

For Immediate Release

Transcontinental Inc. announces its results for the third quarter of fiscal 2019

Highlights

- Revenues of \$728.9 million, down 3.8% compared to the third quarter of 2018.
- Adjusted operating earnings before depreciation and amortization ⁽¹⁾ of \$112.9 million, down 3.0%.
- Operating earnings of \$56.6 million, up 42.9%.
- Adjusted operating earnings ⁽¹⁾ of \$80.9 million, down 4.4%.
- Net earnings of \$3.4 million (\$0.04 per share) compared to \$19.3 million (\$0.22 per share) for the corresponding period in 2018.
- Adjusted net earnings ⁽¹⁾ of \$52.2 million (\$0.60 per share) compared to \$52.1 million (\$0.59 per share) for the corresponding period in 2018.
- Cash flows from operating activities of \$90.2 million, up 17.0%.
- Appointed Thomas Morin as President of the Packaging Sector.
- On September 3, 2019, announced the sale of the Fremont, California building to Hearst for US\$75 million, subject to customary closing conditions.
- On September 3, 2019, announced the acquisition of a 60% participation in Industrial y Commercial Trilex C.A., a plastic packaging supplier located in Guayaquil, Ecuador.

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

Montréal, September 5, 2019 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the third quarter of fiscal 2019, which ended July 28, 2019.

"I am satisfied with the synergies achieved to date from the integration of Coveris Americas and their impact on our profitability in the Packaging Sector, said François Olivier, President and Chief Executive Officer of TC Transcontinental. We are building solid foundations for the future growth of the company, in particular by signing long-term contracts with major customers.

"Our Printing Sector continued to be affected by the same trends observed in recent quarters with respect to our retailer-related service offering. We are however confident that the extent of the decrease in revenues recorded this year will be lower in the coming quarters and that the efficiency measures in place will enable us to optimize our cost structure.

"In summary, we are pursuing our business plan with confidence. The sale of the Fremont building, combined with the significant cash flows we continue to generate, will allow us to accelerate the reduction of our net indebtedness."

Financial Highlights

(in millions of dollars, except per share amounts)	Q3-2019	Q3-2018	Variation in %	NINE MONTHS 2019	NINE MONTHS 2018	Variation in %
Revenues	\$728.9	\$757.9	(3.8) %	\$2,247.9	\$1,794.3	25.3 %
Adjusted revenues ⁽¹⁾	728.9	757.9	(3.8)	2,247.9	1,692.2	32.8
Operating earnings before depreciation and amortization	107.2	89.7	19.5	304.6	383.2	(20.5)
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	112.9	116.4	(3.0)	336.7	297.2	13.3
Operating earnings	56.6	39.6	42.9	153.3	262.2	(41.5)
Adjusted operating earnings ⁽¹⁾	80.9	84.6	(4.4)	241.2	225.3	7.1
Net earnings	3.4	19.3	(82.4)	53.8	146.4	(63.3)
Net earnings per share	0.04	0.22	(81.8)	0.62	1.81	(65.7)
Adjusted net earnings ⁽¹⁾	52.2	52.1	0.2	150.3	152.4	(1.4)
Adjusted net earnings per share ⁽¹⁾	0.60	0.59	1.7	1.72	1.89	(9.0)

(1) Please refer to the section entitled "Reconciliation of Non-IFRS Financial Measures" in this press release for the adjusted data presented above. Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

2019 Third Quarter Results

Revenues decreased by \$29.0 million, or 3.8%, from \$757.9 million in the third quarter of 2018 to \$728.9 million in the corresponding period in 2019. This decrease is essentially related to a decline in Printing Sector revenues, mostly due to a decrease in revenues from our retailer-related service offering, and, to a lesser extent, a decline in Packaging Sector revenues, mostly due to lower volume in one of our segments as well as legislative changes having an unfavourable impact on our agricultural packaging product offering. This decrease was partially offset by the favourable exchange rate effect.

Operating earnings increased by \$17.0 million, or 42.9%, from \$39.6 million in the third quarter of 2018 to \$56.6 million in the third quarter of 2019, mainly as a result of expenses related to the acquisition of Coveris Americas recorded in the third quarter of 2018, namely restructuring and other costs (gains) and the reversal of the fair value adjustment of inventory sold arising from business combinations. Adjusted operating earnings decreased by \$3.7 million, or 4.4%, from \$84.6 million to \$80.9 million, mainly due to the decrease in revenues from our retailer-related service offering in the Printing Sector.

Net earnings decreased by \$15.9 million, or 82.4%, from \$19.3 million in the third quarter of 2018 to \$3.4 million in the third quarter of 2019. This decrease is mainly due to an income tax expense of \$30.2 million resulting from the retroactive application of a new directive as part of the U.S. tax reform, partially offset by the increase in operating earnings. On a per share basis, net earnings went from \$0.22 to \$0.04 due to the above-mentioned items. Adjusted net earnings increased by \$0.1 million, or 0.2%, from \$52.1 million in the third quarter of 2018 to \$52.2 million in the third quarter of 2019, mainly as a result of lower adjusted income taxes, which were partially offset by the decrease in adjusted operating earnings and an increase in financial expenses. On a per share basis, adjusted net earnings went from \$0.59 to \$0.60.

2019 First Nine Months Results

Revenues increased by \$453.6 million, or 25.3%, from \$1,794.3 million in the first nine months of 2018 to \$2,247.9 million in the corresponding period in 2019. This increase is essentially attributable to the acquisition of Coveris Americas, which contributed \$624.3 million to revenues. It was mitigated by the impact of the accelerated recognition of deferred revenues of \$102.1 million recorded in 2018, the effect of the sale of our California newspaper printing operations and the decline in Printing Sector revenues, which is mainly due to a decrease in printed flyer volume largely related to two major customers.

Operating earnings decreased by \$108.9 million, or 41.5%, from \$262.2 million in the first nine months of 2018 to \$153.3 million in the corresponding period in 2019. This decrease is mainly due to the accelerated recognition of deferred revenues, net of accelerated depreciation, of \$80.1 million. To a lesser extent, workforce reduction costs recorded in 2019 also contributed to the decrease in operating earnings. Adjusted operating earnings increased by \$15.9 million, or 7.1%, from \$225.3 million to \$241.2 million. This increase is mostly attributable to the contribution from the acquisition of Coveris Americas, partially offset by the above-mentioned organic decline in the Printing Sector.

Net earnings decreased by \$92.6 million, or 63.3%, from \$146.4 million in the first nine months of 2018 to \$53.8 million in the corresponding period in 2019. This decrease is due to the previously explained decline in operating earnings as well as higher financial expenses in the first nine months of 2019 compared to the corresponding period in 2018, partially mitigated by a decrease in income tax expense. On a per share basis, net earnings went from \$1.81 to \$0.62 due to the above-mentioned items, but also to the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation in May 2018.

Adjusted net earnings decreased by \$2.1 million, or 1.4%, from \$152.4 million in the first nine months of 2018 to \$150.3 million in the corresponding period in 2019, mostly as a result of higher financial expenses, which more than offset the increase in adjusted operating earnings and the decrease in income tax expense. On a per share basis, adjusted net earnings went from \$1.89 to \$1.72, mainly as a result of the issuance of 10.8 million Class A Subordinated Voting Shares of the Corporation in May 2018 and the decrease in adjusted net earnings.

For more detailed financial information, please see the *Management's Discussion and Analysis for the third quarter ended July 28, 2019* as well as the financial statements in the "Investors" section of our website at www.tc.tc

Outlook

In the Packaging Sector, we expect that the decrease in revenues will be more significant in the fourth quarter than in the third quarter, mostly as a result of lower volume within a segment, in addition to the effect of legislative changes in Europe having an impact on our agricultural packaging product offering. We will continue to focus on profit margins and the achievement of synergies, which should help mitigate the impact on operating earnings. To support our customers and strengthen our position in the packaging industry, we will also continue to invest in the research and development of innovative and eco-responsible products. Lastly, by signing long-term contracts with major customers and developing business opportunities, we are building solid foundations for the company's growth.

In the Printing Sector, and more specifically with respect to the retailer-related service offering, we expect a decrease in volume that will be slightly less significant than the trends observed in recent quarters. In addition, our in-store marketing products and book printing offerings should continue to grow. The other printing verticals should be affected by the same trends observed in recent quarters. Our operational efficiency initiatives already under way will have a positive impact in the fourth quarter, which should partially offset the effect of the decrease in volume on operating earnings. We therefore expect that the decrease in our profit margins will be less significant in the fourth quarter of 2019.

We expect that the Media Sector will continue to record a good performance in the fourth quarter, both in terms of revenues and profitability.

To conclude, we expect to continue generating significant cash flows from all our operating activities, which will enable us to reduce our indebtedness in line with our strategy.

Non-IFRS Financial Measures

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

In addition, in this press release, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section entitled "Reconciliation of Non-IFRS Financial Measures" and in Note 3 "Segmented Information" to the unaudited condensed interim consolidated financial statements for the third quarter ended July 28, 2019.

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

(1) Related to the agreement signed with The Hearst Corporation on December 21, 2017. Please refer to the annual consolidated financial statements for the year ended October 28, 2018.

Reconciliation of Non-IFRS Financial Measures

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely the adjusted revenues, the adjusted operating earnings before depreciation and amortization, the adjusted operating earnings, the adjusted net earnings, the adjusted net earnings per share, the 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.

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

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

Reconciliation of revenues - Third quarter and cumulative

(in millions of dollars)	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Revenues	\$728.9	\$757.9	\$2,247.9	\$1,794.3
Accelerated recognition of deferred revenues ⁽¹⁾	—	—	—	(102.1)
Adjusted revenues	\$728.9	\$757.9	\$2,247.9	\$1,692.2

(1) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the annual consolidated financial statements for the year ended October 28, 2018.

Reconciliation of operating earnings - Third quarter and cumulative

(in millions of dollars)	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Operating earnings	\$56.6	\$39.6	\$153.3	\$262.2
Restructuring and other costs (gains)	5.7	14.3	31.6	—
Impairment of assets	—	2.9	0.5	6.6
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	18.3	55.8	27.1
Accelerated recognition of deferred revenues ⁽²⁾	—	—	—	(102.1)
Accelerated depreciation ⁽²⁾	—	—	—	22.0
Reversal of the fair value adjustment of inventory sold arising from business combinations	—	9.5	—	9.5
Adjusted operating earnings	\$80.9	\$84.6	\$241.2	\$225.3
Depreciation and amortization ⁽³⁾	32.0	31.8	95.5	71.9
Adjusted operating earnings before depreciation and amortization	\$112.9	\$116.4	\$336.7	\$297.2

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

(2) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the annual consolidated financial statements for the year ended October 28, 2018.

(3) Depreciation and amortization exclude amortization of intangible assets arising from business combinations and accelerated depreciation presented above.

Reconciliation of net earnings - Third quarter

(in millions of dollars, except per share amounts)	Three months ended			
	July 28, 2019		July 29, 2018	
	Total	Per share	Total	Per share
Net earnings	\$3.4	\$0.04	\$19.3	\$0.22
Restructuring and other costs, net of related income taxes	4.5	0.05	10.0	0.11
Impairment of assets, net of related income taxes	—	—	2.1	0.02
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	14.1	0.16	13.5	0.16
Reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes	—	—	7.2	0.08
Retroactive application of a new directive as part of the U.S. tax reform	30.2	0.35	—	—
Adjusted net earnings	\$52.2	\$0.60	\$52.1	\$0.59

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

Reconciliation of net earnings - Cumulative

(in millions of dollars, except per share amounts)	Nine months ended			
	July 28, 2019		July 29, 2018	
	Total	Per share	Total	Per share
Net earnings	\$53.8	\$0.62	\$146.4	\$1.81
Restructuring and other costs (gains), net of related income taxes	23.8	0.27	(3.6)	(0.04)
Impairment of assets, net of related income taxes	0.4	—	4.9	0.06
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	42.1	0.48	20.0	0.25
Accelerated recognition of deferred revenues, net of related income taxes ⁽²⁾	—	—	(75.4)	(0.93)
Accelerated depreciation, net of related income taxes ⁽²⁾	—	—	16.3	0.20
Impact of the U.S. tax reform on deferred taxes	—	—	36.6	0.45
Reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes	—	—	7.2	0.09
Retroactive application of a new directive as part of the U.S. tax reform	30.2	0.35	—	—
Adjusted net earnings	\$150.3	\$1.72	\$152.4	\$1.89

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

(2) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the annual consolidated financial statements for the year ended October 28, 2018.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at July 28, 2019	As at October 28, 2018
Long-term debt	\$1,392.5	\$1,209.8
Current portion of long-term debt	1.2	251.2
Cash	(41.5)	(40.5)
Net indebtedness	\$1,352.2	\$1,420.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$498.9	\$459.4
Net indebtedness ratio	2.7 x	3.1 x

Dividend

The Corporation's Board of Directors declared a quarterly dividend of \$0.22 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on October 16, 2019 to shareholders of record at the close of business on September 30, 2019.

Conference Call

Upon releasing its 2019 third quarter results, the Corporation will hold a conference call for the financial community today at 4:15 p.m. The dial-in numbers are 1 647 788-4922 or 1 877 223-4471. Media may hear the call in listen-only mode or tune in to the simultaneous audio broadcast on the Corporation's website, which will then be archived for 30 days. For media requests or interviews, please contact Nathalie St-Jean, Senior Advisor, Corporate Communications of TC Transcontinental, at 514 954-3581.

Profile

TC Transcontinental is a leader in flexible packaging in North America, and Canada's largest printer. The Corporation is also a Canadian leader in its specialty media segments. 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 9,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C\$2.6 billion for the fiscal year ended October 28, 2018. For more information, visit TC Transcontinental's website at www.tc.tc.

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital, raw materials costs, competition, the Corporation's capacity to generate organic growth in its Packaging Sector, the Corporation's capacity to engage in strategic transactions and effectively integrate acquisitions into its activities without affecting its growth and its profitability, while achieving the expected synergies, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment, sustainable development and use of certain products, the impact of digital product adoption on the demand for its printed products, change in consumption habits or loss of a major customer, the safety of its packaging products used in the food industry, innovation of its offering, the protection of its intellectual property rights, concentration of its sales in certain segments, cybersecurity and data protection, recruiting and retaining qualified personnel in certain geographic areas and industry sectors, taxation, interest rate and indebtedness level. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis (MD&A) for the year ended October 28, 2018* 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 after the date of September 5, 2019.

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

The forward-looking statements in this release are based on current expectations and information available as at September 5, 2019. 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.

For information:

Media

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the third quarter ended July 28, 2019

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 third quarter ended July 28, 2019. It should be read in conjunction with the information in the unaudited condensed interim consolidated financial statements and the accompanying notes included in this report. Additional information relating to the Corporation, including its Annual Report and Annual Information Form, may also be obtained on SEDAR at www.sedar.com.

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

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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 the Corporation's 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 28, 2018* 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 September 5, 2019.

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 September 5, 2019. 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 a Canadian leader in its specialty media segments. 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.

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Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 9,000 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C\$2.6 billion for the fiscal year ended October 28, 2018. For more information, visit TC Transcontinental's website at www.tc.tc.

HIGHLIGHTS - QUARTER

Table #1:

(in millions of dollars, except per share amounts)	Q3 - 2019	Q3 - 2018	Variation in \$	Variation in %
Revenues	\$728.9	\$757.9	(\$29.0)	(3.8) %
Operating earnings before depreciation and amortization	107.2	89.7	17.5	19.5
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	112.9	116.4	(3.5)	(3.0)
Operating earnings	56.6	39.6	17.0	42.9
Adjusted operating earnings ⁽¹⁾	80.9	84.6	(3.7)	(4.4)
Net earnings	3.4	19.3	(15.9)	(82.4)
Net earnings per share	0.04	0.22	(0.18)	(81.8)
Adjusted net earnings ⁽¹⁾	52.2	52.1	0.1	0.2
Adjusted net earnings per share ⁽¹⁾	0.60	0.59	0.01	1.7

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

- Revenues of \$728.9 million, down 3.8% compared to the third quarter of 2018.
- Adjusted operating earnings before depreciation and amortization of \$112.9 million, down 3.0%.
- Operating earnings of \$56.6 million, up 42.9%.
- Adjusted operating earnings of \$80.9 million, down 4.4%.
- Net earnings of \$3.4 million (\$0.04 per share) compared to \$19.3 million (\$0.22 per share) for the corresponding period in 2018.
- Adjusted net earnings of \$52.2 million (\$0.60 per share) compared to \$52.1 million (\$0.59 per share) for the corresponding period in 2018.
- Cash flows from operating activities of \$90.2 million, up 17.0%.

- Appointed Thomas Morin as President of the Packaging Sector.
- On September 3, 2019, announced the sale of the Fremont, California building to Hearst for US\$75 million, subject to customary closing conditions.
- On September 3, 2019, announced the acquisition of a 60% participation in Industrial y Commercial Trilex C.A., a plastic packaging supplier located in Guayaquil, Ecuador.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely the adjusted revenues, the adjusted operating earnings before depreciation and amortization, the adjusted operating earnings, the adjusted net earnings, the adjusted net earnings per share, the 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.

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

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

Table #2:

Reconciliation of revenues - Quarter and cumulative

(in millions of dollars)	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Revenues	\$728.9	\$757.9	\$2,247.9	\$1,794.3
Accelerated recognition of deferred revenues ⁽¹⁾	—	—	—	(102.1)
Adjusted revenues	\$728.9	\$757.9	\$2,247.9	\$1,692.2

(1) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the annual consolidated financial statements for the year ended October 28, 2018.

Reconciliation of operating earnings - Quarter and cumulative

(in millions of dollars)	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Operating earnings	\$56.6	\$39.6	\$153.3	\$262.2
Restructuring and other costs (gains)	5.7	14.3	31.6	—
Impairment of assets	—	2.9	0.5	6.6
Amortization of intangible assets arising from business combinations ⁽¹⁾	18.6	18.3	55.8	27.1
Accelerated recognition of deferred revenues ⁽²⁾	—	—	—	(102.1)
Accelerated depreciation ⁽²⁾	—	—	—	22.0
Reversal of the fair value adjustment of inventory sold arising from business combinations	—	9.5	—	9.5
Adjusted operating earnings	\$80.9	\$84.6	\$241.2	\$225.3
Depreciation and amortization ⁽³⁾	32.0	31.8	95.5	71.9
Adjusted operating earnings before depreciation and amortization	\$112.9	\$116.4	\$336.7	\$297.2

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

(2) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the annual consolidated financial statements for the year ended October 28, 2018.

(3) Depreciation and amortization exclude amortization of intangible assets arising from business combinations and accelerated depreciation presented above.

Reconciliation of net earnings - Quarter

(in millions of dollars, except per share amounts)	Three months ended			
	July 28, 2019		July 29, 2018	
	Total	Per share	Total	Per share
Net earnings	\$3.4	\$0.04	\$19.3	\$0.22
Restructuring and other costs, net of related income taxes	4.5	0.05	10.0	0.11
Impairment of assets, net of related income taxes	—	—	2.1	0.02
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	14.1	0.16	13.5	0.16
Reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes	—	—	7.2	0.08
Retroactive application of a new directive as part of the U.S. tax reform	30.2	0.35	—	—
Adjusted net earnings	\$52.2	\$0.60	\$52.1	\$0.59

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

Reconciliation of net earnings - Cumulative

(in millions of dollars, except per share amounts)	Nine months ended			
	July 28, 2019		July 29, 2018	
	Total	Per share	Total	Per share
Net earnings	\$53.8	\$0.62	\$146.4	\$1.81
Restructuring and other costs (gains), net of related income taxes	23.8	0.27	(3.6)	(0.04)
Impairment of assets, net of related income taxes	0.4	—	4.9	0.06
Amortization of intangible assets arising from business combinations, net of related income taxes ⁽¹⁾	42.1	0.48	20.0	0.25
Accelerated recognition of deferred revenues, net of related income taxes ⁽²⁾	—	—	(75.4)	(0.93)
Accelerated depreciation, net of related income taxes ⁽²⁾	—	—	16.3	0.20
Impact of the U.S. tax reform on deferred taxes	—	—	36.6	0.45
Reversal of the fair value adjustment of inventory sold arising from business combinations, net of related income taxes	—	—	7.2	0.09
Retroactive application of a new directive as part of the U.S. tax reform	30.2	0.35	—	—
Adjusted net earnings	\$150.3	\$1.72	\$152.4	\$1.89

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

(2) Related to the agreement signed with Hearst on December 21, 2017. Please refer to the annual consolidated financial statements for the year ended October 28, 2018.

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	As at July 28, 2019	As at October 28, 2018
Long-term debt	\$1,392.5	\$1,209.8
Current portion of long-term debt	1.2	251.2
Cash	(41.5)	(40.5)
Net indebtedness	\$1,352.2	\$1,420.5
Adjusted operating earnings before depreciation and amortization (last 12 months)	\$498.9	\$459.4
Net indebtedness ratio	2.7 x	3.1 x

ANALYSIS OF CONSOLIDATED RESULTS - QUARTER

Revenues

Revenues decreased by \$29.0 million, or 3.8%, from \$757.9 million in the third quarter of 2018 to \$728.9 million in the corresponding period of 2019. This decrease is essentially related to a decline in the revenues of the Printing Sector and, to a lesser extent, of the Packaging Sector, which was partially mitigated by the favourable exchange rate effect. A more detailed analysis of revenues is presented in the "Analysis of Sector Results - Quarter" section.

Operating and Other Expenses

Operating expenses decreased by \$35.0 million, or 5.4%, in the third quarter of 2019 compared to the corresponding period in 2018. This decrease results from lower volume in the Printing Sector, combined with the favourable impact of the synergies achieved in the Packaging Sector. In addition, the effect of the reversal of the fair value adjustment of inventory sold arising from business combinations of \$9.5 million in the third quarter of 2018 contributed to the decrease in operating expenses.

Restructuring and other costs (gains) decreased by \$8.6 million, from an expense of \$14.3 million in the third quarter of 2018 to an expense of \$5.7 million in the third quarter of 2019. The favourable impact is mainly attributable to costs incurred as part of the acquisition of Covers Americas in the third quarter of 2018.

The asset impairment charge decreased by \$2.9 million, mainly as a result of a charge, in the third quarter of 2018, related to intangible assets in the local and regional newspaper publishing activities in the Media Sector.

Depreciation and amortization increased by \$0.5 million, from \$50.1 million in the third quarter of 2018 to \$50.6 million in the third quarter of 2019.

Operating Earnings

Operating earnings increased by \$17.0 million, or 42.9%, from \$39.6 million in the third quarter of 2018 to \$56.6 million in the third quarter of 2019, mainly as a result of expenses related to the acquisition of Coveris Americas recorded in the third quarter of 2018, namely restructuring and other costs (gains) and the reversal of the fair value adjustment of inventory sold arising from business combinations. Adjusted operating earnings decreased by \$3.7 million, or 4.4%, from \$84.6 million to \$80.9 million. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Quarter" section.

Net Financial Expenses

Net financial expenses increased by \$1.8 million, from \$14.5 million in the third quarter of 2018 to \$16.3 million in the third quarter of 2019, mainly due to net foreign exchange gains in the third quarter of 2018.

Income Taxes

Income taxes increased by \$31.1 million, from \$5.8 million in the third quarter of 2018 to \$36.9 million in the third quarter of 2019. This increase is mainly due to an income tax expense of \$30.2 million resulting from the retroactive application of a new directive as part of the U.S. tax reform. Adjusted income taxes went from \$18.0 million in the third quarter of 2018, for an effective tax rate of 25.8%, to \$12.4 million in the third quarter of 2019, for an effective tax rate of 19.2%. This decrease in the effective tax rate is mainly attributable to the geographic distribution of earnings before taxes.

Net Earnings

Net earnings decreased by \$15.9 million, or 82.4%, from \$19.3 million in the third quarter of 2018 to \$3.4 million in the third quarter of 2019. This decrease is mainly due to a higher income tax expense, as previously explained, which was partially mitigated by the increase in operating earnings. On a per share basis, net earnings went from \$0.22 to \$0.04 due to the above-mentioned elements. Adjusted net earnings increased by \$0.1 million, or 0.2%, from \$52.1 million in the third quarter of 2018 to \$52.2 million in the third quarter of 2019, mainly as a result of lower adjusted income taxes, which were partially offset by the decrease in adjusted operating earnings and an increase in financial expenses. On a per share basis, adjusted net earnings went from \$0.59 to \$0.60.

ANALYSIS OF CONSOLIDATED RESULTS - CUMULATIVE

Revenues

Revenues increased by \$453.6 million, or 25.3%, from \$1,794.3 million in the first nine months of 2018 to \$2,247.9 million in the corresponding period in 2019. This increase is essentially attributable to the acquisition of Coveris Americas, which contributed \$624.3 million to revenues. It was partially offset by the impact of the accelerated recognition of deferred revenues of \$102.1 million recorded in 2018, the effect of the sale of the California newspaper printing operations and the decline in Printing Sector revenues. A more detailed analysis of adjusted revenues is presented in the "Analysis of Sector Results - Cumulative" section.

Operating and Other Expenses

Operating expenses increased by \$506.7 million in the first nine months of 2019, or 36.1%, compared to the corresponding period in 2018. This increase is mostly due to the effect of acquisitions, particularly that of Coveris Americas.

Restructuring and other costs (gains) increased by \$31.6 million, mainly due to workforce reduction costs in the Printing Sector.

The asset impairment charge decreased by \$6.1 million, from \$6.6 million in the first nine months of 2018 to \$0.5 million in the corresponding period in 2019. This charge was related to intangible assets in the local and regional newspaper publishing activities in the Media Sector.

Depreciation and amortization increased by \$30.3 million, from \$121.0 million in the first nine months of 2018 to \$151.3 million in the corresponding period in 2019, mainly as a result of the additional depreciation and amortization related to the acquisition of Coveris Americas, partially mitigated by the accelerated depreciation expense recorded in the first nine months of 2018.

Operating Earnings

Operating earnings decreased by \$108.9 million, or 41.5%, from \$262.2 million in the first nine months of 2018 to \$153.3 million in the corresponding period in 2019. This decrease is mainly due to the accelerated recognition of deferred revenues, net of accelerated depreciation, of \$80.1 million. To a lesser extent, workforce reduction costs recorded in 2019 also contributed to the decrease in operating earnings. Adjusted operating earnings increased by \$15.9 million, or 7.1%, from \$225.3 million to \$241.2 million. A more detailed analysis of adjusted operating earnings is presented in the "Analysis of Sector Results - Cumulative" section.

Net Financial Expenses

Net financial expenses increased by \$29.7 million, from \$20.5 million in the first nine months of 2018 to \$50.2 million in the corresponding period in 2019, mainly due to the increase in long-term debt in order to finance the acquisition of Coveris Americas.

Income Taxes

Income taxes decreased by \$46.0 million, from \$95.3 million in the first nine months of 2018 to \$49.3 million in the corresponding period in 2019. This decrease is mainly attributable to an income tax expense recorded in the first quarter of 2018 with respect to the U.S. tax reform (the *Tax Cuts and Jobs Act*), which lowered the U.S. corporate federal statutory tax rate from a progressive tax rate of up to 35% to a fixed rate of 21%. During the first quarter of 2018, this decrease in rate led to a \$36.6 million reduction in previously recognized deferred tax assets. In addition, the decrease in income taxes resulted from an income tax expense of \$21.0 million recorded in 2018 with respect to the accelerated recognition of deferred revenues. These two elements were partially offset by an income tax expense of \$30.2 million, recorded in 2019, resulting from the retroactive application of a new directive as part of the U.S. tax reform.

Adjusted income taxes went from \$52.4 million in the first nine months of 2018, for an effective tax rate of 25.6%, to \$40.7 million in the corresponding period in 2019, for an effective tax rate of 21.3%. This decrease in the effective tax rate is mostly attributable to the geographic distribution of earnings before taxes.

Net Earnings

Net earnings decreased by \$92.6 million, or 63.3%, from \$146.4 million in the first nine months of 2018 to \$53.8 million in the corresponding period in 2019. This decrease is due to the previously explained decrease in operating earnings as well as higher financial expenses in the first nine months of 2019 compared to the corresponding period in 2018, partially mitigated by a decrease in income tax expense. On a per share basis, net earnings went from \$1.81 to \$0.62 due to the above-mentioned items, but also to the effect of the issuance of 10.8 million Class A Subordinate Voting Shares of the Corporation in May 2018.

Adjusted net earnings decreased by \$2.1 million, or 1.4%, from \$152.4 million in the first nine months of 2018 to \$150.3 million in the corresponding period in 2019, mostly as a result of higher financial expenses, which more than offset the increase in adjusted operating earnings and the decrease in income tax expense. On a per share basis, adjusted net earnings went from \$1.89 to \$1.72, mainly due to the effect of the issuance of 10.8 million Class A Subordinated Voting Shares of the Corporation in May 2018 and, to a lesser extent, the decrease in adjusted net earnings.

ANALYSIS OF SECTOR RESULTS - QUARTER

(unaudited)

Table #3:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - Third quarter of 2018	\$400.2	\$334.2	\$23.5	\$757.9
Acquisitions/disposals and closures	—	—	(0.5)	(0.5)
Existing operations				
Exchange rate effect	8.2	0.9	—	9.1
Organic growth (decline)	(13.4)	(24.6)	0.4	(37.6)
Revenues - Third quarter of 2019	\$395.0	\$310.5	\$23.4	\$728.9
Adjusted operating earnings ⁽¹⁾ - Third quarter of 2018	\$32.3	\$58.7	(\$6.4)	\$84.6
Acquisitions/disposals and closures	—	0.5	0.2	0.7
Existing operations				
Exchange rate effect	1.0	0.5	—	1.5
Stock-based compensation	—	—	5.4	5.4
Organic growth (decline)	0.8	(12.9)	0.8	(11.3)
Adjusted operating earnings ⁽¹⁾ - Third quarter of 2019	\$34.1	\$46.8	\$—	\$80.9

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

Packaging Sector

Packaging Sector revenues decreased by \$5.2 million, from \$400.2 million in the third quarter of 2018 to \$395.0 million in the third quarter of 2019. The decrease in revenues is mainly due to lower volume in one of our segments and legislative changes having an unfavourable impact on our agricultural packaging product offering. To a lesser extent, the decrease is also due to lower resin prices. The exchange rate effect partially mitigated the decrease in revenues, for an amount of \$8.2 million.

Adjusted operating earnings increased by \$1.8 million, from \$32.3 million in the third quarter of 2018 to \$34.1 million in the third quarter of 2019. The organic growth of \$0.8 million is mostly explained by the synergies achieved in the Packaging Sector, which were partially offset by lower volume. The Sector's adjusted operating earnings margin went from 8.1% in the third quarter of 2018 to 8.6% in the third quarter of 2019.

Printing Sector

Printing Sector revenues decreased by \$23.7 million, or 7.1%, from \$334.2 million in the third quarter of 2018 to \$310.5 million in the third quarter of 2019. Revenues experienced an organic decline of \$24.6 million, which is mostly explained by a decrease in revenues from the retailer-related service offering. For the newspaper and magazine printing verticals, trends observed during recent quarters continued to negatively impact revenues.

Adjusted operating earnings decreased by \$11.9 million, or 20.3%, from \$58.7 million in the third quarter of 2018 to \$46.8 million in the third quarter of 2019. The organic decline of \$12.9 million is mainly related to the previously explained decline in revenues. The Sector's adjusted operating earnings margin went from 17.6% in the third quarter of 2018 to 15.1% in the third quarter of 2019.

Other

Adjusted revenues decreased by \$0.1 million, from \$23.5 million in the third quarter of 2018 to \$23.4 million in the third quarter of 2019. This decrease is mostly due to the impact of the sale of our local and regional newspapers in Quebec, partially mitigated by a slight decrease in inter-segment transactions between the Media Sector and the Printing Sector.

Adjusted operating earnings improved by \$6.4 million, from -\$6.4 million in the third quarter of 2018 to nil in the third quarter of 2019, mainly because of the favourable effect of the \$5.4 million decrease in the stock-based compensation expense as a result of the change in the share price in the third quarter of 2019 compared to the corresponding period in 2018. In addition, the performance of the book publishing and specialty media operations contributed to the increase in adjusted operating earnings in the third quarter of 2019.

ANALYSIS OF SECTOR RESULTS - CUMULATIVE

(unaudited)

Table #4:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Adjusted revenues ⁽¹⁾ - Nine months ended July 29, 2018	\$559.0	\$1,063.4	\$ 69.8	\$1,692.2
Acquisitions/disposals and closures	640.4	(31.7)	(14.2)	594.5
Existing operations				
End of the recognition of deferred revenues related to the contracts to print <i>La Presse</i> and <i>The Globe and Mail</i> in the Maritimes	—	(2.1)	—	(2.1)
Exchange rate effect	15.0	1.8	—	16.8
Organic growth (decline)	(5.3)	(50.6)	2.4	(53.5)
Adjusted revenues ⁽¹⁾ - Nine months ended July 28, 2019	\$1,209.1	\$980.8	\$ 58.0	\$2,247.9
Adjusted operating earnings ⁽¹⁾ - Nine months ended July 29, 2018	\$45.0	\$197.3	(\$17.0)	\$225.3
Acquisitions/disposals and closures	51.3	(9.2)	0.7	42.8
Existing operations				
End of the recognition of deferred revenues related to the contracts to print <i>La Presse</i> and <i>The Globe and Mail</i> in the Maritimes	—	(2.1)	—	(2.1)
Exchange rate effect	1.4	0.2	—	1.6
Stock-based compensation	—	—	10.4	10.4
Organic growth (decline)	(0.3)	(33.3)	(3.2)	(36.8)
Adjusted operating earnings ⁽¹⁾ - Nine months ended July 28, 2019	\$97.4	\$152.9	(\$9.1)	\$241.2

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above. Note: The data under "Acquisitions/disposals and closures" and "Organic growth (decline)" were restated with respect to the effect of the end of the recognition of deferred revenues related to the contracts to print newspapers, namely the *San Francisco Chronicle*, *La Presse* and *The Globe and Mail* in the Maritimes.

Packaging Sector

Packaging Sector adjusted revenues increased by \$650.1 million, from \$559.0 million in the first nine months of 2018 to \$1,209.1 million in the first nine months of 2019. This increase is mostly attributable to the contribution from the acquisition of Coveris Americas and, to a lesser extent, of Multifilm Packaging, for a total amount of \$640.4 million. The organic decline amounted to \$5.3 million, or -0.9%.

Adjusted operating earnings increased by \$52.4 million, from \$45.0 million in the first nine months of 2018 to \$97.4 million in the first nine months of 2019. This increase is attributable to the contribution from our acquisitions, in particular that of Coveris Americas and that of Multifilm Packaging. The Sector's adjusted operating earnings margin remained stable at 8.1% in the first nine months of 2019 compared to the first nine months of 2018.

Printing Sector

Printing Sector adjusted revenues decreased by \$82.6 million, from \$1,063.4 million in the first nine months of 2018 to \$980.8 million in the first nine months of 2019. This decrease is explained by the \$31.7 million unfavourable effect of the sale to Hearst of our newspaper printing operations, including the \$12.3 million unfavourable non-cash effect related to the end of the recognition of deferred revenues (see Table #5). In addition, the end of the recognition of deferred revenues related to *La Presse* and *The Globe and Mail* had an unfavourable non-cash effect of \$2.1 million in the first nine months of 2019 (see Table #5). The organic decline amounted to \$50.6 million, mainly due to a decrease in printed flyer volume, which is mostly related to two major customers. This decrease was partially mitigated by higher prices for certain types of paper having no impact on profitability.

Adjusted operating earnings decreased by \$44.4 million, or 22.5%, from \$197.3 million in the first nine months of 2018 to \$152.9 million in the first nine months of 2019. This decrease is explained by the \$9.2 million unfavourable effect of the sale to Hearst of our newspaper printing operations, including the non-cash effect of \$12.3 million related to the end of the recognition of deferred revenues (see Table #5). The organic decline of \$33.3 million is mainly explained by lower revenues. The Sector's adjusted operating earnings margin went from 18.6% in the first nine months of 2018 to 15.6% in the first nine months of 2019. The end of the recognition of deferred revenues related to the contracts to print the *San Francisco Chronicle*, *La Presse* and *The Globe and Mail* in the Maritimes, combined with the cost increase for certain types of paper having no impact on profitability, mostly explain the decrease in the adjusted operating earnings margin.

Table #5:

The following table presents the non-cash impact on revenues and adjusted operating earnings of the end of the recognition of deferred revenues related to the contracts to print the *San Francisco Chronicle*, *La Presse* and *The Globe and Mail* in the Maritimes for fiscal 2018 and the first three quarters of 2019. This recognition of deferred revenues results from the fact that the Corporation received over \$260.0 million in cash from these customers between December 2012 and December 2015 for the modification of certain clauses, which have mostly been recognized over the remaining term of the respective contracts.

(in millions of dollars)	2018	2019
	Fiscal year	Cumul.
Contract to print the <i>San Francisco Chronicle</i> ⁽¹⁾		
Prior year	\$31.4	\$12.3
Current year	12.3	—
Unfavourable net change	\$19.1	\$12.3
Contracts to print <i>La Presse</i> and <i>The Globe and Mail</i> in the Maritimes ⁽²⁾		
Prior year	\$16.1	\$4.1
Current year	6.3	2.0
Unfavourable (favourable) net change	\$9.8	\$2.1
Total unfavourable net change of these contracts on revenues and adjusted operating earnings	\$28.9	\$14.4

(1) The net change for the contract to print the *San Francisco Chronicle* is presented, as of April 2018, under "Acquisitions/disposals and closures" in Table #4, until March 2019.

(2) The net change for the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes is presented under "End of the recognition of deferred revenues related to the contracts to print *La Presse* and *The Globe and Mail* in the Maritimes" in Table #4.

Other

Adjusted revenues decreased by \$11.8 million, from \$69.8 million in the first nine months of 2018 to \$58.0 million in the first nine months of 2019. This decrease is mostly due to the impact of the sale of our media assets in Atlantic Canada and our local and regional newspapers in Quebec, partially mitigated by a decrease in inter-segment transactions between the Media Sector and the Printing Sector.

Adjusted operating earnings improved by \$7.9 million, from -\$17.0 million in the first nine months of 2018 to -\$9.1 million in the first nine months of 2019. This improvement is partially attributable to the effect of the \$10.4 million decrease in the stock-based compensation expense as a result of the change in the share price in the first nine months of 2019 compared to the corresponding period in 2018. In addition, the performance of the book publishing and specialty media operations contributed to the increase in adjusted operating earnings, but it was partially offset by an increase in head office costs resulting from acquisitions.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #6 summarizes selected consolidated financial information derived from the Corporation's unaudited 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)	2019			2018			2017	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$728.9	\$767.4	\$751.6	\$829.2	\$757.9	\$534.7	\$501.7	\$527.2
Adjusted revenues ⁽¹⁾	728.9	767.4	751.6	829.2	757.9	472.4	461.9	527.2
Operating earnings before depreciation and amortization	107.2	93.7	103.7	153.6	89.7	138.7	154.8	128.8
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	112.9	115.7	108.1	162.2	116.4	89.7	91.1	123.6
Adjusted operating earnings margin before depreciation and amortization ⁽¹⁾	15.5%	15.1 %	14.4 %	19.6 %	15.4 %	19.0 %	19.7 %	23.4 %
Operating earnings	\$56.6	\$43.1	\$53.6	\$105.5	\$39.6	\$99.0	\$123.6	\$103.9
Adjusted operating earnings ⁽¹⁾	80.9	83.6	76.7	131.6	84.6	70.3	70.4	102.7
Adjusted operating earnings margin ⁽¹⁾	11.1 %	10.9 %	10.2 %	15.9%	11.1 %	14.9 %	15.2 %	19.5 %
Net earnings	\$3.4	\$22.3	\$28.1	\$67.0	\$19.3	\$68.9	\$58.2	\$73.4
Net earnings per share	0.04	0.26	0.32	0.76	0.22	0.89	0.75	0.95
Adjusted net earnings ⁽¹⁾	52.2	52.6	45.5	87.0	52.1	48.5	51.8	71.0
Adjusted net earnings per share ⁽¹⁾	0.60	0.60	0.52	0.99	0.59	0.63	0.67	0.91
% of fiscal year	— %	— %	— %	35 %	20 %	22 %	23 %	33%

⁽¹⁾ Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above. Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

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 #2, "Reconciliation of Non-IFRS Financial Measures".

Excluding the impact of the above-mentioned items, we can note a decrease in our adjusted revenues. This decrease is mainly due to lower advertising spending in print media, which has a negative impact on circulation and the number of pages of certain print publications. The decline in advertising spending results from the impact of new media and the shift of advertising revenues to new platforms. However, our transformation as one of the leaders in flexible packaging, which is well under way, enables us to mitigate the impact of the decrease in revenues. The decrease in the adjusted operating earnings margin before depreciation and amortization results from the growth of the Packaging Sector, which generates lower profit margins than the Printing Sector, combined with the decline experienced by the Printing Sector.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #7:

(in millions of dollars)	Three months ended	
	July 28, 2019	July 29, 2018
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	\$109.8	\$91.3
Changes in non-cash operating items	(6.2)	(7.2)
Income taxes paid	(13.4)	(7.0)
Cash flows from operating activities	\$90.2	\$77.1
Investing activities		
Business combinations, net of acquired cash	\$—	(\$1,561.5)
Business disposals	—	2.4
Acquisitions of property, plant and equipment	(20.1)	(19.5)
Disposals of property, plant and equipment	—	4.4
Increase in intangible assets	(6.0)	(9.0)
Cash flows from investing activities	(\$26.1)	(\$1,583.2)
Financing activities		
Increase in long-term debt, net of issuance costs	\$300.0	\$959.0
Reimbursement of long-term debt	(\$250.0)	(\$143.9)
Net increase (decrease) in credit facility	(91.3)	175.8
Financial expenses on long-term debt	(17.5)	(13.1)
Proceeds from issuance of shares in exchange for subscription receipts, net of issuance cost	—	274.9
Dividends	(19.2)	(18.4)
Cash flows from financing activities	(\$78.0)	\$1,234.3
Effect of exchange rate changes on cash denominated in foreign currencies	\$—	\$1.4
Net change in cash	(\$13.9)	(\$270.4)
Financial position		
	As at July 28, 2019	As at October 28, 2018
Net indebtedness ⁽¹⁾	\$1,352.2	\$1,420.5
Net indebtedness ratio ⁽¹⁾	2.7 x	3.1 x
Credit rating		
DBRS	BBB (low)	BBB (low)
Outlook	Stable	Stable
Standard and Poor's	BBB-	BBB-
Outlook	Negative	Negative
Consolidated Statements of Financial Position		
	As at July 28, 2019	As at October 28, 2018
Current assets	\$922.1	\$943.1
Current liabilities	405.0	717.3
Total assets	3,655.6	3,782.2
Total liabilities	2,033.9	2,148.1

(1) Please refer to Table #2 in the section entitled "Reconciliation of Non-IFRS Financial Measures" in this Management's Discussion and Analysis for adjusted data presented above.

Cash Flows from Operating Activities

Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid went from \$91.3 million in the third quarter of 2018 to \$109.8 million in the third quarter of 2019. This increase is mainly due to the decrease in restructuring and other costs recorded in the third quarter of 2018 in connection with the acquisition of Coveris Americas. The change in non-cash operating items remained stable compared to the third quarter of 2018, mainly as a result of favourable timing differences in current liabilities offset by unfavourable timing differences in accounts receivable. On a net basis, cash flows from operating activities increased by \$13.1 million, from \$77.1 million in the third quarter of 2018 to \$90.2 million in the third quarter of 2019.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of \$1,583.2 million in the third quarter of 2018 to a cash outflow of \$26.1 million in the third quarter of 2019. This variation is mainly related to the acquisition of Coveris Americas.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash inflow of \$1,234.3 million in the third quarter of 2018 to a cash outflow of \$78.0 million in the third quarter of 2019. The \$1,234.3 million inflow in the third quarter of 2018 is mainly explained by the issuance of term loans and the issuance of shares through a public offering to finance the acquisition of Coveris Americas. In the third quarter of 2019, the cash outflow of \$78.0 million is mainly related to the reimbursement of the credit facility using excess cash flows.

Debt Instruments

Net indebtedness went from \$1,420.5 million as at October 28, 2018 to \$1,352.2 million as at July 28, 2019. This decrease is explained by the contribution of cash flows from operating activities during the first nine months of 2019, which was partially offset by acquisitions of property, plant and equipment. Consequently, our net indebtedness ratio stood at 2.7x as at July 28, 2019 compared to 3.1x as at October 28, 2018. As at July 28, 2019, an amount of \$7.2 million had been drawn on the credit facilities, and the unused amount under the credit facilities was \$425.7 million.

During the third quarter of 2019, the Corporation used two new tranches of term loans (tranches G and H), each amounting to \$150.0 million. These new tranches bear interest at the bankers' acceptance rate plus an applicable margin of 1.20% to 1.45%, payable monthly or quarterly depending on the rate selected, are repayable at any time and have a maturity of 24 and 36 months, depending on the tranche. On May 13, 2019, the Corporation repaid the senior unsecured notes amounting to \$250.0 million that matured on that same date with the funds available under the G and H tranches of term loans.

Share Capital

Table #8:

Shares Issued and Outstanding	As at July 28, 2019	As at August 25, 2019
Class A (Subordinate Voting Shares)	73,359,454	73,359,454
Class B (Multiple Voting Shares)	13,980,926	13,980,926
Total Class A and Class B	87,340,380	87,340,380

The Corporation has been authorized to repurchase, for cancellation on the open market, between October 1, 2018 and September 30, 2019, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 189,344 of its Class B Shares, representing approximately 1.35% of the 73,850,034 issued and outstanding Class A Subordinate Voting Shares and about 1.35% of the 13,983,026 issues and outstanding Class B Shares as at September 18, 2018.

No shares have been repurchased under this share repurchase program during the first nine months of 2019.

CHANGES IN ACCOUNTING STANDARDS

New accounting standards adopted during fiscal 2019

During the first quarter ended January 27, 2019, the Corporation adopted IFRS 15 "Revenue from Contracts with Customers", IFRS 9 "Financial instruments" and the amendments to IFRS 2 "Share-based Payment". The adoption of these standards and amendments did not have a significant impact on the Corporation's condensed interim consolidated financial statements. Please refer to Note 2 to the condensed interim consolidated financial statements for more information.

New or amended accounting standards not yet adopted

The assessment of the impact on our consolidated financial statements of these new standards or amendments to standards is still ongoing.

- IFRS 16 "Leases"
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- IFRIC 23 "Uncertainty over Income Tax Treatments"

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

During the third quarter ended July 28, 2019, no change that has materially affected or is reasonably likely to materially 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 EVENTS

On September 3, 2019, the Corporation announced the sale of its Fremont, California building to Hearst for a cash consideration of US\$75.0 million (\$99.7 million). The Corporation had already transferred to Hearst the printing operations of its Fremont, California facility in April 2018.

The pending transaction is subject to customary closing conditions and is expected to close during the fourth quarter of the year ending October 27, 2019.

As at July 28, 2019, based on the status of negotiations between the Corporation and Hearst, the building, which was previously presented as an Investment property, was reclassified to Assets available for sale for an amount equal to its net book value of \$55.2 million.

OUTLOOK

In the Packaging Sector, we expect that the decrease in revenues will be more significant in the fourth quarter than in the third quarter, mostly as a result of lower volume within a segment, in addition to the effect of legislative changes in Europe having an impact on our agricultural packaging product offering. We will continue to focus on profit margins and the achievement of synergies, which should help mitigate the impact on operating earnings. To support our customers and strengthen our position in the packaging industry, we will also continue to invest in the research and development of innovative and eco-responsible products. Lastly, by signing long-term contracts with major customers and developing business opportunities, we are building solid foundations for the company's growth.

In the Printing Sector, and more specifically with respect to the retailer-related service offering, we expect a decrease in volume that will be slightly less significant than the trends observed in recent quarters. In addition, our in-store marketing products and book printing offerings should continue to grow. The other printing verticals should be affected by the same trends observed in recent quarters. Our operational efficiency initiatives already under way will have a positive impact in the fourth quarter, which should partially offset the effect of the decrease in volume on operating earnings. We therefore expect that the decrease in our profit margins will be less significant in the fourth quarter of 2019.

We expect that the Media Sector will continue to record a good performance in the fourth quarter, both in terms of revenues and profitability.

To conclude, we expect to continue generating significant cash flows from all our operating activities, which will enable us to reduce our indebtedness in line with our strategy.

On behalf of Management,

(s) Donald LeCavalier
Chief Financial Officer

September 5, 2019

CONSOLIDATED STATEMENTS OF EARNINGS

Unaudited

(in millions of Canadian dollars, unless otherwise indicated and per share data)	Notes	Three months ended		Nine months ended	
		July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Revenues	3	\$ 728.9	\$ 757.9	\$ 2,247.9	\$ 1,794.3
Operating expenses	5	616.0	651.0	1,911.2	1,404.5
Restructuring and other costs	6	5.7	14.3	31.6	—
Impairment of assets	7	—	2.9	0.5	6.6
Operating earnings before depreciation and amortization		107.2	89.7	304.6	383.2
Depreciation and amortization	8	50.6	50.1	151.3	121.0
Operating earnings		56.6	39.6	153.3	262.2
Net financial expenses	9	16.3	14.5	50.2	20.5
Earnings before income taxes		40.3	25.1	103.1	241.7
Income taxes	10	36.9	5.8	49.3	95.3
Net earnings		\$ 3.4	\$ 19.3	\$ 53.8	\$ 146.4
Net earnings per share - basic		\$ 0.04	\$ 0.22	\$ 0.62	\$ 1.81
Net earnings per share - diluted		\$ 0.04	\$ 0.22	\$ 0.62	\$ 1.81
Weighted average number of shares outstanding - basic (in millions)	14	87.3	87.6	87.3	80.7
Weighted average number of shares - diluted (in millions)	14	87.4	87.7	87.4	80.8

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended		Nine months ended	
		July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Net earnings		\$ 3.4	\$ 19.3	\$ 53.8	\$ 146.4
Other comprehensive income (loss)					
Items that will be reclassified to net earnings					
Net change related to cash flow hedges					
Net change in the fair value of derivatives designated as cash flow hedges -					
Foreign exchange risk		3.1	(0.5)	0.4	(0.5)
Net change in the fair value of derivatives designated as cash flow hedges -					
Interest rate risk	11	(7.4)	—	(12.0)	—
Reclassification of the net change in the fair value of derivatives designated as					
cash flow hedges in prior periods, recognized in net earnings during the period		(0.4)	0.2	(0.3)	(0.9)
Related income taxes		(2.5)	(0.1)	(3.2)	(0.4)
		(2.2)	(0.2)	(8.7)	(1.0)
Cumulative translation differences					
Net unrealized exchange gains (losses) on the translation of the financial statements of					
foreign operations	16	(27.3)	16.8	5.6	16.2
Net gains (losses) on hedge of the net investment in foreign operations		0.2	(4.9)	(0.8)	(4.5)
Related income taxes		—	(0.8)	(0.2)	(0.7)
		(27.1)	12.7	5.0	12.4
Items that will not be reclassified to net earnings					
Changes related to defined benefit plans					
Actuarial gains (losses) on defined benefit plans	16	0.5	8.7	(7.2)	8.8
Related income taxes		0.2	2.3	(2.0)	2.6
		0.3	6.4	(5.2)	6.2
Other comprehensive income (loss)	16	(29.0)	18.9	(8.9)	17.6
Comprehensive income (loss)		\$ (25.6)	\$ 38.2	\$ 44.9	\$ 164.0

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance as at October 28, 2018		\$ 642.4	\$ 1.1	\$ 979.8	\$ 10.8	\$ 1,634.1
Net earnings		—	—	53.8	—	53.8
Other comprehensive loss		—	—	—	(8.9)	(8.9)
Shareholders' contributions and distributions to shareholders						
Dividends	13	—	—	(56.8)	—	(56.8)
Income taxes on share issuance costs	13	(0.5)	—	—	—	(0.5)
Balance as at July 28, 2019		\$ 641.9	\$ 1.1	\$ 976.8	\$ 1.9	\$ 1,621.7
Balance as at October 29, 2017		\$ 371.6	\$ 1.1	\$ 851.5	\$ (5.5)	\$ 1,218.7
Net earnings		—	—	146.4	—	146.4
Other comprehensive income		—	—	—	17.6	17.6
Shareholders' contributions and distributions to shareholders						
Share redemptions	13	(2.9)	—	(10.0)	—	(12.9)
Dividends	13	—	—	(50.1)	—	(50.1)
Issuance of shares, net of issuance costs	13	278.2	—	—	—	278.2
Balance as at July 29, 2018		\$ 646.9	\$ 1.1	\$ 937.8	\$ 12.1	\$ 1,597.9

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(in millions of Canadian dollars)	Notes	As at July 28, 2019	As at October 28, 2018
Current assets			
Cash		\$ 41.5	\$ 40.5
Accounts receivable		470.6	565.4
Income taxes receivable		24.8	6.9
Inventories		306.1	305.6
Prepaid expenses and other current assets		23.9	24.7
Assets available for sale	18	55.2	—
		922.1	943.1
Property, plant, equipment and investment properties			
	18	819.1	888.6
Intangible assets			
Goodwill		1,156.3	1,150.0
Deferred taxes	10	22.7	18.4
Other assets			
		33.9	35.0
		\$ 3,655.6	\$ 3,782.2
Current liabilities			
Accounts payable and accrued liabilities		\$ 366.6	\$ 431.6
Provisions	6	12.2	3.7
Income taxes payable		10.2	14.8
Deferred revenues and deposits		14.8	16.0
Current portion of long-term debt	11	1.2	251.2
		405.0	717.3
Long-term debt			
	11	1,392.5	1,209.8
Deferred taxes			
	10	113.7	98.4
Provisions			
		2.0	2.3
Other liabilities			
	12	120.7	120.3
		2,033.9	2,148.1
Equity			
Share capital	13	641.9	642.4
Contributed surplus		1.1	1.1
Retained earnings		976.8	979.8
Accumulated other comprehensive income	16	1.9	10.8
		1,621.7	1,634.1
		\$ 3,655.6	\$ 3,782.2

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

(in millions of Canadian dollars)	Notes	Three months ended		Nine months ended	
		July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Operating activities					
Net earnings		\$ 3.4	\$ 19.3	\$ 53.8	\$ 146.4
Adjustments to reconcile net earnings and cash flows from operating activities:					
Impairment of assets	7	—	2.9	0.5	6.6
Depreciation and amortization	8	56.0	56.1	167.4	139.6
Financial expenses on long-term debt	9	14.8	15.0	46.6	23.8
Net losses (gains) on disposal of assets		—	(1.4)	0.3	(5.6)
Net gains on business disposals	6	—	(2.3)	—	(37.5)
Income taxes	10	36.9	5.8	49.3	95.3
Net foreign exchange differences and other		(1.3)	(4.1)	0.2	7.0
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid					
		109.8	91.3	318.1	375.6
Changes in non-cash operating items ⁽¹⁾		(6.2)	(7.2)	10.0	(116.4)
Income taxes paid		(13.4)	(7.0)	(54.6)	(36.0)
Cash flows from operating activities					
		90.2	77.1	273.5	223.2
Investing activities					
Business combinations, net of acquired cash		—	(1,561.5)	—	(1,616.3)
Business disposals		—	2.4	—	35.0
Acquisitions of property, plant and equipment		(20.1)	(19.5)	(73.4)	(37.6)
Disposals of property, plant and equipment		—	4.4	—	25.0
Increase in intangible assets		(6.0)	(9.0)	(17.2)	(16.9)
Dividends received from joint ventures		—	—	—	3.4
Cash flows from investing activities					
		(26.1)	(1,583.2)	(90.6)	(1,607.4)
Financing activities					
Increase in long-term debt, net of issuance costs	11	300.0	959.0	300.0	959.0
Reimbursement of long-term debt	11	(250.0)	(143.9)	(250.0)	(162.8)
Net increase (decrease) in credit facility	11	(91.3)	175.8	(127.1)	175.8
Financial expenses on long-term debt	9 & 11	(17.5)	(13.1)	(49.1)	(21.3)
Proceeds from issuance of shares in exchange for subscription receipts, net of issuance		—	274.9	—	274.9
Dividends	13	(19.2)	(18.4)	(56.8)	(50.1)
Share redemptions	13	—	—	—	(12.9)
Cash flows from financing activities					
		(78.0)	1,234.3	(183.0)	1,162.6
Effect of exchange rate changes on cash denominated in foreign currencies					
		—	1.4	1.1	2.2
Net change in cash					
		(13.9)	(270.4)	1.0	(219.4)
Cash at beginning of period					
		55.4	298.1	40.5	247.1
Cash at end of period					
		\$ 41.5	\$ 27.7	\$ 41.5	\$ 27.7
Non-cash investing activities					
Net change in capital asset acquisitions financed by accounts payable		\$ (0.1)	\$ —	\$ 3.7	\$ (0.4)

⁽¹⁾ Includes the accelerated recognition of the deferred revenues opening balance as at October 29, 2017 as part of the transaction with Hearst for the three-month and nine-month periods ended July 28, 2018 (Note 31 to the annual consolidated financial statements as of October 28, 2018).

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 28, 2019 and July 29, 2018

(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 Print Sector and the Media Sector. The Corporation's main activities are described in Note 3 "Segmented Information".

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

The Corporation's Board of Directors approved these condensed interim consolidated financial statements on September 5, 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 28, 2018, which include the significant accounting policies used by the Corporation.

The accounting policies adopted in these condensed interim consolidated financial statements are based on IFRS issued, in force and which were adopted by the Corporation as at July 28, 2019. Any subsequent changes to the accounting policies that will take effect in the Corporation's annual consolidated financial statements for the year ending October 27, 2019 or after could result in a restatement of these condensed interim consolidated financial statements.

New accounting policies

• Revenue from Contracts with Customers

The Corporation adopted IFRS 15 "Revenue from Contracts with Customers" as at October 29, 2018 using the modified retrospective method, without restatement of comparative figures. IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to depict the transfer of promised goods or services to customers. IFRS 15 requires the disclosure of additional information on disaggregated revenues. Consequently, the Corporation now discloses additional information on a quarterly basis in Note 3.

The adoption of IFRS 15 had no material impact on the Corporation's condensed interim consolidated financial statements and the consolidated statement of financial position as at the adoption date.

As a result of adopting IFRS 15, the Corporation updated its accounting policies for revenues as described below.

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.

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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 28, 2019 and July 29, 2018

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (continued)

• Revenue from Contracts with Customers (continued)

• 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.

Critical judgment in applying IFRS 15:

• 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 three-month and nine-month periods ended July 28, 2019, no significant contract met the criteria for recognition over time.

• Financial instruments

The Corporation applied IFRS 9 "Financial Instruments" for the fiscal year beginning October 29, 2018 using the retrospective method, and elected to not restate comparative figures for the prior year, as permitted by the standard, except for the changes to hedge accounting described below, which were applied prospectively. The adoption of IFRS 9 had no significant impact on the carrying amount of the Corporation's financial instruments as at October 29, 2018.

IFRS 9 sets out new requirements for:

- the classification and measurement of financial assets and financial liabilities;
- the impairment of financial assets; and
- general hedge accounting.

Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the classification and measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" with a single model under which financial assets are classified and measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. This classification is based on the Corporation's business model for managing financial assets and the contractual cash flow characteristics of financial assets, and it eliminates the "Held to maturity", "Loans and receivables" and "Available for sale" categories defined in IAS 39. However, except for the impairment model, the adoption of IFRS 9 did not change the measurement basis for the Corporation's financial assets. IFRS 9 carries forward most of the classification and measurement requirements for financial liabilities in IAS 39.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

Quarters ended July 28, 2019 and July 29, 2018

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (continued)

- Financial instruments (continued)**

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

	Model under IAS 39		Model under IFRS 9	
	Category	Measurement model	Category	Measurement model
Cash and cash equivalents	Loans and receivables	Amortized cost at the effective interest rate	Amortized cost	Amortized cost at the effective interest rate
Accounts receivable and other receivables	Loans and receivables	Amortized cost at the effective interest rate	Amortized cost	Amortized cost at the effective interest rate
Accounts payable, accrued liabilities and other financial liabilities	Other financial liabilities	Amortized cost at the effective interest rate	Amortized cost	Amortized cost at the effective interest rate
Contingent consideration	Fair value through profit or loss	Fair value	Fair value through profit or loss	Fair value
Long-term debt	Other financial liabilities	Amortized cost at the effective interest rate	Amortized cost	Amortized cost at the effective interest rate
Derivative financial instruments	Held for trading	Fair value	Fair value through profit or loss	Fair value

Impairment of financial assets

With respect to impairment of financial assets, IFRS 9 requires applying the expected credit losses model instead of the incurred credit losses model set out in IAS 39. Under the expected credit losses model, the Corporation must recognize expected credit losses 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 has applied 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. Although cash and cash equivalents and other receivables are subject to the IFRS 9 impairment requirements, the expected credit losses identified were not significant.

Hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting, namely cash flow hedges, fair value hedges and hedges of net investments in foreign operations. However, these transactions qualifying for hedge accounting are subject to greater flexibility, in particular as a result of the broadening of the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are qualifying for hedge accounting. In addition, the effectiveness test was replaced with the "economic relationship" principle. The retrospective assessment of hedge effectiveness is no longer required. Enhanced annual disclosures on the Corporation's risk management activities are also required.

In accordance with the transitional provisions of IFRS 9 for hedge accounting, the Corporation applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application, without restatement of comparative figures for the corresponding period. The Corporation's qualifying hedging relationships in place as at October 28, 2018 are also qualifying for hedge accounting under IFRS 9 and are therefore considered continuing hedging relationships. As the critical terms of hedging instruments match those of hedged items, all hedging relationships continue to be effective under the assessment to determine whether the IFRS 9 hedge effectiveness requirements are met. The Corporation has not designated any hedging relationships under IFRS 9 that would not have met the criteria to qualify for hedge accounting under IAS 39.

- Classification and Measurement of Share-based Payment Transactions**

In June 2016, the IASB issued "Classification and Measurement of Share-based Payment Transactions", which amends IFRS 2 "Share-based Payment" and clarifies how to account for certain types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. The Corporation applied these amendments as of October 29, 2018 to awards granted on or after that date and to unvested and vested but unexercised awards outstanding at that date. The amendments were applied prospectively. The adoption of these amendments had no impact on the consolidated interim financial statements for the three-month and nine-month periods ended July 28, 2019.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New or amended accounting standards not yet adopted

• IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 "Leases". IFRS 16 will replace IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease".

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases. The only exemptions to this treatment are for lease contracts with a term of less than one year and those for which the underlying asset is of low value. The Corporation expects that the adoption of IFRS 16 will result in an increase in assets and liabilities in the statement of financial position due to the recognition of a right-of-use asset and an offsetting liability representing the obligation to make lease payments. A portion of lease expenses previously reported as operating expenses will be reported as depreciation expense and financial expenses, which will represent a significant change in the presentation and timing of recognition of expenses in the Consolidated Statement of Earnings.

IFRS 16 will be applicable to the Corporation for the annual period beginning on October 28, 2019. The Corporation expects to adopt the standard using the modified retrospective method without restatement of comparative figures. The various optional exemptions permitted by IFRS 16 upon its adoption are currently being reviewed.

As at July 28, 2019, the Corporation had selected an IT solution for the recognition and measurement of leases that will be subject to this standard. This IT solution is currently being implemented.

The Corporation is currently analyzing the overall impact of adopting IFRS 16 on its consolidated financial statements, after having completed the review of all its leases that are within the scope of the standard. The extent of the impact of the adoption of the standard on the consolidated financial statements has not yet been finalized by the Corporation, but should be by the end of the year ending October 27, 2019.

• Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On February 7, 2018, the IASB issued "Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)". The amendments apply for plan amendments, curtailments or settlements that will occur during annual periods beginning on or after January 1, 2019, or the date on which they are first applied. The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan.

The Corporation plans to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning on October 28, 2019. The extent of the impact of the adoption of the amendments will be assessed upon any future amendment, curtailment or settlement of defined benefit plans.

• IFRIC 23, Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments". The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Interpretation requires:

- an entity to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- an entity to consider whether it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

On initial application, an entity must apply IFRIC 23:

- retrospectively in accordance with IAS 8, if that is possible without the use of hindsight; or
- retrospectively, with the cumulative effect of initial application recognized in retained earnings or other appropriate components of equity in the opening statement of financial position for the year, without restatement of comparative figures.

The Corporation plans to adopt the Interpretation in its consolidated financial statements for the annual period beginning on October 28, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

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3 SEGMENTED INFORMATION

During the year ended October 28, 2018, in connection with changes in the organizational structure and following the acquisition of Coveris Americas, the Corporation's operating segments have been modified and have been since then aggregated by management into three separate sectors: Packaging, Printing and Media, which is presented in Other. The Corporation restated the corresponding segmented information for previous periods.

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

The Printing Sector generates revenues from an integrated service offering to retailers, including flyers and in-store marketing products printing, premedia and door-to-door distribution services, as well as a range 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, which previously was reported separately, 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:

	Packaging	Printing	Other	Consolidated Results
For the three-month period ended July 28, 2019				
Revenues	\$ 395.0	\$ 310.5	\$ 23.4	\$ 728.9
Operating expenses	343.0	251.7	21.3	616.0
Restructuring and other costs	2.2	2.6	0.9	5.7
Operating earnings before depreciation and amortization	49.8	56.2	1.2	107.2
Depreciation and amortization	35.1	13.2	2.3	50.6
Operating earnings	\$ 14.7	\$ 43.0	\$ (1.1)	\$ 56.6
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	\$ 52.0	\$ 58.8	\$ 2.1	\$ 112.9
Adjusted operating earnings ⁽¹⁾	34.1	46.8	—	80.9
Acquisitions of non-current assets ⁽²⁾	\$ 15.6	\$ 9.4	\$ 1.9	\$ 26.9

	Packaging	Printing	Other	Consolidated Results
For the three-month period ended July 29, 2018				
Revenues	\$ 400.2	\$ 334.2	\$ 23.5	\$ 757.9
Operating expenses	360.9	262.7	27.4	651.0
Restructuring and other costs	6.4	0.9	7.0	14.3
Impairment of assets	—	2.9	—	2.9
Operating earnings before depreciation and amortization	32.9	67.7	(10.9)	89.7
Depreciation and amortization	33.8	13.7	2.6	50.1
Operating earnings	\$ (0.9)	\$ 54.0	\$ (13.5)	\$ 39.6
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	\$ 48.9	\$ 71.5	\$ (4.0)	\$ 116.4
Adjusted operating earnings ⁽¹⁾	32.3	58.7	(6.4)	84.6
Acquisitions of non-current assets ⁽²⁾	\$ 12.7	\$ 13.5	\$ 3.5	\$ 29.7

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3 SEGMENTED INFORMATION (CONTINUED)

	Packaging	Printing	Other	Consolidated Results
For the nine-month period ended July 28, 2019				
Revenues	\$ 1,209.1	\$ 980.8	\$ 58.0	\$ 2,247.9
Operating expenses	1,058.6	791.9	60.7	1,911.2
Restructuring and other costs	5.6	19.9	6.1	31.6
Impairment of assets	—	0.5	—	0.5
Operating earnings before depreciation and amortization	144.9	168.5	(8.8)	304.6
Depreciation and amortization	104.9	39.5	6.9	151.3
Operating earnings	\$ 40.0	\$ 129.0	\$ (15.7)	\$ 153.3
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	\$ 150.5	\$ 188.9	\$ (2.7)	\$ 336.7
Adjusted operating earnings ⁽¹⁾	97.4	152.9	(9.1)	241.2
Acquisitions of non-current assets ⁽²⁾	\$ 53.2	\$ 22.5	\$ 16.1	\$ 91.8
For the nine-month period ended July 29, 2018				
Revenues	\$ 559.0	\$ 1,165.5	\$ 69.8	\$ 1,794.3
Operating expenses	502.0	823.4	79.1	1,404.5
Restructuring and other costs (gains)	6.5	6.7	(13.2)	—
Impairment of assets	—	3.5	3.1	6.6
Operating earnings before depreciation and amortization	50.5	331.9	0.8	383.2
Depreciation and amortization	45.4	67.5	8.1	121.0
Operating earnings	\$ 5.1	\$ 264.4	\$ (7.3)	\$ 262.2
Adjusted operating earnings before depreciation and amortization ⁽¹⁾	\$ 66.6	\$ 240.0	\$ (9.4)	\$ 297.2
Adjusted operating earnings ⁽¹⁾	45.0	197.3	(17.0)	225.3
Acquisitions of non-current assets ⁽²⁾	\$ 18.7	\$ 24.9	\$ 11.7	\$ 55.3

⁽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, reversal of the fair value adjustment of inventory sold arising from business acquisitions, as well as the accelerated recognition of deferred revenues and accelerated depreciation of equipments as part of the new agreement with Hearst signed in December 2017 (only for adjusted operating earnings as it relates to amortization of intangible assets arising from business combinations and accelerated depreciation of equipments).

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

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3 SEGMENTED INFORMATION (CONTINUED)

Additional information on revenues

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

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Packaging products				
Americas	\$ 367.9	\$ 375.1	\$ 1,127.5	\$ 533.9
Rest of the world	27.1	25.1	81.6	25.1
	395.0	400.2	1,209.1	559.0
Printing services ⁽¹⁾				
Retailer-related services ⁽²⁾	196.9	212.0	622.0	651.2
Marketing products	31.3	31.2	101.4	108.6
Magazines and books	50.5	53.4	161.8	160.9
Newspapers	31.8	37.6	95.6	244.8
	310.5	334.2	980.8	1,165.5
Media ⁽¹⁾	26.2	27.0	64.6	81.4
Inter-segment sales	(2.8)	(3.5)	(6.6)	(11.6)
	\$ 728.9	\$ 757.9	\$ 2,247.9	\$ 1,794.3

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

	As at July 28, 2019	As at October 28, 2018
Packaging	\$ 2,481.0	\$ 2,524.5
Printing	951.0	1,052.9
Other ⁽³⁾	223.6	204.8
	\$ 3,655.6	\$ 3,782.2

⁽¹⁾ Revenues from printing services and media are mainly derived from transactions in North America.

⁽²⁾ Revenues from retailer-related services include printing, premedia and distribution services.

⁽³⁾ This heading notably includes cash, income taxes receivable, property, plant and equipment, intangible assets, deferred taxes and defined benefit asset not allocated to segments.

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4 BUSINESS COMBINATIONS

Coveris Americas

On May 1, 2018, the Corporation completed the acquisition of Coveris Americas. During the nine-month period ended July 28, 2019, the Corporation finalized the purchase price allocation, as well as its accounting, without any material impact.

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Employee-related costs	\$ 190.8	\$ 191.6	\$ 592.4	\$ 460.1
Supply chain and logistics ⁽¹⁾	387.4	419.2	1,216.9	856.0
Other goods and services ⁽²⁾	37.8	40.2	101.9	88.4
	\$ 616.0	\$ 651.0	\$ 1,911.2	\$ 1,404.5

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

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

6 RESTRUCTURING AND OTHER COSTS

Restructuring and other costs by major headings are as follows:

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Workforce reductions ⁽¹⁾	\$ 1.9	\$ 1.5	\$ 18.4	\$ 9.4
Losses (gains) related to the sale of certain activities ⁽²⁾	—	(2.3)	4.3	(28.6)
Other elements	2.3	0.3	4.5	2.3
Net gains on sale of buildings	—	(1.1)	—	(6.5)
Onerous contracts	0.6	—	1.2	2.1
Business acquisition costs ⁽³⁾	0.3	7.8	0.5	13.2
Other acquisition-related costs ⁽⁴⁾	0.6	8.1	2.7	8.1
	\$ 5.7	\$ 14.3	\$ 31.6	\$ —

⁽¹⁾ Includes a provision for restructuring of \$14.3 million for the nine-month period ended July 28, 2019, related to the closure of the Brampton plant.

⁽²⁾ Includes a provision for other receivables related to previous transactions of \$3.9 million for the nine-month period ended July 28, 2019, and \$9.4 million for the nine-month period ended July 29, 2018.

⁽³⁾ Business acquisition costs include transaction costs, primarily legal fees, success fees related to the acquisition and other professional fees, for potential or realized business combinations.

⁽⁴⁾ Other acquisition-related costs include integration costs related to acquired companies.

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7 IMPAIRMENT OF ASSETS

Impairment of assets is as follows:

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Property, plant and equipment	\$ —	\$ 3.2	\$ 0.4	\$ 3.5
Intangible assets	—	(0.3)	0.1	3.1
	\$ —	\$ 2.9	\$ 0.5	\$ 6.6

During the nine-month period ended July 28, 2019, the Corporation recognized an impairment charge for property, plant, equipment and intangible assets of \$0.5 million as a result of to the closure of the Brampton plant (Note 6).

During the nine-month period ended July 29, 2018, the Corporation recognized an impairment charge for intangible assets of \$3.1 million mainly with respect to costs relating to technology projects in the Media Sector following the sale of its Quebec local and regional newspapers. In addition, during the three-month and nine-month periods ended July 29, 2018, the Corporation recognized an impairment charge for property, plant and equipment of \$3.2 million and \$3.5 million, respectively, in connection with the closure of one of its facilities following the termination of certain newspapers.

8 DEPRECIATION AND AMORTIZATION

Depreciation and amortization is as follows:

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Property, plant and equipment and investment properties	\$ 30.3	\$ 30.1	\$ 90.6	\$ 88.7
Intangible assets	20.3	20.0	60.7	32.3
	50.6	50.1	151.3	121.0
Intangible assets and other assets, recognized in revenues and operating expenses	5.4	6.0	16.1	18.6
	\$ 56.0	\$ 56.1	\$ 167.4	\$ 139.6

9 NET FINANCIAL EXPENSES

Net financial expenses are as follows:

	Note	Three months ended		Nine months ended	
		July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Financial expenses on long-term debt	11	\$ 14.8	\$ 15.0	\$ 46.6	\$ 23.8
Net interest on defined benefit plans asset and liability		0.6	0.4	1.9	1.3
Other expenses (revenues)		0.9	0.9	2.0	(1.8)
Net foreign exchange gains		—	(1.8)	(0.3)	(2.8)
		\$ 16.3	\$ 14.5	\$ 50.2	\$ 20.5

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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:

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Earnings before income taxes	\$ 40.3	\$ 25.1	\$ 103.1	\$ 241.7
Canadian statutory tax rate ⁽¹⁾	26.62 %	26.72 %	26.62 %	26.72 %
Income taxes at the statutory tax rate	10.7	6.7	27.4	64.6
Effect of differences in tax rates in other jurisdictions	(2.6)	(1.3)	(8.5)	(2.7)
Income taxes on non-deductible expenses and non-taxable revenues	(0.4)	0.8	2.0	(0.6)
Change in deferred tax assets on tax losses or temporary differences not previously recognized	0.6	(0.3)	0.3	(2.1)
Impact of the U.S. tax reform ⁽²⁾	30.2	—	30.2	36.6
Other	(1.6)	(0.1)	(2.1)	(0.5)
Income taxes at effective tax rate	\$ 36.9	\$ 5.8	\$ 49.3	\$ 95.3
Income taxes before the following items:	\$ 12.4	\$ 18.0	\$ 40.7	\$ 52.4
Impact of the U.S. tax reform ⁽²⁾	30.2	—	30.2	36.6
Income taxes on amortization of intangible assets arising from business combinations	(4.5)	(4.8)	(13.7)	(7.1)
Income taxes on reversal of the fair value adjustment of inventory sold arising from business acquisitions	—	(2.3)	—	(2.3)
Income taxes on accelerated recognition of deferred revenues and accelerated depreciation of equipments as part of the agreement with Hearst	—	—	—	21.0
Income taxes on restructuring and other gains	(1.2)	(4.3)	(7.8)	(3.6)
Income taxes on impairment of assets	—	(0.8)	(0.1)	(1.7)
Income taxes at effective tax rate	\$ 36.9	\$ 5.8	\$ 49.3	\$ 95.3

⁽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, a U.S. tax reform (known as "Tax Cuts and Jobs Act") was enacted. The reform reduced the U.S. federal statutory corporate tax rate from a progressive tax rate of up to 35% to a fixed rate of 21% effective January 1, 2018. During the nine-month period ended July 29, 2018, this decrease reduced previously recognized deferred tax assets by \$36.6 million. This deferred tax expense was calculated considering the estimated enacted tax rate upon reversal of temporary differences.

The Corporation's U.S. income tax provision for the three-month and nine-month periods ended July 28, 2019, as well as the resulting tax assets and liabilities, have been determined based on the Internal Revenue Code and related regulations currently in force. The U.S. Treasury Department, the Internal Revenue Service ("IRS") and other standard-setting bodies will eventually issue guidelines (which could potentially apply retroactively) on how the provisions of the Act will be applied or administered. These guidelines could lead to an interpretation that is very different from ours. As these guidelines are issued by the IRS or any other standard-setting bodies, we will be able to re-analyze the relevant data and potentially have to adjust recorded amounts. These adjustments could affect our financial position, operating results and effective tax rate in the period in which they are made. During the three-month period ended July 28, 2019, a new guideline was adopted. The retroactive application of this guideline reduced previously recognized deferred tax assets by \$30.2 million.

11 LONG-TERM DEBT

Issuance of term loans and repayment of senior unsecured notes

During the nine-month period ended July 28, 2019, the Corporation entered into an agreement to issue two new tranches G and H of term loans, each amounting to \$150.0 million. These new tranches bear interest at the bankers' acceptance rate plus an applicable margin of 1.20% to 1.45%, payable monthly or quarterly depending on the rate selected, are repayable at any time and have a maturity of 24 and 36 months, depending on the tranche. Issuance costs totalling \$0.5 million were incurred and recorded against long-term debt, and will be amortized using the effective interest method over the duration of the term loans.

On May 13, 2019, the Corporation repaid the senior unsecured notes amounting to \$250.0 million that matured on that same date with a portion of the funds available under the tranches G and H of term loans issued during the nine-month period ended July 28, 2019.

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11 LONG-TERM DEBT (CONTINUED)

Credit facilities

On January 23, 2019, the Corporation extended the maturity of its credit facility (the "Existing Credit Facilities") with an available amount of \$400.0 million or the U.S. dollar equivalent, by one additional year, until February 2024, on the same terms. The Existing Credit Facilities bear interest at a rate based on the credit rating assigned to the Corporation. According to the current credit rating, the rate is either the bankers' acceptance rate or LIBOR, plus 1.675%, or the Canadian prime rate or U.S. base rate, plus 0.675%.

During the nine-month period ended July 28, 2019, the Corporation entered into an agreement for a new credit facility with a maximum amount of US\$25.0 million, bearing interest at LIBOR plus a margin of 1.10% and maturing in March 2020.

As at July 28, 2019, an amount of \$7.2 million had been drawn on the credit facilities, and the unused amount under the credit facilities was \$425.7 million.

Hedging instruments

As at July 28, 2019, an amount of US\$95.0 million (\$127.0 million) of the term loans and Existing Credit Facilities denominated in U.S. dollars had been designated by the Corporation as hedging instruments of its net investments in foreign operations. Consequently, during the three-month and nine-month periods ended July 28, 2019, foreign exchange gains and losses of \$2.8 million and \$4.6 million, respectively, were reclassified to other comprehensive income.

During the three-month and nine-month periods ended July 28, 2019, the Corporation entered into interest rate swaps as a hedge against risks related to future fluctuations of interest rates for an amount of US\$75.0 million and US\$450.0 million, respectively, of certain of its term loans until their respective maturities. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the three-month and nine-month periods ended July 28, 2019, the change in fair value of these hedging instruments, amounting to \$7.4 million and \$12.0 million, respectively, was recognized in other comprehensive income.

The Corporation must comply with certain restrictive covenants, including maintaining certain financial ratios. During the three-month and nine-month periods ended July 28, 2019, the Corporation has not been in default under any covenants.

12 OTHER LIABILITIES

The components of other liabilities are as follows:

	Note	As at July 28, 2019	As at October 28, 2018
Deferred revenues		\$ 17.1	\$ 21.8
Accrued liabilities and other liabilities		24.2	24.4
Stock-based compensation	15	8.1	11.0
Defined benefit liability		70.9	63.0
Derivative financial instruments		0.4	0.1
		\$ 120.7	\$ 120.3

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13 SHARE CAPITAL

The following table presents changes in the Corporation's share capital for the nine-month period ended July 28, 2019:

	Number of shares	Amount
Class A Subordinate Voting Shares		
Balance as at October 28, 2018	73,359,454	\$ 623.4
Conversion of Class B Shares into Class A Subordinate Voting Shares	—	—
Income taxes on share issuance costs	—	(0.5)
Balance as at July 28, 2019	73,359,454	622.9
Class B Shares		
Balance as at October 28, 2018	13,980,926	19.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	—	—
Balance as at July 28, 2019	13,980,926	19.0
	87,340,380	\$ 641.9

Share redemptions

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

During the nine-month period ended July 28, 2019, the Corporation did not repurchase any of its Class A Subordinate Voting Shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at July 28, 2019.

During the nine-month period ended July 29, 2018, the Corporation repurchased and cancelled 529,610 of its Class A Subordinate Voting Shares at a weighted average price of \$24.50, for a total cash consideration of \$12.9 million. The excess of the total consideration paid over the carrying amount of the shares, in the amount of \$10.0 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at July 29, 2018.

Dividends

Dividends of \$0.22 and \$0.21 per share were declared and paid to holders of shares for the three-month periods ended July 28, 2019 and July 29, 2018, respectively. Dividends of \$0.65 and \$0.62 per share were declared and paid to holders of shares for the nine-month periods ended July 28, 2019 and July 29, 2018, respectively.

14 NET EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Numerator				
Net earnings	\$ 3.4	\$ 19.3	\$ 53.8	\$ 146.4
Denominator (in millions)				
Weighted average number of shares outstanding - basic	87.3	87.6	87.3	80.7
Dilutive effect of stock options	0.1	0.1	0.1	0.1
Weighted average number of shares - diluted	87.4	87.7	87.4	80.8

As at July 28, 2019 and July 29, 2018, all stock options are included in the calculation of the diluted net earnings per share due to their potential dilutive effect.

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15 STOCK-BASED COMPENSATION

Share unit plan for certain officers and senior executives

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

The following table presents the changes in the plan's status for the nine-month period ended July 28, 2019:

	Number of units	
	DSU	RSU
Balance as at October 28, 2018	308,035	894,900
Units granted	123,008	396,732
Units cancelled	(1,605)	(32,077)
Units paid	—	(354,835)
Dividends paid in units	14,931	31,341
Balance as at July 28, 2019	444,369	936,061

As at July 28, 2019, the liability related to the share unit plan for certain officers and senior executives was \$11.6 million (\$18.1 million as at October 28, 2018). The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 28, 2019 were \$0.7 million and \$0.8 million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 29, 2018 were 5.0 million and \$9.1 million, respectively. An amount of \$7.3 million was paid under this plan for the three-month and nine-month periods ended July 28, 2019. An amount of \$9.9 million was paid under this plan for the nine-month period ended July 29, 2018.

Share unit plan for directors

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

The following table presents the changes in the plan's status for the nine-month period ended July 28, 2019:

	Number of units	
	DSU	RSU
Balance as at October 28, 2018		249,268
Directors' compensation		37,431
Units paid		(20,903)
Dividends paid in units		9,488
Balance as at July 28, 2019		275,284

As at July 28, 2019, the liability related to the share unit plan for directors was \$4.2 million (\$5.4 million as at October 28, 2018). The expense (gain) recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 28, 2019 were nil and \$(0.5) million, respectively. The expenses recorded in the Consolidated Statements of Earnings for the three-month and nine-month periods ended July 29, 2018 were \$1.0 million and \$1.4 million, respectively. Amounts of \$0.1 million and \$0.7 million were paid under this plan for the three-month and nine-month periods ended July 28, 2019, respectively. An amount of \$1.5 million was paid under this plan for the nine-month period ended July 29, 2018.

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16 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 28, 2018	\$ 0.2	\$ 2.4	\$ 33.1	\$ (24.9)	\$ 10.8
Net change in gains (losses), net of income taxes	(8.7)	(0.6)	5.6	(5.2)	(8.9)
Balance as at July 28, 2019	\$ (8.5)	\$ 1.8	\$ 38.7	\$ (30.1)	\$ 1.9
Balance as at October 29, 2017	\$ 1.0	\$ 2.9	\$ 18.8	\$ (28.2)	\$ (5.5)
Net change in gains (losses), net of income taxes	(1.0)	(0.4)	12.8	6.2	17.6
Balance as at July 29, 2018	\$ —	\$ 2.5	\$ 31.6	\$ (22.0)	\$ 12.1

As at July 28, 2019, the amounts expected to be reclassified to net earnings in future years are as follows:

	2019	2020 and later	Total
Net change in the fair value of derivatives designated as cash flow hedges	\$ 0.2	\$ (11.8)	\$ (11.6)
Income taxes	—	(3.1)	(3.1)
	\$ 0.2	\$ (8.7)	\$ (8.5)

Actuarial gains (losses) on defined benefit plans

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

	Three months ended		Nine months ended	
	July 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Actuarial gains (losses) on obligation - change in discount rate	\$ (31.2)	\$ (0.2)	\$ (86.9)	\$ 10.1
Actuarial gains (losses) on plan assets - excluding interest income	32.6	9.3	80.6	(1.5)
Effect of the asset ceiling	(0.9)	(0.4)	(0.9)	0.2
	\$ 0.5	\$ 8.7	\$ (7.2)	\$ 8.8

Actuarial losses on obligation recognized in the Statements of Comprehensive Income for the nine-month period ended July 28, 2019 are explained by the change in the discount rate, which decreased from 3.9% as at October 28, 2018 to 3.0% as at July 28, 2019 in Canada, and from 4.25% as at October 28, 2018 to 3.60% as at July 28, 2019 in the United States. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were overall greater than expected returns for the three-month and nine-month periods ended July 28, 2019.

Actuarial gains on obligation recognized in Statements of Comprehensive Income for the three-month and nine-month periods ended July 29, 2018 are explained by the change in the discount rate, which increased from 3.6% as at October 29, 2017 to 3.7% as at July 29, 2018 in Canada, and remained constant at 4.25% between May 1, 2018 and July 29, 2018 in the United States. Actuarial gains (losses) on plan assets are due to actual rates of return on assets that were greater than expected for the three-month period ended July 29, 2018 and overall lower than expected for the nine-month period ended July 29, 2018.

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17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The only financial instruments of the Corporation that are measured at fair value on a recurring basis subsequent to their initial recognition are derivative financial instruments, including foreign exchange forward contracts, interest rate swap contracts and contingent considerations payable related to business combinations. The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. The valuation model 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

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

	As at July 28, 2019		As at October 28, 2018	
	Fair value	Carrying amount	Fair value	Carrying amount
Foreign exchange forward contracts in assets	\$ 1.4	\$ 1.4	\$ 1.7	\$ 1.7
Contingent considerations	(16.1)	(16.1)	(15.6)	(15.6)
Long-term debt	(1,452.5)	(1,393.7)	(1,472.6)	(1,461.0)
Interest rate swap contracts in liabilities	(12.0)	(12.0)	—	—
Foreign exchange forward contracts in liabilities	(1.0)	(1.0)	(0.7)	(0.7)

These financial instruments are classified in Level 2 of the fair value hierarchy, except for contingent considerations payable with respect to business combinations, which are classified in Level 3. During the nine-month period ended July 28, 2019, no financial instruments were transferred between Levels 1, 2 and 3.

Sensitivity analysis of the Level 3 financial instruments

As at July 28, 2019, 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 \$6.1 million. A 10% decrease in expected financial performance thresholds would have resulted in an increase in net earnings of \$8.1 million.

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

	July 28, 2019
Balance, beginning of period	\$ (15.6)
Change included in net earnings	(0.4)
Exchange rate change	(0.1)
Balance, end of period	\$ (16.1)

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18 SUBSEQUENT EVENTS

Sale of Fremont building

On September 3, 2019, the Corporation announced the sale of its Fremont, California building to Hearst for a cash consideration of US\$75.0 million (\$99.7 million). The Corporation had already transferred to Hearst the printing operations of its Fremont, California facility in April 2018.

The pending transaction is subject to customary closing conditions and is expected to close during the fourth quarter of the year ending October 27, 2019.

As at July 28, 2019, based on the status of negotiations between the Corporation and Hearst, the building, which was previously presented as an Investment property, was reclassified to Assets available for sale for an amount equal to its net book value of \$55.2 million.