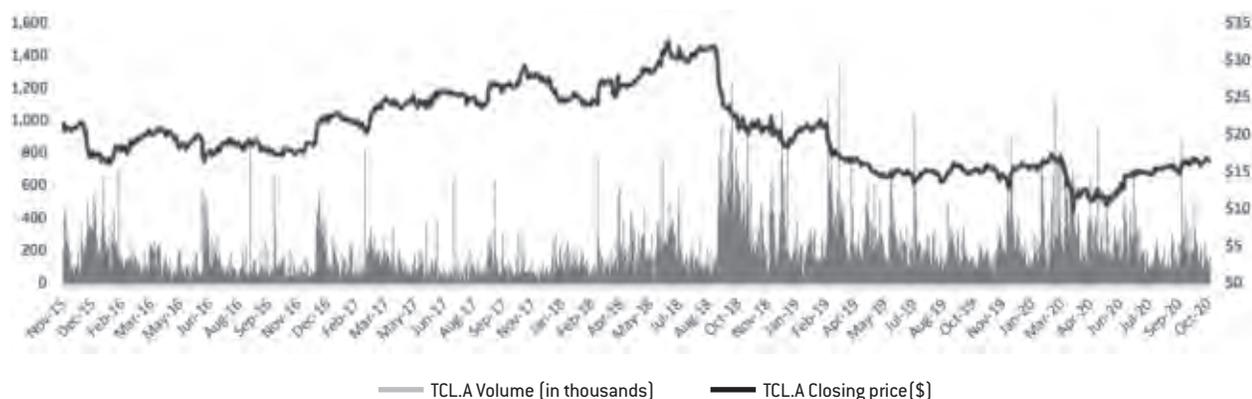
For the years ended October 25, 2020, October 27, 2019, October 28, 2018, October 29, 2017 and October 31, 2016

(unaudited)

	2020	2019	2018	2017	2016
trading of class A subordinate voting shares (TCL.A ON THE TSX)					
Intraday high	\$17.60	\$22.53	\$32.89	\$28.77	\$21.85
Intraday low	\$9.50	\$13.11	\$20.08	\$17.18	\$15.98
Closing	\$16.58	\$15.05	\$20.85	\$28.12	\$17.94
Total volume	67,881,953	71,178,067	59,199,632	34,120,719	42,122,434
Average daily volume	271,528	284,712	236,799	137,031	167,818
trading of class B shares (TCL.B ON THE TSX)					
Intraday high	\$17.71	\$22.50	\$32.79	\$29.06	\$22.57
Intraday low	\$9.49	\$13.91	\$20.36	\$17.37	\$16.30
Closing	\$16.72	\$16.38	\$20.74	\$28.20	\$17.92
Total volume	226,669	281,311	171,144	267,135	261,773
Average daily volume	1,453	1,465	685	1,073	1,370
additional information					
Dividends on participating shares (in millions)	\$77.9	\$76.0	\$68.6	\$60.9	\$56.2
Dividends paid per participating share	\$0.90	\$0.87	\$0.83	\$0.79	\$0.73
Dividend yield on participating shares	5.4%	5.8%	4.0%	2.8%	4.1%
Weighted average number of participating shares outstanding - basic (in millions)	87.1	87.3	82.5	77.3	77.6
Public float (in millions)	74.2	74.6	74.6	65.0	64.4
Book value per participating share	\$19.98	\$19.37	\$19.81	\$15.77	\$13.77
Market capitalization (in millions)	\$1,445	\$1,333	\$1,820	\$2,182	\$1,380
Enterprise value (in millions)	\$2,379	\$2,502	\$3,240	\$2,283	\$1,712

Note: Certain comparative figures have been restated to conform to the presentation adopted in the current year.

Closing share price and volume



corporate information

main addresses

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TC Media

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f. 514-276-0324

other information

Shareholders, Investors and Analysts

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

Media

For general information about the Corporation, please contact the Communications Department at 514-954-4000

Donation

For more information about the Transcontinental Inc. Donation Policy, visit the Corporation’s website at www.tc.tc under the “Social Responsibility” section. To request a donation, please send an email to communications@tc.tc with relevant information regarding your activity, event or campaign.

Duplicate Communications

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

Additional information

This annual report is also available in the “Investors” section of the Corporation’s website. The list of Transcontinental Inc. business units is also available on the Corporation’s website.

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

investor relations

Yan Lapointe

Director, Investor Relations
t. 514-954-3574
e. yan.lapointe@tc.tc

Transfer Agent and Registrar

AST Trust Company (Canada)
2001 Robert-Bourassa Blvd, Suite 1600
Montréal, Québec, Canada H3A 2A6
t. 1-800-387-0825

ANNUAL MEETING OF SHAREHOLDERS

Transcontinental Inc.’s Annual Meeting of Shareholders will take place in virtual mode on February 25, 2021, at 2 p.m. All details are available on our website at www.tc.tc/investors.

production of annual report

Project management: Corporate Communications Department

Graphic design & artistic direction: Transcontinental Premedia

Photography: In-house teams, Transcontinental Premedia

Translation: SRI

Printing: Transcontinental Ross-Ellis



This annual report is printed on Supreme, Euroart and Husky papers that are Forest Stewardship Council® (FSC®) certified.

Note also that the Transcontinental Ross-Ellis printing plant is FSC®-certified.
Printed in Canada

governance

board of directors

Isabelle Marcoux
Chair of the Board,
Transcontinental Inc.

H. Peter Brues^{1,2}
Corporate Director

Jacynthe Côté^{2,4}
Corporate Director

Yves Leduc³
President and Chief Executive
Officer, Velan Inc.

Nathalie Marcoux
Vice President, Finance,
Capinabel Inc.

Pierre Marcoux
President,
Contex Group Inc.

Rémi Marcoux, C.M., O.Q., FCPA, FCA
Founder and Director,
Transcontinental Inc.

Anna Martini, FCPA, FCA^{1,2}
Executive Vice President and
Chief Financial Officer,
Groupe CH

François Olivier
President and Chief Executive
Officer, Transcontinental Inc.

Mario Plourde³
President and Chief Executive
Officer, Cascades Inc.

Jean Raymond²
Vice-Chairman, Managing
Director and Head of CIBC
Capital Markets – Québec,
CIBC World Markets Inc.

François R. Roy¹
Corporate Director

Annie Thabet^{1,3}
Partner,
Celtis Capital Inc.

executive management committee of the Corporation

François Olivier
President and Chief Executive Officer

Magali Depras
Chief Strategy and CSR Officer

Christine Desaulniers
Chief Legal Officer and
Corporate Secretary

Benoit Guilbault
Chief Information Officer

Donald LeCavalier
Chief Financial Officer

Lyne Martel
Chief Human Resources Officer

Thomas Morin
President,
TC Transcontinental Packaging

Eric Morisset
Chief Corporate Development Officer

Brian Reid
President,
TC Transcontinental Printing

François Taschereau
Vice President, Corporate
Communications and
Public Affairs

other officers of the Corporation

Isabelle Côté
Vice President and Corporate Controller

Frédérique Deniger
Vice President, Internal Audit

Mathieu Hébert
Treasurer

As at December 10, 2020

¹ Member of the Audit Committee

² Member of the Human Resources and Compensation Committee

³ Member of the Governance and Social Responsibility Committee

⁴ Lead Director

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 impact of digital product development and adoption on the demand for retailer-related services and other printed products, the Corporation's ability to generate organic growth in highly competitive industries, the Corporation's ability to complete acquisitions in the packaging industry and properly integrate them, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, cybersecurity and data protection, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment and 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, change in consumption habits or loss of a major customer, customer consolidation, the safety and quality of its packaging products used in the food industry, the protection of its intellectual property rights, the exchange rate, availability of capital at a reasonable rate, bad debts from certain customers, import and export controls, raw materials and transportation costs, recruiting and retaining qualified personnel in certain geographic areas and industry sectors, taxation, interest rates and the impact of the COVID-19 pandemic on its operations, facilities and financial results, changes 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 25, 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 December 10, 2020. The forward-looking statements in this annual report are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. The forward-looking statements in this annual report are based on current expectations and information available as at December 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.



During the pandemic,
we acted **responsibly**
towards our...

customers, by managing their
fluctuating demand with agility
in an unprecedented context.

employees, by protecting their
health and financially supporting
those who were temporarily laid off
or on reduced work schedules.

shareholders, by controlling
our costs and maintaining the
company's solid financial position.

communities, by supporting
mutual aid organizations.