tc • TRANSCONTINENTAL

Press Release

For Immediate Release

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

Highlights

- Revenues of $705.8 million; operating earnings of $40.8 million; and net earnings attributable to shareholders of the Corporation of $6.4 million ($0.07 per share).
- Adjusted operating earnings before depreciation and amortization[1] of $109.0 million, adjusted operating earnings[1] of $72.1 million, and adjusted net earnings attributable to shareholders of the Corporation[1] of $42.8 million ($0.49 per share).
- Improvement in net indebtedness ratio[1] to 2.3x (2.0x excluding the impact of IFRS 16[2]) following the sale to Hood Packaging Corporation of its paper and woven polypropylene packaging operations for US$180 million (C$235.1 million).
- Acquired Artisan Complete Limited, a company specialized in in-store marketing, enabling TC Transcontinental to continue enhancing its product offering in this promising vertical.
- Created a Recycling Group within TC Transcontinental Packaging to vertically integrate the recycling of plastics in its packaging production chain.
- Increased the annual dividend by 2.3% to $0.90 per share.
- Increased the maximum number of Class A Subordinate Voting Shares that may be repurchased under its normal course issuer bid from 1,000,000 to 2,000,000 shares.

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

(2) The Corporation adopted IFRS 16 using the modified retrospective transition method. Under this method, the net indebtedness ratio calculation includes the total impact of IFRS 16 on the numerator and the partial impact on the denominator. For comparison purposes, the ratio excluding the impact of IFRS 16 was calculated.

Montréal, February 27, 2020 - Transcontinental Inc. (TSX: TCL.A TCL.B) announces its results for the first quarter of fiscal 2020, which ended January 26, 2020.

"I am pleased with the Printing Sector's performance in the first quarter of 2020, said François Olivier, President and Chief Executive Officer of TC Transcontinental. The cost reduction measures put in place in the last few quarters have delivered results. In addition, the integration of our two most recent acquisitions in the promising in-store marketing vertical is progressing.

"In our Packaging Sector, a decline in our paper packaging operations, which were sold to Hood Packaging Corporation around the end of the quarter, as well as the decrease in the price of resin led to lower revenues. However, our profit margins increased compared to last year, and we will continue to gradually improve them during the year, in particular by realizing synergies and efficiency gains.

"The creation of the Recycling Group aims to vertically integrate the recycling of plastics in our packaging production chain, ultimately ensuring a stable procurement of this material for us. This decision stems from our desire, and that of many customers, to differentiate ourselves with an offering of eco-responsible packaging products containing recycled plastic, to accelerate its development and to create a truly circular economy for plastic that will bring further benefits for the environment and for communities.

"To conclude, we are diligently pursuing our transformation, and the solid cash flows generated enabled us to significantly reduce our indebtedness and increase our dividend while providing us with the flexibility needed to pursue strategic and targeted acquisitions."

Financial Highlights

(in millions of dollars, except per share amounts)	**Q1 - 2020**	Q1 - 2019	Variation in %
Revenues	**$705.8**	$751.6	(6.1) %
Operating earnings before depreciation and amortization (2)	**95.7**	103.7	(7.7)
Adjusted operating earnings before depreciation and amortization (1) (2)	**109.0**	108.1	0.8
Operating earnings (2)	**40.8**	53.6	(23.9)
Adjusted operating earnings (1) (2)	**72.1**	76.7	(6.0)
Net earnings attributable to shareholders of the Corporation (2)	**6.4**	28.1	(77.2)
Net earnings attributable to shareholders of the Corporation per share (2)	**0.07**	0.32	(78.1)
Adjusted net earnings attributable to shareholders of the Corporation (1) (2)	**42.8**	45.5	(5.9)
Adjusted net earnings per share attributable to shareholders of the Corporation (1) (2)	**0.49**	0.52	(5.8)

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

2020 First Quarter Results

Revenues decreased by $45.8 million, or 6.1%, from $751.6 million in the first quarter of 2019 to $705.8 million in the corresponding period of 2020. This decrease is partially due to a decline in our recently sold paper packaging operations. Excluding the paper packaging operations, the organic decline would have been $8.0 million, or 2.0%. This decline is mainly due to the decrease in raw material costs and the impact of temporary legislative changes on the agricultural packaging product offering. The decline in the Printing Sector and the sale of the specialty media assets and event planning activities also contributed to the decrease in consolidated revenues.

Operating earnings decreased by $12.8 million, or 23.9%, from $53.6 million in the first quarter of 2019 to $40.8 million in the first quarter of 2020. This decrease is mostly due to the increase in restructuring and other non-recurring costs resulting mainly from the sale of the paper packaging operations and operational efficiency initiatives in the Printing Sector.

Adjusted operating earnings decreased by $4.6 million, or 6.0%, from $76.7 million to $72.1 million. This decrease is partly attributable to lower revenues in our paper packaging operations, the sale of specialty media assets and event planning activities, and an increase in head office costs. The decrease is partially offset by higher profitability in the Printing Sector and the synergies achieved in the Packaging Sector.

Net earnings attributable to shareholders of the Corporation decreased by $21.7 million, or 77.2%, from $28.1 million in the first quarter of 2019 to $6.4 million in the first quarter of 2020. This decrease is mainly due to an increase in income taxes caused mostly by gains on a tax basis resulting from the sale of the paper packaging operations and the previously explained increase in restructuring and other costs. On a per share basis, net earnings attributable to shareholders of the Corporation went from $0.32 to $0.07.

Adjusted net earnings attributable to shareholders of the Corporation decreased by $2.7 million, or 5.9%, from $45.5 million in the first quarter of 2019 to $42.8 million in the first quarter of 2020. This decrease is mostly due to the previously explained lower adjusted operating earnings and the increase in adjusted income taxes, partially offset by the decrease in financial expenses. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from $0.52 to $0.49.

Outlook

In the Packaging Sector, after normalizing the impact of the sale of our paper packaging operations and the price of resin, we expect a slight organic growth in revenues, especially in the second half of the year. We also continue to expect an increase in our profit margins as a result of operational synergies and the disposal of our paper packaging operations, which generated lower margins.

In the Printing Sector, we expect that an organic decline will continue to affect the majority of our verticals, but that the reduction in flyer printing volume should be less significant than in 2019. The acquisitions of Holland & Crosby Limited and Artisan Complete Limited, combined with the anticipated growth of book and in-store marketing product printing activities, will help partially offset this organic decline. Lastly, our operational efficiency initiatives will have a positive impact in fiscal 2020, which should mitigate the effect of the decrease in volume on operating earnings.

To conclude, we expect to continue generating significant cash flows from all our operating activities, which gives us the confidence needed to increase the dividend while enabling us to reduce our net indebtedness and providing us with the desired flexibility to continue our transformation through strategic and targeted acquisitions.

Non-IFRS Financial Measures

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

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

Terms Used	Definitions
Adjusted revenues	Revenues before the accelerated recognition of deferred revenues (1)
Adjusted operating earnings before depreciation and amortization	Operating earnings before depreciation and amortization as well as the accelerated recognition of deferred revenues (1), restructuring and other costs (gains), impairment of assets and the reversal of the fair value adjustment of inventory sold arising from business combinations
Adjusted operating earnings margin before depreciation and amortization	Adjusted operating earnings before depreciation and amortization divided by adjusted revenues
Adjusted operating earnings	Operating earnings before the accelerated recognition of deferred revenues (1), 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 attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation 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, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization

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

Reconciliation of Non-IFRS Financial Measures

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

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

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

Reconciliation of operating earnings - First quarter

	Three months ended	
(in millions of dollars)	**January 26, 2020**	January 27, 2019
Operating earnings	**$40.8**	$53.6
Restructuring and other costs	**13.3**	4.4
Amortization of intangible assets arising from business combinations (1)	**18.0**	18.7
Adjusted operating earnings	**$72.1**	$76.7
Depreciation and amortization (2)	**36.9**	31.4
Adjusted operating earnings before depreciation and amortization	**$109.0**	$108.1

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

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

	Three months ended			
	January 26, 2020		January 27, 2019	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings attributable to shareholders of the Corporation	**$6.4**	**$0.07**	$28.1	$0.32
Restructuring and other costs, net of related income taxes	**22.8**	**0.26**	3.3	0.04
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**13.6**	**0.16**	14.1	0.16
Adjusted net earnings attributable to shareholders of the Corporation	**$42.8**	**$0.49**	$45.5	$0.52

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

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	**As at January 26, 2020**	As at October 27, 2019
Long-term debt	**$1,236.7**	$1,381.9
Current portion of long-term debt	**148.5**	1.2
Lease liabilities (1)	**112.1**	—
Current portion of lease liabilities (1)	**20.0**	—
Cash	**(424.6)**	(213.7)
Net indebtedness (1)	**$1,092.7**	$1,169.4
Adjusted operating earnings before depreciation and amortization (last 12 months) (1)	**$476.7**	$475.8
Net indebtedness ratio (1)	**2.3 x**	2.5 x

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

Dividend

The Corporation's Board of Directors declared a quarterly dividend of $0.225 per share on Class A Subordinate Voting Shares and Class B Shares. This dividend is payable on April 7, 2020 to shareholders of record at the close of business on March 23, 2020. The Corporation also increased the dividend per participating share by 2.3%, or $0.02, thus raising the annual dividend from $0.88 to $0.90 per share. This increase reflects TC Transcontinental's solid financial position as well as the Corporation's confidence in its ability to generate solid cash flows.

Normal Course Issuer Bid

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

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

Additional information

Annual General Meeting of Shareholders

Transcontinental Inc. will hold its Annual General Meeting of shareholders today at 2 p.m., at the Saint James's Club, 1145 Union Avenue, Montréal. Those who are unable to attend the meeting will have access to a webcast (audio only) as of February 28 on the "Presentations and Events" page of the "Investors" section of the Corporation's website at www.tc.tc.

Conference Call

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

Profile

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

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

Transcontinental Inc. (TSX: TCL.A TCL.B), known as TC Transcontinental, has over 8,700 employees, the majority of which are based in Canada, the United States and Latin America. TC Transcontinental had revenues of more than C$3.0 billion for the fiscal year ended October 27, 2019. For more information, visit TC Transcontinental's website at www.tc.tc.

Forward-looking Statements

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. Forward-looking statements may include observations concerning the Corporation's objectives, strategy, anticipated financial results and business outlook. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. These factors include, but are not limited to, the economic situation in the world, structural changes in the industries in which the Corporation operates, the exchange rate, availability of capital at a reasonable rate, bad debts from certain customers, import and export controls, raw materials and transportation costs, competition, the Corporation's ability to generate organic growth in its Packaging Sector, the Corporation's ability to identify and engage in strategic transactions and effectively integrate acquisitions into its activities without affecting its growth and its profitability, while achieving the expected synergies, the political and social environment as well as regulatory and legislative changes, in particular with regard to the environment and door-to-door distribution, changes in consumption habits related, in particular, to issues involving sustainable development and the use of certain products or services such as door-to-door distribution, the impact of digital product development and adoption on the demand for retailer-related services and other printed products, change in consumption habits or loss of a major customer, the impact of customer consolidation, the safety and quality of its packaging products used in the food industry, innovation of its offering, the protection of its intellectual property rights, concentration of its sales in certain segments, cybersecurity and data protection, the inability to maintain or improve operational efficiency and avoid disruptions that could affect its ability to meet deadlines, recruiting and retaining qualified personnel in certain geographic areas and industry sectors, taxation, interest rates and indebtedness level. The main risks, uncertainties and factors that could influence actual results are described in the *Management's Discussion and Analysis for the year ended October 27, 2019* and in the latest *Annual Information Form*.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or entered into after the date of February 27, 2020.

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

The forward-looking statements in this release are based on current expectations and information available as at February 27, 2020. Such forward-looking information may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the first quarter ended January 26, 2020

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

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

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

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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 attributable to shareholders of the Corporation	Net earnings attributable to shareholders of the Corporation 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, of current portion of long-term debt, of lease liabilities and of current portion of lease liabilities, less cash
Net indebtedness ratio	Net indebtedness divided by the last 12 months' adjusted operating earnings before depreciation and amortization

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

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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 February 27, 2020.

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

The forward-looking statements in this Management's Discussion and Analysis are based on current expectations and information available as at February 27, 2020. Such forward-looking statements may also be found in other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

PROFILE OF TC TRANSCONTINENTAL

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

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HIGHLIGHTS - FIRST QUARTER

Table #1:

(in millions of dollars, except per share amounts)	**Q1 - 2020**	Q1 - 2019	Variation in $	Variation in %
Revenues	**$705.8**	$751.6	($45.8)	(6.1) %
Operating earnings before depreciation and amortization (2)	**95.7**	103.7	(8.0)	(7.7)
Adjusted operating earnings before depreciation and amortization (1) (2)	**109.0**	108.1	0.9	0.8
Operating earnings (2)	**40.8**	53.6	(12.8)	(23.9)
Adjusted operating earnings (1) (2)	**72.1**	76.7	(4.6)	(6.0)
Net earnings attributable to shareholders of the Corporation (2)	**6.4**	28.1	(21.7)	(77.2)
Net earnings attributable to shareholders of the Corporation per share (2)	**0.07**	0.32	(0.25)	(78.1)
Adjusted net earnings attributable to shareholders of the Corporation (1) (2)	**42.8**	45.5	(2.7)	(5.9)
Adjusted net earnings per share attributable to shareholders of the Corporation (1) (2)	**0.49**	0.52	(0.03)	(5.8)

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

- Revenues of $705.8 million; operating earnings of $40.8 million; and net earnings attributable to shareholders of the Corporation of $6.4 million ($0.07 per share).
- Adjusted operating earnings before depreciation and amortization of $109.0 million, adjusted operating earnings of $72.1 million, and adjusted net earnings attributable to shareholders of the Corporation of $42.8 million ($0.49 per share).
- Improvement in net indebtedness ratio to 2.3x (2.0x excluding the impact of IFRS 16(1)) following the sale to Hood Packaging Corporation of its paper and woven polypropylene packaging operations for US$180 million (C$235.1 million).
- Acquired Artisan Complete Limited, a company specialized in in-store marketing, enabling TC Transcontinental to continue enhancing its product offering in this promising vertical.
- Created a Recycling Group within TC Transcontinental Packaging to vertically integrate the recycling of plastics in its packaging production chain.
- Increased the annual dividend by 2.3% to $0.90 per share.
- Increased the maximum number of Class A Subordinate Voting Shares that may be repurchased under its normal course issuer bid from 1,000,000 to 2,000,000 shares.

(1) The Corporation adopted IFRS 16 using the modified retrospective transition method. Under this method, the net indebtedness ratio calculation includes the total impact of IFRS 16 on the numerator and the partial impact on the denominator. For comparison purposes, the ratio excluding the impact of IFRS 16 was calculated.

IMPACT OF NEW ACCOUTING STANDARD IFRS 16 "LEASES"

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

The Corporation elected to adopt IFRS 16 using the modified retrospective transition method, whereby the cumulative impact of initial application is reflected in opening retained earnings as at October 28, 2019, without restatement of comparative figures. Consequently, corresponding figures for fiscal 2019 will continue to be reported under IAS 17 and the related IFRIC 4 interpretations. Please refer to Note 2 of the unaudited condensed interim consolidated financial statements for more information and to the following tables to quantify the impact of the adoption of this standard.

Table #2:

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

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

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

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

(in millions of Canadian dollars)	Three months ended January 26, 2020
Increase in adjusted operating earnings before depreciation and amortization	
Printing	$2.4
Packaging	2.1
Other	1.1
Consolidated	**$5.6**
Increase in net financial expenses	**$0.8**
Increase in depreciation	**$4.7**

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(unaudited)

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

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

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

Table #3:

Reconciliation of operating earnings - First quarter

	Three months ended	
(in millions of dollars)	**January 26, 2020**	January 27, 2019
Operating earnings	**$40.8**	$53.6
Restructuring and other costs	**13.3**	4.4
Amortization of intangible assets arising from business combinations (1)	**18.0**	18.7
Adjusted operating earnings	**$72.1**	$76.7
Depreciation and amortization (2)	**36.9**	31.4
Adjusted operating earnings before depreciation and amortization	**$109.0**	$108.1

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

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

	Three months ended			
	January 26, 2020		January 27, 2019	
(in millions of dollars, except per share amounts)	**Total**	**Per share**	Total	Per share
Net earnings attributable to shareholders of the Corporation	**$6.4**	**$0.07**	$28.1	$0.32
Restructuring and other costs, net of related income taxes	**22.8**	**0.26**	3.3	0.04
Amortization of intangible assets arising from business combinations, net of related income taxes (1)	**13.6**	**0.16**	14.1	0.16
Adjusted net earnings attributable to shareholders of the Corporation	**$42.8**	**$0.49**	$45.5	$0.52

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

Reconciliation of net indebtedness

(in millions of dollars, except ratios)	**As at January 26, 2020**	As at October 27, 2019
Long-term debt	**$1,236.7**	$1,381.9
Current portion of long-term debt	**148.5**	1.2
Lease liabilities (1)	**112.1**	—
Current portion of lease liabilities (1)	**20.0**	—
Cash	**(424.6)**	(213.7)
Net indebtedness (1)	**$1,092.7**	$1,169.4
Adjusted operating earnings before depreciation and amortization (last 12 months) (1)	**$476.7**	$475.8
Net indebtedness ratio (1)	**2.3 x**	2.5 x

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

ANALYSIS OF CONSOLIDATED RESULTS - QUARTER

Revenues

Revenues decreased by $45.8 million, or 6.1%, from $751.6 million in the first quarter of 2019 to $705.8 million in the corresponding period of 2020. This decrease is partially due to a decline in the recently sold paper packaging operations. In addition, the decline in the Printing Sector and the sale of the specialty media assets and event planning activities also contributed to this decrease. A more detailed analysis of revenues is presented in the section "Analysis of Sector Results - First Quarter".

Operating and Other Expenses

Operating expenses decreased by $46.7 million, or 7.3%, in the first quarter of 2020 compared to the corresponding period in 2019. This decrease results from lower revenues in the two principal operating sectors combined with the favourable impact of the synergies achieved in the Packaging Sector and operational efficiency initiatives put in place in the Printing Sector. In addition, the adoption of IFRS 16 had a favourable impact of $5.6 million.

Restructuring and other costs increased by $8.9 million, from an expense of $4.4 million in the first quarter of 2019 to an expense of $13.3 million in the first quarter of 2020. The variance is mainly due to costs related to the sale of the paper packaging operations and the costs of operational efficiency initiatives put in place in the Printing Sector.

Depreciation and amortization increased by $4.8 million, from $50.1 million in the first quarter of 2019 to $54.9 million in the first quarter of 2020. This increase is mostly due to the adoption of IFRS 16, which had a $4.7 million impact in the first quarter of 2020.

Operating Earnings

Operating earnings decreased by $12.8 million, or 23.9%, from $53.6 million in the first quarter of 2019 to $40.8 million in the first quarter of 2020, mostly due to the increase in restructuring and other costs.

Adjusted operating earnings decreased by $4.6 million, or 6.0%, from $76.7 million to $72.1 million. A more detailed analysis of adjusted operating earnings is presented in the section "Analysis of Sector Results - First Quarter".

Net Financial Expenses

Net financial expenses decreased by $3.7 million, from $17.7 million in the first quarter of 2019 to $14.0 million in the first quarter of 2020, due to a reduction in net indebtedness during the year and a lower weighted average interest rate, partially offset by an increase of $0.8 million related to the adoption of IFRS 16.

Income Taxes

Income taxes increased by $12.5 million, from $7.8 million in the first quarter of 2019 to $20.3 million in the first quarter of 2020. This increase is mainly due to the income tax expense on taxable income (tax basis) resulting from the sale of the paper packaging operations in January 2020 for an amount of $11.7 million. Adjusted income taxes went from $13.5 million in the first quarter of 2019, for an effective tax rate of 22.8%, to $15.2 million in the first quarter of 2020, for an effective tax rate of 26.1%. This increase in tax rate is mostly attributable to the geographic distribution of earnings before income taxes.

Net Earnings Attributable To Shareholders Of The Corporation

Net earnings attributable to shareholders of the Corporation decreased by $21.7 million, or 77.2%, from $28.1 million in the first quarter of 2019 to $6.4 million in the first quarter of 2020. This decrease is mainly due to the increase in income taxes and restructuring and other costs. On a per share basis, net earnings attributable to shareholders of the Corporation went from $0.32 to $0.07.

Adjusted net earnings attributable to shareholders of the Corporation decreased by $2.7 million, or 5.9%, from $45.5 million in the first quarter of 2019 to $42.8 million in the first quarter of 2020. This decrease is mostly due to lower adjusted operating earnings and the increase in adjusted income taxes, partially offset by the decrease in financial expenses. On a per share basis, adjusted net earnings attributable to shareholders of the Corporation went from $0.52 to $0.49.

ANALYSIS OF SECTOR RESULTS - FIRST QUARTER

(unaudited)

Table #4:

(in millions of dollars)	Packaging	Printing	Other	Consolidated results
Revenues - First quarter of 2019	**$395.0**	**$336.8**	**$19.8**	**$751.6**
Acquisitions/disposals and closures	(1.6)	6.2	(8.4)	(3.8)
Existing operations				
Exchange rate effect	(2.9)	0.1	—	(2.8)
Organic growth (decline)	(19.0)	(17.3)	(2.9)	(39.2)
Revenues - First quarter of 2020	**$371.5**	**$325.8**	**$8.5**	**$705.8**
Adjusted operating earnings (1) - First quarter of 2019	**$29.2**	**$50.8**	**($3.3)**	**$76.7**
Acquisitions/disposals and closures	0.2	0.2	(1.4)	(1.0)
Existing operations				
IFRS 16	0.1	0.4	0.4	0.9
Exchange rate effect	(0.3)	0.1	—	(0.2)
Stock-based compensation	—	—	0.5	0.5
Organic growth (decline)	(1.6)	0.3	(3.5)	(4.8)
Adjusted operating earnings (1) - First quarter of 2020	**$27.6**	**$51.8**	**($7.3)**	**$72.1**

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

Packaging Sector

Packaging Sector revenues decreased by $23.5 million, or 5.9%, from $395.0 million in the first quarter of 2019 to $371.5 million in the first quarter of 2020. Excluding the paper packaging operations, which were sold in January 2020, the organic decline would have been $8.0 million, or 2.0%. This decline is mainly due to the decrease in raw material costs and the impact of temporary legislative changes on the agricultural packaging product offering. With respect to the impact of acquisitions/disposals and closures, the sale of the paper packaging operations in mid-January created a $7.5 million unfavourable effect due to the inclusion of revenues from the paper packaging operations for a lower number of days in the first quarter of 2020 compared to the corresponding period in 2019. The above mentioned disposal impact was partially offset by the acquisition of Trilex.

Adjusted operating earnings decreased by $1.6 million, from $29.2 million in the first quarter of 2019 to $27.6 million in the first quarter of 2020. The impact of lower revenues on adjusted operating earnings was mitigated by a decrease in the paper packaging segment, which generates a lower margin than the other segments, as well as the decrease in raw material costs, which had no material effect on adjusted operating earnings. In addition, the synergies achieved in the Sector also mitigated the impact of lower revenues. The Sector's adjusted operating earnings margin remained at 7.4% in the first quarter of 2020 compared to the first quarter of 2019.

Printing Sector

Printing Sector revenues decreased by $11.0 million, or 3.3%, from $336.8 million in the first quarter of 2019 to $325.8 million in the first quarter of 2020. The organic decline of $17.3 million is mostly explained by the significant drop in newspaper and magazine printing volume and, to a lesser extent, a decrease in volume in the retailer-related service offering. Book and in-store marketing product printing activities partially offset this decrease. In addition, the acquisition of Holland & Crosby Limited and Artisan Complete Limited had a positive impact on revenues.

Adjusted operating earnings increased by $1.0 million, or 2.0%, from $50.8 million in the first quarter of 2019 to $51.8 million in the first quarter of 2020. The organic growth, amounting to $0.3 million, was mainly related to operating efficiency initiatives that offset the previously explained decline in revenues. The Sector's adjusted operating earnings margin went from 15.1% in the first quarter of 2019 to 15.9% in the first quarter of 2020.

Other

Revenues decreased by $11.3 million, from $19.8 million in the first quarter of 2019 to $8.5 million in the first quarter of 2020. This decrease is mostly due to the sale of the specialty media assets and event planning activities and timing differences in revenues in our educational book offering.

Adjusted operating earnings decreased by $4.0 million, from $(3.3) million in the first quarter of 2019 to $(7.3) million in the first quarter of 2020, mainly due to the sale of the specialty media assets and event planning activities and the increase in head office costs.

SUMMARY OF QUARTERLY RESULTS

(unaudited)

Table #5 summarizes selected consolidated financial information derived from the Corporation's unaudited condensed interim consolidated financial statements and some non-IFRS financial measures for each of the last eight quarters.

Table #5:

	2020	2019				2018		
(in millions of dollars, except per share amounts)	**Q1**	Q4	Q3	Q2	**Q1**	Q4	Q3	Q2
Revenues	**$705.8**	$790.9	$728.9	$767.4	**$751.6**	$829.2	$757.9	$534.7
Adjusted Revenues	**705.8**	779.2	728.9	767.4	**751.6**	829.2	757.9	472.4
Operating earnings before depreciation and amortization (2)	**95.7**	206.9	107.2	93.7	**103.7**	153.6	89.7	138.7
Adjusted operating earnings before depreciation and amortization (1) (2)	**109.0**	139.1	112.9	115.7	**108.1**	162.2	116.4	89.7
Adjusted operating earnings margin before depreciation and amortization (1) (2)	**15.4 %**	17.9 %	15.5 %	15.1 %	**14.4 %**	19.6 %	15.4 %	19.0 %
Operating earnings(2)	**$40.8**	$156.2	$56.6	$43.1	**$53.6**	$105.5	$39.6	$99.0
Adjusted operating earnings (1) (2)	**72.1**	106.8	80.9	83.6	**76.7**	131.6	84.6	70.3
Adjusted operating earnings margin (1) (2)	**10.2 %**	13.7 %	11.1 %	10.9 %	**10.2 %**	15.9 %	11.2 %	14.9 %
Net earnings attributable to shareholders of the Corporation (2)	**$6.4**	$112.3	$3.4	$22.3	**$28.1**	$67.0	$ 19.3	$68.9
Net earnings attributable to shareholders of the Corporation per share (2)	**0.07**	1.28	0.04	0.26	**0.32**	0.76	0.22	0.89
Adjusted net earnings attributable to shareholders of the Corporation (1) (2)	**42.8**	69.9	52.2	52.6	**45.5**	87.0	52.1	48.5
Adjusted net earnings attributable to shareholders of the Corporation per share (1) (2)	**0.49**	0.80	0.60	0.60	**0.52**	0.99	0.59	0.63
% of fiscal year	**- %**	31 %	24 %	24 %	**21 %**	35 %	20 %	22 %

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

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

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

Excluding the impact of the above-mentioned items, we can note a decrease in revenues, which is mainly due to a decline in Printing Sector and Packaging Sector revenues, mostly caused by the sale of the paper packaging operations. The adjusted operating earnings margin before depreciation and amortization is trending downwards as a result of the transformation of the business and, accordingly, the greater proportion represented by the Packaging Sector, which generates lower profit margins than the Printing Sector.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL STRUCTURE

(unaudited)

Table #6:

	Three months ended	
(in millions of dollars)	**January 26, 2020**	January 27, 2019
Operating activities		
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid	**$108.6**	$107.4
Changes in non-cash operating items	**(28.6)**	(3.1)
Income taxes paid	**(16.3)**	(20.5)
Cash flows from operating activities	**$63.7**	$83.8
Investing activities		
Business combinations, net of acquired cash	**($7.7)**	$—
Business disposals	**232.1**	—
Acquisitions of property, plant and equipment	**(23.1)**	(35.7)
Disposals of property, plant and equipment	**0.1**	—
Increase in intangible assets	**(4.4)**	(5.1)
Cash flows from investing activities	**$197.0**	($40.8)
Financing activities		
Reimbursement of long-term debt	**($8.3)**	$—
Net increase in credit facility	**—**	4.3
Financial expenses on long-term debt	**(13.2)**	(17.2)
Repayment of principal on lease liabilities	**(5.2)**	—
Interest on lease liabilities	**(0.6)**	—
Exercise of stock options	**1.7**	—
Dividends	**(19.2)**	(18.3)
Share redemptions	**(7.1)**	—
Cash flows from financing activities	**($51.9)**	($31.2)
Effect of exchange rate changes on cash denominated in foreign currencies	**$2.1**	$1.4
Net change in cash	**$210.9**	$13.2

Financial position	As at January 26, 2020	As at October 27, 2019
Net indebtedness (1) (2)	**$1,092.7**	$1,169.4
Net indebtedness ratio (1) (2)	**2.3 x**	2.5 x
Credit rating		
DBRS	**BBB (low)**	BBB (low)
Outlook	**Stable**	Stable
Standard and Poor's	**BBB-**	BBB-
Outlook	**Negative**	Negative

Consolidated Statements of Financial Position	As at January 26, 2020	As at October 27, 2019 (3)
Current assets (2)	**$1,171.5**	$1,068.8
Current liabilities (2)	**548.4**	457.4
Total assets (2)	**3,805.9**	3,781.8
Total liabilities (2)	**2,134.6**	2,090.6

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

Share Capital
Table #7:

Shares Issued and Outstanding	As at January 26, 2020	As at October 27, 2019
Class A (Subordinate Voting Shares)	**73,046,594**	**73,360,754**
Class B (Multiple Voting Shares)	**13,979,126**	**13,979,626**
Total Class A and Class B	**87,025,720**	**87,340,380**

As at January 26, 2020, the Corporation had been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2019 and September 30, 2020, or at an earlier date if the Corporation concludes or cancels the offer, up to 1,000,000 of its Class A Subordinate Voting Shares and up to 190,560 of its Class B Shares. The repurchases are made in the normal course of business at market prices through the Toronto Stock Exchange.

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

During the three-month period ended January 26, 2020, the Corporation redeemed and cancelled 449,900 of its Class A Subordinate Voting Shares at a weighted average price of $15.70, for a total cash consideration of $ 7.1 million. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 26, 2020.

ANALYSIS OF LIQUIDITY - QUARTER

Cash Flows from Operating Activities

Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid went from $107.4 million in the first quarter of 2019 to $108.6 million in the first quarter of 2020. The change in non-cash operating items went from $(3.1) million in the first quarter of 2019 to $(28.6) million in the first quarter of 2020. This change is mainly related to significant cash receipts of our accounts receivable in the first quarter of 2019. On a net basis, cash flows from operating activities decreased by $20.1 million, from $83.8 million in the first quarter of 2019 to $63.7 million in the first quarter of 2020.

Cash Flows from Investing Activities

Cash flows from investing activities went from a cash outflow of $40.8 million in the first quarter of 2019 to a cash inflow of $197.0 million in the first quarter of 2020. This variation is mostly explained by the receipt of US$180 million (C$235.1 million) from the sale to Hood Packaging Corporation of the paper packaging operations. In addition, this change results from a reduction in acquisitions of property, plant and equipment in the Packaging Sector due to significant investments made in the first quarter of 2019.

Cash Flows from Financing Activities

Cash flows from financing activities went from a cash outflow of $31.2 million in the first quarter of 2019 to a cash outflow of $51.9 million in the first quarter of 2020. This change is mostly attributable to the reimbursement of debt and the repurchase of 449,900 Class A Subordinate Voting Shares for a total cash consideration of $7.1 million.

Debt Instruments

Net indebtedness went from $1,169.4 million as at October 27, 2019 to $1,092.7 million as at January 26, 2020. This decrease is mainly explained by the increase in cash following the receipt of US$180 million (C$235.1 million) from the sale of the paper packaging operations to Hood Packaging Corporation, as well as excess cash flows from operating activities. These items were partially offset by the $132.1 million increase in net indebtedness due to the new IFRS 16 accounting standard. Consequently, our net indebtedness ratio stood at 2.3x as at January 26, 2020 compared to 2.5x as at October 27, 2019.

During the first quarter of 2020, the Corporation extended the maturity of one of its credit facilities, with an available amount of $400.0 million or the U.S. dollar equivalent, for one additional year, until February 2025, on the same terms. As at January 26, 2020, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was $432.9 million.

CHANGES IN ACCOUNTING STANDARDS

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

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Artisan Complete Limited is a company specialized in the creation of engaging retail environments, point-of-purchase displays and large format printing that has 187 employees. Acquired on January 13, 2020, Artisan generated revenues of $1.2 million in the first quarter of 2020, or 0.17% of the Corporation's consolidated results.

Additional information about this acquisition is presented in Table #8.

Table #8:
(unaudited)

(in millions of dollars)	Artisan Complete Limited
Statement of financial position	**As at January 26, 2020**
Current assets	10.1
Non-current assets	9.2
Current liabilities	5.6
Non-current liabilities	1.1
Statement of earnings	**Three months ended January 26, 2020**
Revenues	1.2
Operating earnings before depreciation and amortization	(0.2)
Operating earnings	(0.3)

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

SUBSEQUENT EVENT

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

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

OUTLOOK

In the Packaging Sector, after normalizing the impact of the sale of our paper packaging operations and the price of resin, we expect a slight organic growth in revenues, especially in the second half of the year. We also continue to expect an increase in our profit margins as a result of operational synergies and the disposal of our paper packaging operations, which generated lower margins.

In the Printing Sector, we expect that an organic decline will continue to affect the majority of our verticals, but that the reduction in flyer printing volume should be less significant than in 2019. The acquisitions of Holland & Crosby Limited and Artisan Complete Limited, combined with the anticipated growth of book and in-store marketing product printing activities, will help partially offset this organic decline. Lastly, our operational efficiency initiatives will have a positive impact in fiscal 2020, which should mitigate the effect of the decrease in volume on operating earnings.

To conclude, we expect to continue generating significant cash flows from all our operating activities, which gives us the confidence needed to increase the dividend while enabling us to reduce our net indebtedness and providing us with the desired flexibility to continue our transformation through strategic and targeted acquisitions.

On behalf of Management,

(s) Donald LeCavalier
Chief Financial Officer

February 27, 2020

CONSOLIDATED STATEMENTS OF EARNINGS
Unaudited

(in millions of Canadian dollars, unless otherwise indicated and per share data)	Notes	Three months ended January 26, 2020	January 27, 2019
Revenues	3	**$ 705.8**	$ 751.6
Operating expenses	5	**596.8**	643.5
Restructuring and other costs	6	**13.3**	4.4
Operating earnings before depreciation and amortization		**95.7**	103.7
Depreciation and amortization	7	**54.9**	50.1
Operating earnings		**40.8**	53.6
Net financial expenses	8	**14.0**	17.7
Earnings before income taxes		**26.8**	35.9
Income taxes	9	**20.3**	7.8
Net earnings		**6.5**	28.1
Non-controlling interests		**0.1**	—
Net earnings attributable to the shareholders of the Corporation		**$ 6.4**	$ 28.1
Net earnings per share - basic		**$ 0.07**	$ 0.32
Net earnings per share - diluted		**$ 0.07**	$ 0.32
Weighted average number of shares outstanding - basic (in millions)	13	**87.3**	87.3
Weighted average number of shares - diluted (in millions)	13	**87.3**	87.4

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited

		Three months ended	
(in millions of Canadian dollars)	Notes	**January 26, 2020**	January 27, 2019
Net earnings		**$ 6.5**	$ 28.1
Other comprehensive income (loss)			
Items that will be reclassified to net earnings			
Net change related to cash flow hedges			
Net change in the fair value of derivatives designated as cash flow hedges - Foreign exchange risk		**(0.5)**	(0.4)
Net change in the fair value of derivatives designated as cash flow hedges - Interest rate risk	10	**0.2**	—
Reclassification of the net change in the fair value of derivatives designated as cash flow hedges in prior periods, recognized in net earnings during the period		**0.8**	0.2
Related income taxes		**0.2**	(0.1)
		0.3	(0.1)
Cumulative translation differences			
Net unrealized exchange gains on the translation of the financial statements of foreign operations		**7.5**	12.3
Net gains (losses) on hedge of the net investment in foreign operations	10	**0.8**	(0.6)
Related income taxes		**0.2**	(0.2)
		8.1	11.9
Items that will not be reclassified to net earnings			
Changes related to defined benefit plans			
Actuarial gains (losses) on defined benefit plans		**4.0**	(3.1)
Related income taxes		**1.0**	(0.8)
		3.0	(2.3)
Other comprehensive income	15	**11.4**	9.5
Comprehensive income		**$ 17.9**	$ 37.6

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(in millions of Canadian dollars)	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
Balance as at October 27, 2019		**$ 641.9**	**$ 1.1**	**$ 1,069.9**	**$ (25.9)**	**$ 1,687.0**	**$ 4.2**	**$ 1,691.2**
Impact of the transition to IFRS 16	2	**—**	**—**	**(13.2)**	**—**	**(13.2)**	**—**	**(13.2)**
Balance as at October 27, 2019 - adjusted		**641.9**	**1.1**	**1,056.7**	**(25.9)**	**1,673.8**	**4.2**	**1,678.0**
Net earnings		**—**	**—**	**6.4**	**—**	**6.4**	**0.1**	**6.5**
Other comprehensive income		**—**	**—**	**—**	**11.4**	**11.4**	**—**	**11.4**
Shareholders' contributions and distributions to shareholders								
Share redemptions	12	**(3.8)**	**—**	**(3.3)**	**—**	**(7.1)**	**—**	**(7.1)**
Exercise of stock options	12	**1.9**	**(0.2)**	**—**	**—**	**1.7**	**—**	**1.7**
Dividends	12	**—**	**—**	**(19.2)**	**—**	**(19.2)**	**—**	**(19.2)**
Balance as at January 26, 2020		**$ 640.0**	**$ 0.9**	**$ 1,040.6**	**$ (14.5)**	**$ 1,667.0**	**$ 4.3**	**$ 1,671.3**
Balance as at October 28, 2018		$ 642.4	$ 1.1	$ 979.8	$ 10.8	$ 1,634.1	$ —	$ 1,634.1
Net earnings		—	—	28.1	—	28.1	—	28.1
Other comprehensive income		—	—	—	9.5	9.5	—	9.5
Shareholders' contributions and distributions to shareholders								
Dividends	12	—	—	(18.3)	—	(18.3)	—	(18.3)
Income taxes on share issuance costs	12	(0.2)	—	—	—	(0.2)	—	(0.2)
Balance as at January 27, 2019		$ 642.2	$ 1.1	$ 989.6	$ 20.3	$ 1,653.2	$ —	$ 1,653.2

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 January 26, 2020**	As at October 27, 2019 (1)
Current assets			
Cash		**$ 424.6**	$ 213.7
Accounts receivable		**443.7**	520.7
Income taxes receivable		**9.3**	10.2
Inventories		**274.0**	304.2
Prepaid expenses and other current assets		**19.9**	20.0
		1,171.5	1,068.8
Property, plant, equipment		**745.3**	820.1
Right-of-use assets	2	**110.9**	—
Intangible assets		**618.4**	686.2
Goodwill		**1,096.5**	1,145.3
Deferred taxes	9	**28.1**	27.2
Other assets		**35.2**	34.2
		$ 3,805.9	$ 3,781.8
Current liabilities			
Accounts payable and accrued liabilities		**$ 350.1**	$ 420.0
Provisions		**8.3**	14.1
Income taxes payable		**10.1**	12.8
Deferred revenues and deposits		**11.4**	9.3
Current portion of long-term debt	10	**148.5**	1.2
Current portion of lease liabilities	2	**20.0**	—
		548.4	457.4
Long-term debt	10	**1,236.7**	1,381.9
Lease liabilities	2	**112.1**	—
Deferred taxes	9	**126.1**	120.2
Provisions		**0.7**	1.9
Other liabilities	11	**110.6**	129.2
		2,134.6	2,090.6
Equity			
Share capital	12	**640.0**	641.9
Contributed surplus		**0.9**	1.1
Retained earnings		**1,040.6**	1,069.9
Accumulated other comprehensive loss	15	**(14.5)**	(25.9)
Attributable to the shareholders of the Corporation		**1,667.0**	1,687.0
Non-controlling interests		**4.3**	4.2
		1,671.3	1,691.2
		$ 3,805.9	$ 3,781.8

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

(in millions of Canadian dollars)	Notes	Three months ended January 26, 2020	Three months ended January 27, 2019
Operating activities			
Net earnings		**$ 6.5**	$ 28.1
Adjustments to reconcile net earnings and cash flows from operating activities:			
Depreciation and amortization	7	**60.3**	55.4
Financial expenses on long-term debt and lease liabilities	8	**14.4**	16.2
Net losses on disposal of assets		**1.5**	0.2
Net losses on business disposals	6	**4.3**	—
Income taxes	9	**20.3**	7.8
Net foreign exchange differences and other		**1.3**	(0.3)
Cash flows generated by operating activities before changes in non-cash operating items and income taxes paid		**108.6**	107.4
Changes in non-cash operating items		**(28.6)**	(3.1)
Income taxes paid		**(16.3)**	(20.5)
Cash flows from operating activities		**63.7**	83.8
Investing activities			
Business combinations, net of acquired cash	4	**(7.7)**	—
Business disposals	4	**232.1**	—
Acquisitions of property, plant and equipment		**(23.1)**	(35.7)
Disposals of property, plant and equipment		**0.1**	—
Increase in intangible assets		**(4.4)**	(5.1)
Cash flows from investing activities		**197.0**	(40.8)
Financing activities			
Reimbursement of long-term debt	10	**(8.3)**	—
Net increase in credit facility	10	**—**	4.3
Financial expenses on long-term debt	8 & 10	**(13.2)**	(17.2)
Repayment of principal on lease liabilities		**(5.2)**	—
Interest on lease liabilities		**(0.6)**	—
Exercise of stock options	12	**1.7**	—
Dividends	12	**(19.2)**	(18.3)
Share redemptions	12	**(7.1)**	—
Cash flows from financing activities		**(51.9)**	(31.2)
Effect of exchange rate changes on cash denominated in foreign currencies		**2.1**	1.4
Net change in cash		**210.9**	13.2
Cash at beginning of period		**213.7**	40.5
Cash at end of period		**$ 424.6**	$ 53.7
Non-cash investing activities			
Net change in capital asset acquisitions financed by accounts payable		**$ (1.0)**	$ 2.5

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

1 GENERAL INFORMATION

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

The Corporation is a leader in flexible packaging in North America and Canada's largest printer. The Corporation mainly conducts business in Canada, the United States, Latin America, the United Kingdom, Australia and New Zealand in three separate sectors: the Packaging Sector, the 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 February 27, 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). In particular, these interim consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting", and therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended October 27, 2019, which include the significant accounting policies used by the Corporation, except those related to lease accounting under new IFRS 16 disclosed below.

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

New accounting policies adopted

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies (continued)

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies adopted (continued)

- **IFRS 16 "Leases" (continued)**
  The following table reconciles lease commitments as at October 27, 2019 to lease liabilities recognized under IFRS 16, which was adopted on October 28, 2019:

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policies adopted (continued)

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

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

  Impact of the adoption on critical estimates and judgments

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

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

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

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

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

3 SEGMENTED INFORMATION

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

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

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

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

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

For the three-month period ended January 26, 2020	Packaging	Printing	Other	Consolidated Results
Revenues	**$ 371.5**	**$ 325.8**	**$ 8.5**	**$ 705.8**
Operating expenses	**323.8**	**259.9**	**13.1**	**596.8**
Restructuring and other costs	**3.7**	**5.7**	**3.9**	**13.3**
Operating earnings before depreciation and amortization	**44.0**	**60.2**	**(8.5)**	**95.7**
Depreciation and amortization	**36.9**	**15.3**	**2.7**	**54.9**
Operating earnings	**$ 7.1**	**$ 44.9**	**$ (11.2)**	**$ 40.8**
Adjusted operating earnings before depreciation and amortization (1)	**$ 47.7**	**$ 65.9**	**$ (4.6)**	**$ 109.0**
Adjusted operating earnings (1)	**27.6**	**51.8**	**(7.3)**	**72.1**
Acquisitions of non-current assets (2)	**$ 11.5**	**$ 9.8**	**$ 5.2**	**$ 26.5**

For the three-month period ended January 27, 2019	Packaging	Printing	Other	Consolidated Results
Revenues	$ 395.0	$ 336.8	$ 19.8	$ 751.6
Operating expenses	348.7	273.8	21.0	643.5
Restructuring and other costs	1.3	2.9	0.2	4.4
Operating earnings before depreciation and amortization	45.0	60.1	(1.4)	103.7
Depreciation and amortization	34.5	13.3	2.3	50.1
Operating earnings	$ 10.5	$ 46.8	$ (3.7)	$ 53.6
Adjusted operating earnings before depreciation and amortization (1)	$ 46.3	$ 63.0	$ (1.2)	$ 108.1
Adjusted operating earnings (1)	29.2	$ 50.8	(3.3)	76.7
Acquisitions of non-current assets (2)	$ 24.7	$ 6.8	$ 8.6	$ 40.1

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

3 SEGMENTED INFORMATION (CONTINUED)

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

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

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	
	January 26, 2020	January 27, 2019
Packaging products		
Americas	**$ 347.0**	$ 368.4
Rest of the world	**24.5**	26.6
	371.5	395.0
Printing services (1)		
Retailer-related services (2)	**217.3**	220.2
Marketing products	**31.6**	34.0
Magazines and books	**49.6**	50.5
Newspapers	**27.3**	32.1
	325.8	336.8
Media (1)	**11.8**	20.9
Inter-segment sales	**(3.3)**	(1.1)
	$ 705.8	$ 751.6

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

	As at January 26, 2020	As at October 27, 2019
Packaging	**$ 2,235.3**	$ 2,457.1
Printing	**964.4**	945.9
Other (3)	**606.2**	378.8
	$ 3,805.9	$ 3,781.8

(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 and investment properties, intangible assets, deferred taxes and defined benefit asset not allocated to segments.

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

4 BUSINESS COMBINATIONS

Business combinations

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

As at January 26, 2020, the initial purchase price allocation led to the recognition of goodwill of $1.4 million. The recognized goodwill is not deductible for tax purposes.

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

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

(1) As at January 26, 2020, the Corporation had repaid an amount of $3.9 million on long-term debt, lease liabilities and other items.

Given the acquisition date of January 10, 2020, revenues and operating earnings before depreciation and amortization generated by Artisan Complete since its acquisition had no material impact on the Corporation's consolidated operating earnings for the three-month period ended January 26, 2020. The fair value of acquired accounts receivable of $7.6 million is included in current assets recognized as part of the provisional accounting of the purchase price allocation.

Business disposals

- **Sale of paper and woven polypropylene packaging operations**
On January 17, 2020, the Corporation completed the sale of its paper and woven polypropylene packaging operations to Hood Packaging Corporation pursuant to the final agreement announced on November 27, 2019. The sale transaction includes the assets related to paper packaging operations, including buildings, of Transcontinental Sibley, Iowa; Transcontinental Handford, California; Transcontinental Hazleton, Pennsylvania and Transcontinental Tifton, Georgia; as well as the assets related to the paper and woven polypropylene packaging operations of Transcontinental Spartanburg, South Carolina.

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

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

4 BUSINESS COMBINATIONS (CONTINUED)

Business disposals (continued)

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

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

(1) This consideration could be affected by final adjustments based on final closing financial statements and transaction costs.

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

5 OPERATING EXPENSES

Operating expenses by major headings are as follows:

	Three months ended	
	January 26, 2020	January 27, 2019
Employee-related costs	**$ 194.9**	$ 197.5
Supply chain and logistics (1)	**374.7**	413.0
Other goods and services (2)	**27.2**	33.0
	$ 596.8	$ 643.5

(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	
	January 26, 2020	January 27, 2019
Workforce reductions	**$ 4.7**	$ 3.0
Losses related to the sale of certain activities (1)	**5.8**	—
Other elements	**2.1**	0.9
Onerous contracts	**0.4**	(0.5)
Business acquisition costs (2)	**0.1**	0.1
Other acquisition-related costs (3)	**0.2**	0.9
	$ 13.3	$ 4.4

(1) Includes a loss on the disposal of the paper and woven polypropylene packaging operations (Note 4) of $4.3 million for the three-month period ended January 26, 2020.

(2) 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.

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

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

7 DEPRECIATION AND AMORTIZATION

Depreciation and amortization is as follows:

		Three months ended	
	Note	**January 26, 2020**	January 27, 2019
Property, plant and equipment		**$ 30.5**	$ 29.8
Right-of-use assets	2	**4.7**	—
Intangible assets		**19.7**	20.3
		54.9	50.1
Intangible assets and other assets, recognized in revenues and operating expenses		**5.4**	5.3
		$ 60.3	$ 55.4

8 NET FINANCIAL EXPENSES

Net financial expenses are as follows:

		Three months ended	
	Note	**January 26, 2020**	January 27, 2019
Financial expenses on long-term debt		**$ 13.6**	$ 16.2
Interest on lease liabilities	2	**0.8**	—
Net interest on defined benefit plans asset and liability		**0.6**	0.6
Other expenses (revenues)		**(0.6)**	1.0
Net foreign exchange gains		**(0.4)**	(0.1)
		$ 14.0	$ 17.7

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

9 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	
	January 26, 2020	January 27, 2019
Earnings before income taxes	**$ 26.8**	$ 35.9
Canadian statutory tax rate [1]	**26.52 %**	26.62 %
Income taxes at the statutory tax rate	**7.1**	9.6
Effect of differences in tax rates in other jurisdictions [2]	**(0.2)**	(2.8)
Income taxes on non-deductible expenses and non-taxable revenues	**2.2**	0.9
Income taxes on non-deductible restructuring costs and other costs	**12.8**	—
Change in deferred tax assets on tax losses or temporary differences not previously recognized	**(2.6)**	0.2
Other	**1.0**	(0.1)
Income taxes at effective tax rate	**$ 20.3**	$ 7.8
Income taxes before the following items:	**$ 15.2**	$ 13.5
Income taxes on amortization of intangible assets arising from business combinations	**(4.4)**	(4.6)
Income taxes on restructuring and other gains, excluding tax impact of the disposal	**(2.2)**	(1.1)
Tax impact of the disposal	**11.7**	—
Income taxes at effective tax rate	**$ 20.3**	$ 7.8

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

[2] The Corporation's U.S. income tax provision for the three-month period ended January 26, 2020 and the resulting tax assets and liabilities have been determined based on the Internal Revenue Code and related regulations currently enacted. The U.S. Treasury Department, the Internal Revenue Service ("IRS") and other standard-setting bodies will eventually issue other directives (which could potentially apply retroactively) on how the provisions of the Act will be applied or administered. These directives could lead to an interpretation that is very different from ours. As these directives 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 the recorded amounts. These adjustments could affect our financial position and results of operations as well as our effective tax rate in the period in which they are made.

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

10 LONG-TERM DEBT

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

As at January 26, 2020, no amount had been drawn on the credit facilities, and the unused amount under the credit facilities was $432.9 million.

Hedging instruments
As at January 26, 2020, an amount of US$468.9 million ($616.2 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 period ended January 26, 2020, a foreign exchange gain of $0.8 million was reclassified to other comprehensive income.

During fiscal 2019, the Corporation entered into interest rate swaps as a hedge against risks related to future fluctuations of interest rates for an amount of US$450.0 million of certain of its term loans until their respective maturities. The Corporation applies cash flow hedge accounting by designating these swaps as hedging instruments. Consequently, during the three-month period ended January 26, 2020, the change in fair value of these hedging instruments, amounting to $0.2 million, was recognized in other comprehensive income.

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

11 OTHER LIABILITIES

The components of other liabilities are as follows:

	Note	**As at January 26, 2020**	As at October 27, 2019 [(1)]
Deferred revenues		**$ 4.0**	$ 4.6
Accrued liabilities and other liabilities		**5.9**	18.6
Stock-based compensation	14	**7.6**	9.4
Defined benefit liability		**78.3**	81.7
Derivative financial instruments		**14.8**	14.9
		$ 110.6	$ 129.2

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

12 SHARE CAPITAL

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

	Number of shares	Amount
Class A Subordinate Voting Shares		
Balance as at October 27, 2019	73,360,754	$ 622.9
Conversion of Class B Shares into Class A Subordinate Voting Shares	500	—
Shares redeemed and cancelled	(449,900)	(3.8)
Exercise of stock options	135,240	1.9
Balance as at January 26, 2020	73,046,594	621.0
Class B Shares		
Balance as at October 27, 2019	13,979,626	19.0
Conversion of Class B Shares into Class A Subordinate Voting Shares	(500)	—
Balance as at January 26, 2020	13,979,126	19.0
	87,025,720	$ 640.0

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

The Corporation had been authorized to repurchase, for cancellation on the open market, or subject to the approval of any securities authority by private agreements, between October 1, 2018 and September 30, 2019, or at an earlier date if the Corporation concludes or cancels the offer, up to 2,000,000 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 three-month period ended January 26, 2020, the Corporation redeemed and cancelled 449,900 of its Class A Subordinate Voting Shares at a weighted average price of $15.70, for a total cash consideration of $7.1 million. The excess of the total consideration over the carrying amount of the shares, in the amount of $3.3 million, was applied against retained earnings. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at January 26, 2020.

During the three-month period ended January 27, 2019, the Corporation did not repurchase any of its Class A Subordinate Voting Shares. The Corporation was under no obligation to repurchase its Class A Subordinate Voting Shares and Class B Shares as at as at January 27, 2019.

Dividends
Dividends of $0.22 and $0.21 per share were declared and paid to holders of shares for the three-month periods ended January 26, 2020 and January 27, 2019, respectively.

13 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	
	January 26, 2020	January 27, 2019
Numerator		
Net earnings	**$ 6.4**	$ 28.1
Denominator (in millions)		
Weighted average number of shares outstanding - basic	**87.3**	87.3
Dilutive effect of stock options	**—**	0.1
Weighted average number of shares - diluted	**87.3**	87.4

As at January 26, 2020, no stock options were outstanding. As at January 27, 2019, all stock options were included in the calculation of the diluted net earnings per share due to their potential dilutive effect.

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

14 STOCK-BASED COMPENSATION

Share unit plan for certain officers and senior executives

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

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

	Number of units	
	DSU	RSU
Balance as at October 27, 2019	435,890	868,893
Units granted	106,736	422,162
Units cancelled	(5,126)	(46,737)
Units paid	(8,115)	(247,564)
Units converted	6,805	—
Dividends paid in units	(3,416)	8,683
Balance as at January 26, 2020	532,774	1,005,437

As at January 26, 2020, the liability related to the share unit plan for certain officers and senior executives was $10.8 million ($13.4 million as at October 27, 2019). The expenses recorded in the Consolidated Statements of Earnings for the three-month periods ended January 26, 2020 and January 27, 2019 were $1.0 million and $1.5 million, respectively. Amounts of $3.6 million and $7.3 million were paid under this plan for the three-month periods ended January 26, 2020 and January 27, 2019, respectively.

Share unit plan for directors

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

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

	Number of units
Balance as at October 27, 2019	291,271
Directors' compensation	12,216
Dividends paid in units	4,057
Balance as at January 26, 2020	307,544

As at January 26, 2020, the liability related to the share unit plan for directors was $5.1 million ($4.7 million as at October 27, 2019). The expenses recorded in the Consolidated Statements of Earnings for the three-month periods ended January 26, 2020 and January 27, 2019 were $0.4 million and $0.4 million, respectively. An immaterial amount and an amount of $0.5 million were paid under this plan for the three-month periods ended January 26, 2020 and January 27, 2019, respectively.

Stock option plan

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

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

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

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

15 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Cash flow hedges	Net investment hedges	Cumulative translation differences	Actuarial gains and losses related to defined benefit plans	Accumulated other comprehensive income (loss)
Balance as at October 27, 2019	**$ (9.8)**	**$ (9.1)**	**$ 31.1**	**$ (38.1)**	**$ (25.9)**
Net change in gains, net of income taxes	**0.3**	**0.6**	**7.5**	**3.0**	**11.4**
Balance as at January 26, 2020	**$ (9.5)**	**$ (8.5)**	**$ 38.6**	**$ (35.1)**	**$ (14.5)**
Balance as at October 28, 2018	$ 0.2	$ (3.8)	$ 39.3	$ (24.9)	$ 10.8
Net change in gains (losses), net of income taxes	(0.1)	(3.4)	15.3	(2.3)	9.5
Balance as at January 27, 2019	$ 0.1	$ (7.2)	$ 54.6	$ (27.2)	$ 20.3

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

	2020	2021	2022	2023	Total
Net change in the fair value of derivatives designated as cash flow hedges	$ —	$ (0.7)	$ (7.7)	$ (4.5)	$ (12.9)
Income taxes	—	(0.2)	(2.0)	(1.2)	(3.4)
	$ —	$ (0.5)	$ (5.7)	$ (3.3)	$ (9.5)

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	
	January 26, 2020	January 27, 2019
Actuarial losses on obligation - change in discount rate	**$ (19.6)**	$ (19.2)
Actuarial gains on plan assets - excluding interest income	**24.2**	16.0
Effect of the asset ceiling	**(0.6)**	0.1
	$ 4.0	$ (3.1)

Actuarial losses on obligation recognized in the Statements of Comprehensive Income for the three-month period ended January 26, 2020 are explained by the change in the discount rate, which decreased from 3.1% as at October 27, 2019 to 2.9% as at January 26, 2020 in Canada, and from 3.30% as at October 27, 2019 to 3.20% as at January 26, 2020 in the United States. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were overall greater than expected returns for the three-month period ended January 26, 2020.

Actuarial losses on obligation recognized in Statements of Comprehensive Income for the three-month period ended January 27, 2019 are explained by the change in the discount rate, which decreased from 3.9% as at October 28, 2018 to 3.7% as at January 27, 2019 in Canada, and from 4.50% as at October 28, 2018 to 4.30% as at January 27, 2019 in the United States. Actuarial gains on plan assets are attributable to the fact that actual rates of return on assets were greater than expected returns for the three-month period ended January 27, 2019.

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

16 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 swaps and contingent considerations payable related to business combinations. The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. The valuation model for contingent considerations considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payment is determined by considering various scenarios of achievement of pre-established financial performance thresholds, the amount to be paid under each scenario and the probability of each scenario.

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

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

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

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

	As at January 26, 2020		As at October 27, 2019	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Foreign exchange forward contracts in assets	**$ 1.2**	**$ 1.2**	$ 1.8	$ 1.8
Interest rate swaps in assets	**0.8**	**0.8**	—	—
Contingent considerations	**(10.7)**	**(10.7)**	(10.6)	(10.6)
Long-term debt	**(1,422.0)**	**(1,385.2)**	(1,419.4)	(1,383.1)
Interest rate swap contracts in liabilities	**(14.5)**	**(14.5)**	(14.8)	(14.8)
Foreign exchange forward contracts in liabilities	**(0.8)**	**(0.8)**	(0.5)	(0.5)

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

Sensitivity analysis of the Level 3 financial instruments
As at January 26, 2020, all other things being equal, a 10% increase in expected financial performance thresholds of acquired businesses would have resulted in a decrease in net earnings of $6.8 million. A 10% decrease in expected financial performance thresholds would have resulted in an increase in net earnings of $6.1 million.

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

	January 26, 2020
Balance, beginning of period	**$ (10.6)**
Exchange rate change	**(0.1)**
Balance, end of period	**$ (10.7)**

18 SUBSEQUENT EVENTS

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

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